

World Agriculture

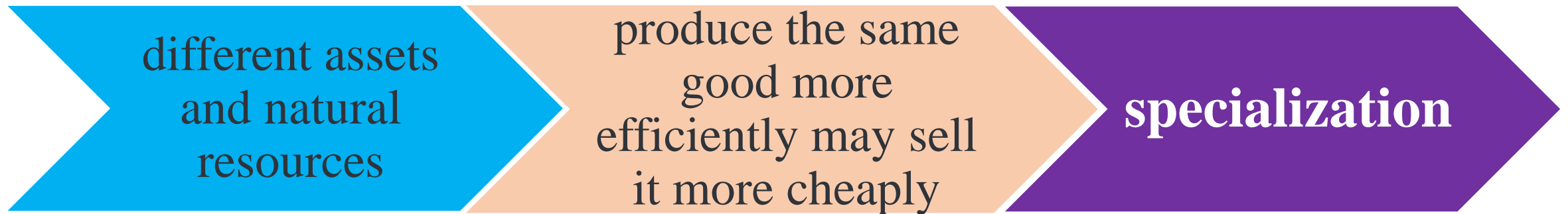
Basic Concepts in Chapter 8

Summary Trade (3W)

- **What is trade?** **A basic economic concept** involving the buying and selling of goods and services, with compensation paid by a buyer to a seller, or the exchange of goods or services between parties;
- **Where does trade take place?** **Within an economy** between producers and consumers (either within a country , or between trading nations);
- **Why does trade occur?**

Summary

International trade allows wealthy countries to use their resources—for example, labor, technology, or capital—more efficiently:





- **Why does trade (*esp. international trade*) occur?**
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Trade/International trade occurs because one country enjoys a **comparative advantage** in the production of a certain good or service, specifically if the opportunity cost of producing that good or service is lower for that country than any other country.

Note: In international trade, no country can have a comparative advantage in the production of all goods or services.

Advantages of International Trade

- **Efficient use of Natural Resources:** Since both the countries in the trade would be having some kind of natural resources, both of them can utilize it in the best possible manner.
- **Availability of all types of Goods:** It enables the countries to possess all types of goods including those which they are not able to produce.
- **Specializations:** It leads to the specialization of different goods in different countries.
- **Large Scale production:** It enables countries to produce in large scale quantities.

Advantages of International Trade

- **Price Stability:** It helps in equalizing the prices of the goods removing the wild fluctuation in the prices of the goods and or Services.
- **Increase of Technical know-how:** It enables the Countries to exchange technology between themselves which also adds to the countries technical bank and also to the **GDP**(Gross Domestic Product).
- **International Cooperation:** It also helps in the co-operation of the International pressures on the Countries thus building relationships and understanding amongst leaders of the world.

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Disadvantages of International Trade

- **Adverse effect on Home Consumption:** International trade also has an adverse impact on the production of the Domestic Players since due to foreign competition, the upcoming industries in the market may collapse completely.

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- **Economic Dependence:** The less developed countries in the World has to rely upon the Developed Economies in order to fulfill their Demand

Disadvantages of International Trade

- **Political Dependence:** Sometimes International Trade is executed in order to fulfill a political goal, endangering the political dependency of the



- **Import of Harmful Goods:** It may also happen that any harmful goods are been imported which can cause chaos in the citizens of the importing country.

Disadvantages of International Trade

- **Storage of goods:** Sometimes storage is a big problem among the importers since heavy imports can result in heavy pressures on the warehouse in order to store the goods in it.



Disadvantages of International Trade

- **World Wars:** International Trade may also result in trade rivalries amongst the International players which may also result in World War.
- **Danger to International peace:** It gives an opportunity to the Foreign players to come to another country and settle down thereby creating uncertainty and threat to Internal peace.



Summary

- **International trade** is the exchange of goods and services between countries (at least two different countries).
- Trading globally gives consumers and countries the opportunity to be exposed to goods and services not available in their own countries, or more expensive domestically.
- The importance of international trade was recognized early on by political economists such as Adam Smith and David Ricardo.
- Still, some argue that international trade can actually be bad for smaller nations, putting them at a greater disadvantage on the world stage.

Waves of Globalization (*classical*)

- **The 1st wave of globalization: during the second half of the nineteenth century**

Combination of *lower trade barrier* and numerous *technological innovations* that strongly reduced transaction costs for movements not only of goods but also of people and capital.

- **The 2nd wave of globalization: from 1945 (after Second World War, and is still continue)**

Waves of Globalization (present)

Globalization 1.0 is pre-World War 1 globalization, which was launched by a historic drop in trade costs when steam and other forms of mechanical power made it economical to consume goods made faraway.

Globalization 2.0 is the post-World War II phase where trade in goods was combined with complementary domestic policies that helped share the pains and gains of globalization:
establishment of institute-based, rule-based international governance

Globalization 3.0 hyperglobalization

The key is that globalization now meant factories crossing borders

Globalization 4.0 will happen when digitech allows arbitrage of international wage differences without the physical movement of workers.

The Belt and Road Initiative (BRI, B&R)

- China's Belt and Road Initiative (BRI, B&R) (一帶一路) is a strategy initiated by the People's Republic of China that seeks to connect Asia with Africa and Europe via land and maritime networks with the aim of improving regional integration, increasing trade and stimulating economic growth.
- The name was coined in 2013 by China's President Xi Jinping, who drew inspiration from the concept of the Silk Road established during the Han Dynasty 2,000 years ago – an ancient network of trade routes that connected China to the Mediterranean via Eurasia for centuries. The BRI has also been referred to in the past as 'One Belt One Road'.

The Belt and Road Initiative: redefining globalization

- **A Chinese proposal:** aiming to promote peaceful cooperation and common development around the world;
- **Areas of Cooperation** (Economy and Culture) under the B&R framework: public, transparent, and open, and brings positive energy to world peace and development;
- **Principle:** achieving shared growth through discussion and collaboration, and join hands to build a new system of global economic governance

Aims of BRI

- To create job opportunities for the related countries
- To introduce more talents and provide intellectual support for the BRI construction
- To promote the economic globalization and regional economic integration
- To help build a community with a shared future for mankind

Common destiny of all nations

Mankind's shared future