

Class 1 AND 2
INTERNATIONAL ECONOMIC COOPERATION

IMPORTANCE OF INTERNAL AND INTERNATIONAL TRADE

Lets Know:

- What is Trade?
- What are the different types of trade?
- What are the divisions of trade based on Geographical features?
- What are the need for trade?
- What are the Differences between Internal and International Trade?

Trade refers to --->>

- >>> an exchange of goods and services, assets, securities etc, voluntarily between two parties in requirement of each other's resources.
- Thus it has a symbiotic relationship in which both benefit each other.

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Early trade was on the basis of the Barter System: Goods and services in exchange for goods and services instead of money.



Features of Barter system trade



BUT IT HAD A LOT OF PROBLEMS

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- CAN YOU POINT OUT SOME OF THESE PROBLEMS THEY MIGHT HAVE FACED?

Whole system was very chaotic



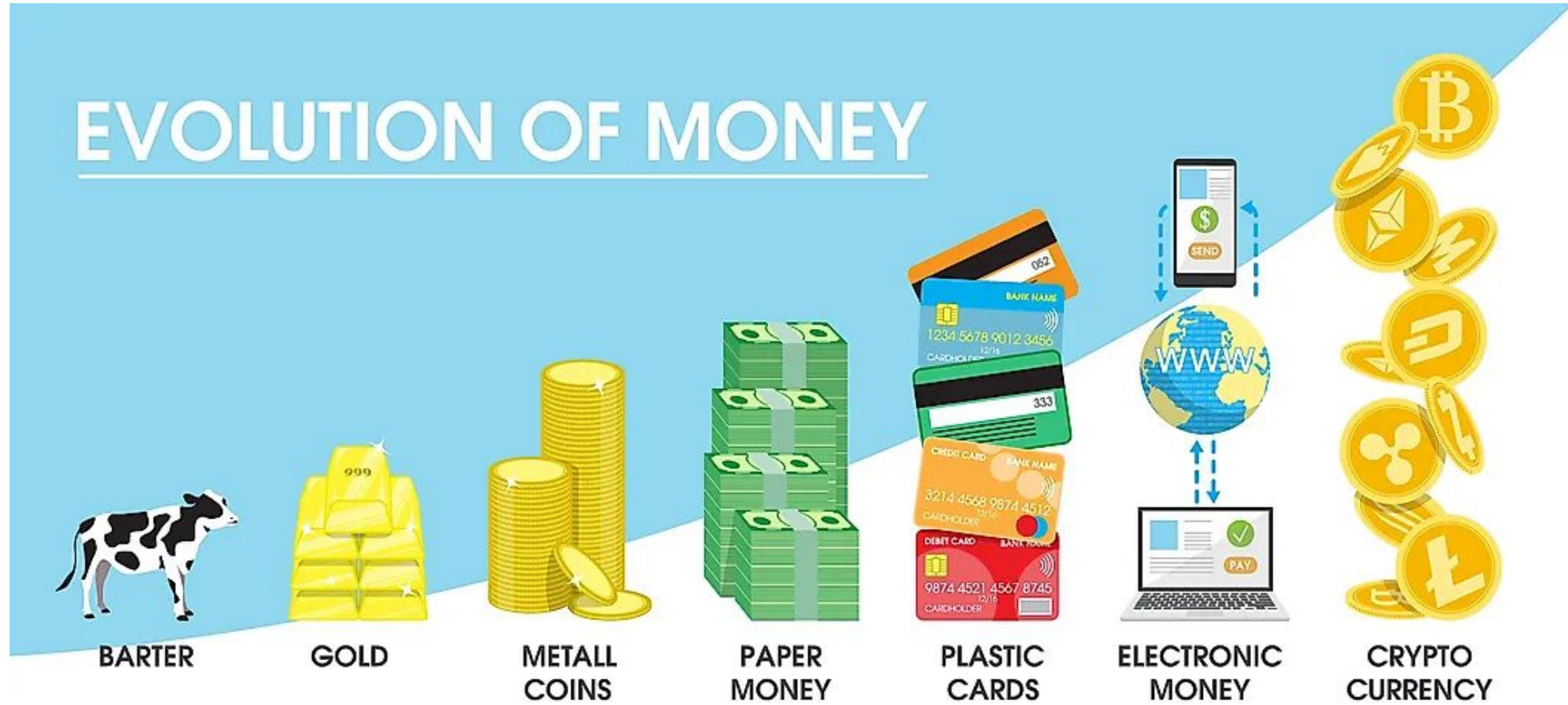
Difficulties faced in Barter System:

- No trade possible if there is no mutual coincidence of Wants(Double co-incidence of wants) :
- Did not have a Common Measure of Value
- Divisibility of Goods not possible for many transactions
- Difficulty in storing value mainly for perishable commodities etc
- Difficulty in future payment- may not assured the quantity and quality as on agreement
- Lack of Specialization- as you have to master lot many production of commodities
- Difficulty in transportation in transactions

No Trade possibilities if wants do not coincide in barter system



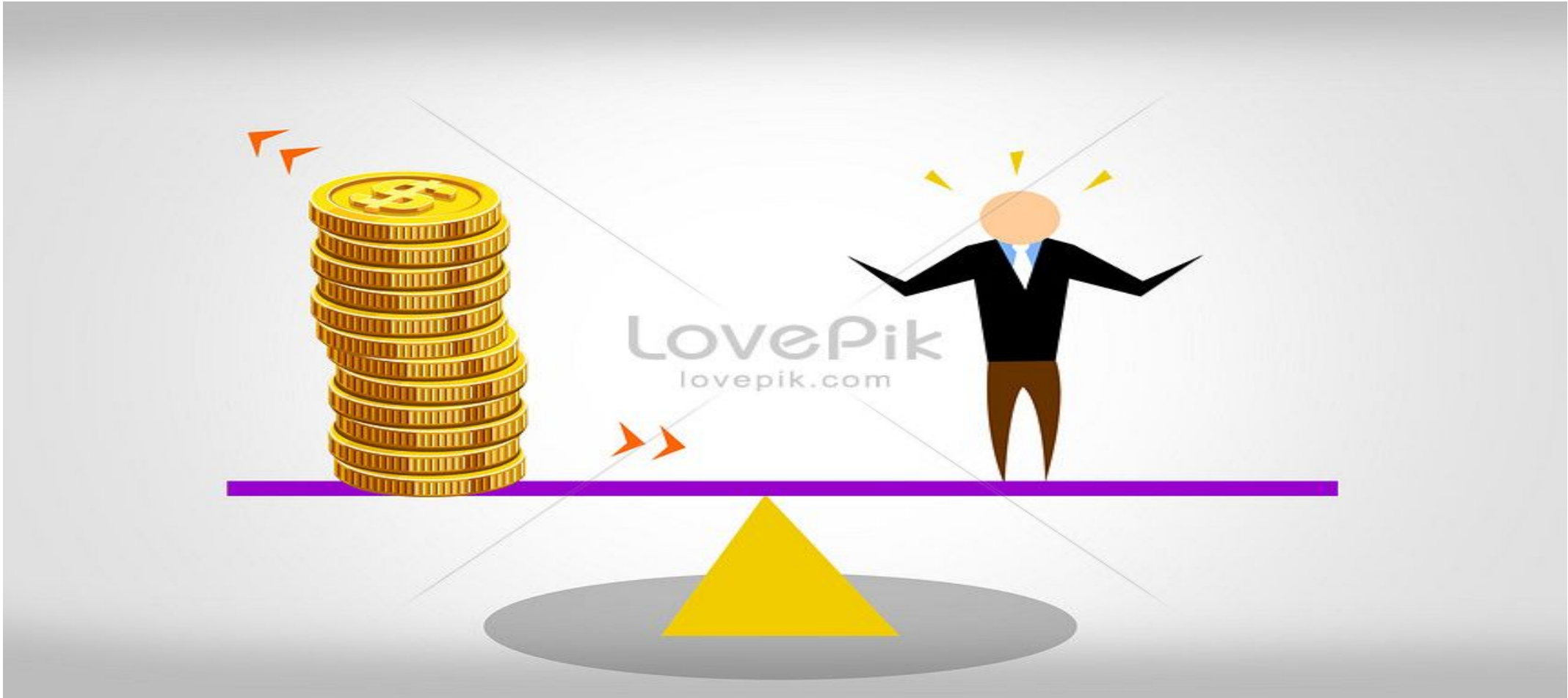
Money System: Benefits over Barter system



Functions of Money which solves the problems of a Barter Economy:

- (i) Money as medium of exchange
 - (ii) Money as measure (unit) of value or a unit of account(divisible, countable, and fungible).
 - (iii) Money as store of value
 - (iv) Money as standard of deferred payments
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- It facilitates exchange of goods and services and helps in carrying on trade smoothly. The present highly complicated economic system will not exist without money.

Money acts as a common measure of value



Trade: Internal and International Trade

Internal Trade-Meaning and types

Internal Trade includes the buying and selling of goods and services within the boundaries of the country. Payment for goods and services are received and made in a country's national currency.

Tutor's Tips



International Trade: is the purchase and sale of goods and services by companies in different countries. If you can get Kashmiri Shawls in USA boutiques or Costa Rican Bananas in Indian Supermarket, are all a boon of International Trade.



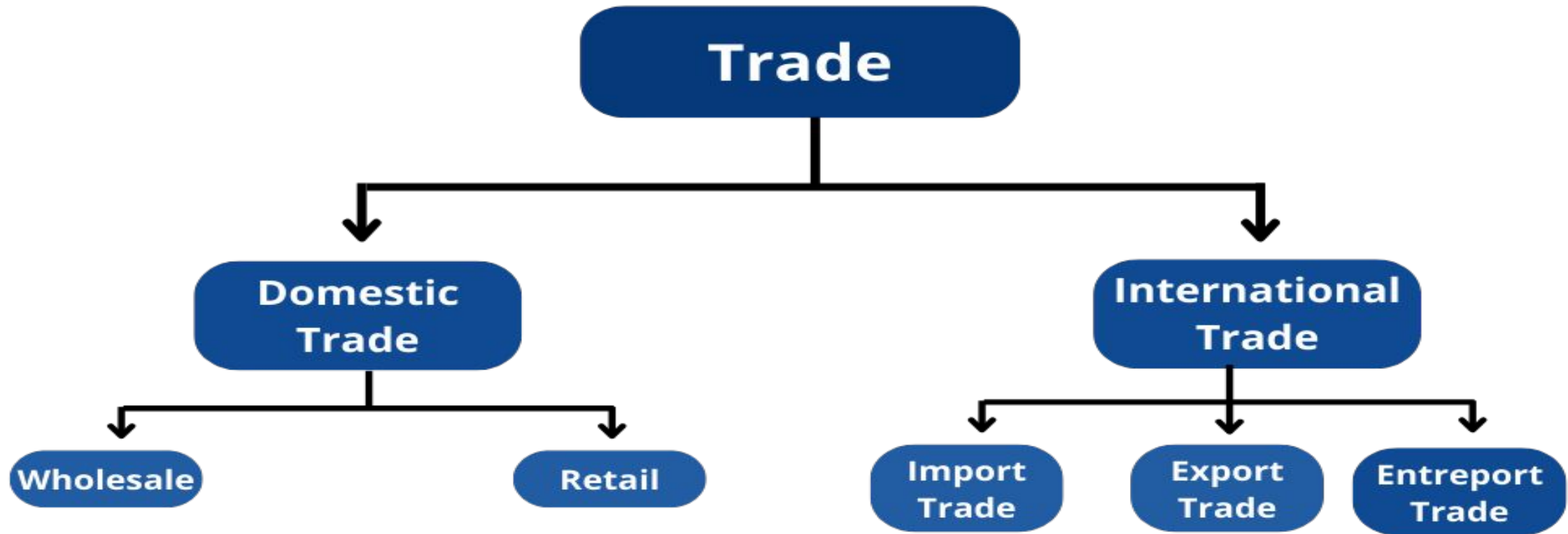
Consumer goods, raw materials, food, and machinery all are bought and sold in the international marketplace.



GLOBAL LOGISTICS NETWORK



Types of Trade



Types of International Trade:

Types of Foreign Trade

- Import Trade: When the goods or services are purchased from other countries it is called import trade.
- Export trade: When the goods are sold to other countries, it is called export trade.
- Entrepot trade: It is also called re-exporting i.e. importing goods from one country & exporting it to another country after adding some value to it.

Differences Between Domestic or Internal Trade and International Trade

Differences of:	Internal/Domestic Trade	International Trade
Meaning	Internal trade refers to the buying and selling of goods and services within the geographical limits of a country.	External trade refers to buying and selling of goods of goods beyond the geographical limits of a country.
Number of Countries involved	Only one country is involved.	Minimum two countries are involved.
Currency involved	Transactions are done in home currency.	Transactions are done in foriegn currency only.
Procedures to be followed	No long procedure or formalities to be followed before starting or conducting.	Long procedure and many formalities to be completed before starting and conducting.
Modes of payment	Payments are made by cash or cheque.	Payments are made through bill of exchange or payment through banks.
Rules and Regulations applicable	National laws, rules and regulations are applicable.	International rules and regulations are applicable.

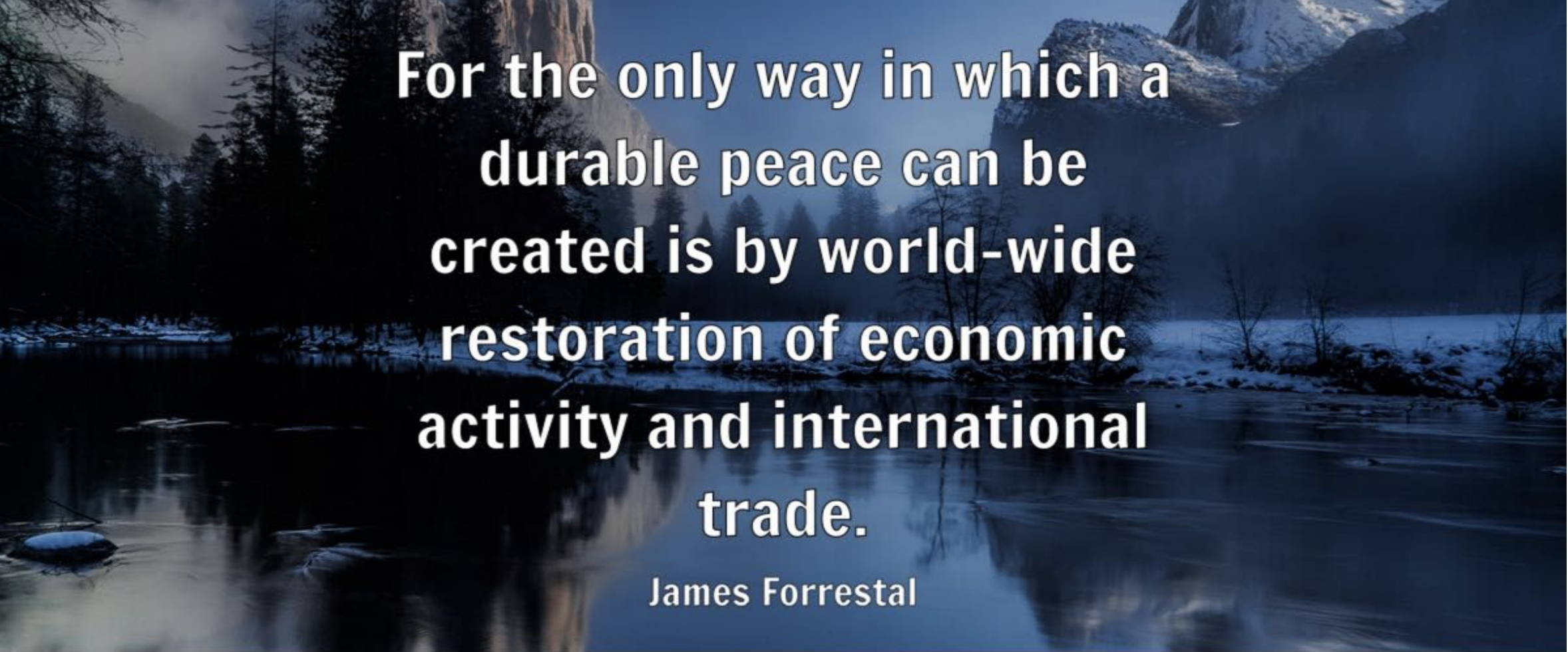
Trade Advantages: A few major advantages of trade are:

- Specialisation and Efficiency Increase
- Optimum utilisation of the Natural Resources
- Development of Sympathies and Common Interests among the traders countries
- Development of Large-Scale Production
- Competitive prices and cheaper products
- Access to International products and services
- Economic Growth

Trade Disadvantages: some disadvantages are

- Dependence created
- Insecurity of Job
- Creation of Monopolies
- Influence on Political Decisions

.....International Trade



For the only way in which a
durable peace can be
created is by world-wide
restoration of economic
activity and international
trade.

James Forrestal

BrainyQuote®

Lets watch the Global supply Chain: Made Possible due to International Trade

- https://www.youtube.com/watch?v=Bblo8_B32Co

THANK YOU

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