International Trade & Globalization

Need for International Trade:

- In today’s world, economic life has become more complex and diversified. No country can live in isolation and claim to be self-sufficient. Even countries with different ideologies, culture, and political, social and economic structure have trade relations with each other.
- Thus, trade relations of U.S.A. with U.S.S.R. and China with Japan are examples. The aim of international trade is to increase production and to raise the standard of living of the people.
- International trade helps citizens of one nation to consume and enjoy the possession of goods produced in some other nation.

Globalization

- The expansion of economic, political, and cultural processes to the point that they become global in scale and impact.
- **Terms to Know**
- Imports – Bringing goods or services into a country for sale.
- Exports – Sending goods or services to another country for sale.
- Exchange rates – The price of a nation’s currency in terms of another nation’s currency.

- Balance of Trade – The difference in value between a country's imports and exports.
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International Trade

Purchase, sale, or exchange of goods and services across national borders

- ✓ People have larger selection of products
- ✓ Important engine for job creation

Economic Interdependence

- The participants in any economic system must be part of a trading network to obtain the products they cannot produce efficiently for themselves.

Trade and World Output

- World trade
    - 80% merchandise
    - 20% services
- World output impacts trade
    - Growing output = growing trade
    - Sluggish output = sluggish trade
- World trade grows faster
- than world output

Terms to Know

- Free Trade – International trade left to its natural course without tariffs, quotas, or other restrictions.
- Tariff – Tax on imported goods or services.

Quota – A numerical limit on imports or exports

- Sanction – A trade penalty imposed by one nation onto one or more other nations.
- Embargo – The partial or complete prohibition of commerce and trade with a particular country or a group of countries

What Are the Benefits of International Trade for a Business?

The benefits of international trade for a business are a larger potential customer base, meaning more profits and revenues, possibly less competition in a foreign market that hasn't been accessed as yet, and possible benefits through foreign exchange rates

What Creates the Need for International Trade?

- International trade arises from the differences in certain areas of each nation. Typically, differences in technology, education, demand, government policies, labor laws, natural resources, wages, and financing opportunities spur international trade

What Are Common Barriers to International Trade?

- The barriers to international trade are policies that governments implement to prevent international trade and protect domestic markets. These include subsidies, tariffs, quotas, import and export licenses, and standardization**.**