

# Class 2 and 3

Features of International Trade:

Types of International Trade:

Advantages of International Trade

Disadvantages of International Trade

# Features of International Trade:

1. It involves the exchange of goods and services between different countries.
- 2. It is the result of the differences in factor endowments, resources, technological advancements, labour and entrepreneurial skills between the different countries.
3. It gives exposures to the producers to global markets .

## Features of International Trade(contd.):

4. It gives exposures to the consumers' to a wide variety of goods and services.
5. The Trade related policies also influences the policy decision and implementations regarding government role in the economy, politics, infrastructure etc.
6. It has a significant impact on the country's national Income and expenditure , growth, and thereby the standard of living of the people.

# International Trade leads to Economic Development



**International Trade**  
**"The bed rock of economic development"**

# Trade Leads to Growth and Development

A black and white photograph of a stack of books. The books are of various thicknesses and are stacked horizontally. The top book is slightly offset to the right. The background is dark and out of focus. Overlaid on the image is a quote in white, bold, sans-serif font.

**“Trade has been a  
cornerstone of our  
growth and global  
development.”**

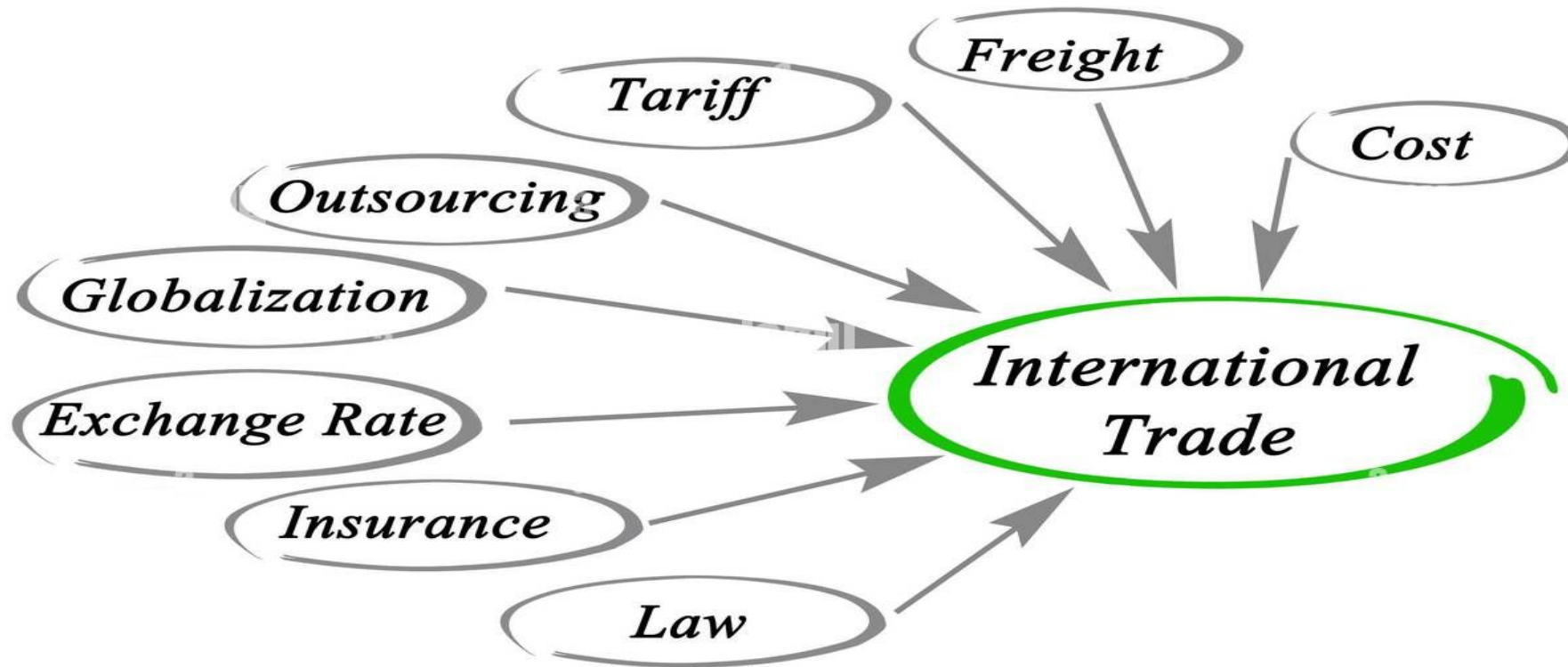
**— Barack Obama**

# Factors influencing International Trade

- Government's Policy on Foreign Trade [Restrictions and Autonomy given]
- Level of Infrastructure in the Country
- Reform Measures : Globalisation
- Impact of inflation
- Impact of national income ☐
- Impact of the exchange rate -
- Lack of restrictions on piracy -
- Geographical location
- Level of economic development -
- Competitiveness -
- Globalisation -



# Government's Policy on Foreign Trade [Restrictions and Autonomy given]



**News: April 16, 2023 02:40 pm | Updated 04:11 pm IST - New Delhi**

- U.S. emerges as India's biggest trading partner in FY23 at \$128.55 billion; China at second position.
- Exports to the U.S. rose by 2.81% to \$78.31 billion in 2022-23 as against \$76.18 billion in 2021-22, while imports grew by about 16% to \$50.24 billion
- The U.S. has emerged as India's biggest trading partner in 2022-23 on account of increasing economic ties between the two countries.
- >>





**News: April 16, 2023 02:40 pm | Updated 04:11 pm IST - New Delhi**

- On the other hand, during 2022-23, India's two-way commerce with China declined by about 1.5% to \$113.83 billion as against \$115.42 billion in 2021-22.
- Exports to China dipped by about 28% to \$15.32 billion in 2022-23, while imports rose by 4.16% to \$98.51 billion in the last fiscal. Trade gap widened to \$83.2 billion in the last fiscal as against \$72.91 billion in 2021-22.

THE  HINDU

**Geographical location - Climate, location, and presence of natural resources are important factors influencing a country's ease and efficiency of trading.**



Bananas



iPhone



Toyota Aygo



Nike trainers



Sony PSP



Ikea furniture



Olive oil



Cadbury Creme Egg



H&M Jeans

# Trade gives us so many of our day to day used products:

Your challenge is to match the products to the statements below:

I was invented in Silicone Valley in the USA but I'm manufactured in China.

I was designed by a Japanese company but I'm built in the Czech Republic.

I was designed by a Swedish company but am manufactured in Bangladesh.

I'm manufactured in Italy, Spain, Portugal and Greece.

I'm grown in Ecuador, Costa Rica, Columbia and Guatemala.

I was designed by a company in the USA, but am manufactured in Indonesia.

I was designed by a Swedish company but I'm manufactured in south-east Asia.

I'm made by a British company using cocoa from Ghana.

I was developed by a Japanese company but I'm built in China.



Globalisation - Is the integration of world economies. It thus leads to induction of governments and people.

- □

# What is Globalization?



*Process in which businesses begin operating internationally.*

*The tendency towards international investment, trade, IT, and the outsourcing of manufacturing across borders.*

*The transmission of ideas, values and meaning across the world.*

*In some cases, the decline in the importance of the nation state.*

***A worldwide movement toward economic, financial, communications, and trade integration.***

There is increased flows of technology, logistics, capital and communication with reduced trade restrictions.

## **What is Globalisation?**

**Globalisation is:**

**The capacity to move and the potential movement across nations of**

- **Trade**
- **Investment**
- **Technology**
- **Finance and**
- **Labour**

India adopted the NER in 1992  
International trade and globalisation goes hand in hand.





**Competitiveness** - The more competitive a country, the more likely they are to be efficient and cost-saving, thus capturing the world market with its products and services.

WEF'S GLOBAL COMPETITIVENESS RANKING 2019			
COUNTRY	RANK	SCORE	DIFFERENCE FROM 2018
Singapore	1	84.8	+1
Malaysia	27	74.6	-2
Thailand	40	68.1	-2
Indonesia	50	64.6	-5
Brunei	56	62.8	+6
Philippines	64	61.9	-8
Vietnam	65	61.5	+10
Cambodia	106	52.1	+4
Lao PDR	113	50.1	-1

\* Out of 141 economies. Myanmar not included in ranking



**Patents and copy rights:** Policies related to restrictions on piracy and duplication of products would affect the original producers. It would affect trade related issues.

- □ □



# Level of economic development - A more developed country has greater ability and scope of participation in international trade than a less developed nation.

## Levels of development



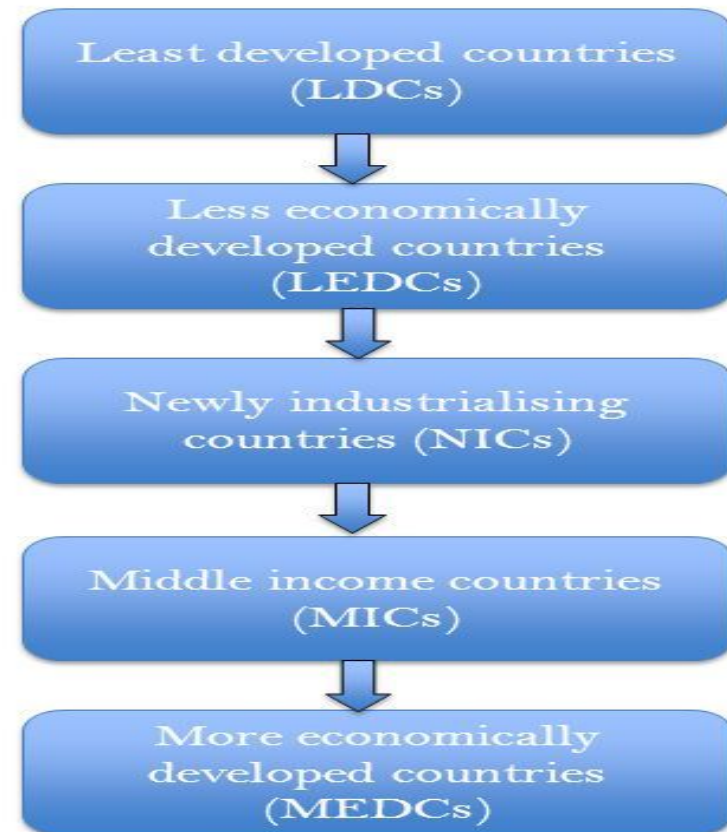
**LDCs-** These are the poorest countries with the lowest quality of life.

**LEDCs-** These are the least economically developed countries.

**NICs-** these are rapidly getting richer by moving from primary to secondary industry.

**MICs-** These countries are not poor but not rich.

**MEDCs-** These countries are the most economically developed.



# Types of International Trade

- **1.Export Trade** - It refers to the outflows of goods and services produced in a country to be traded in international market i.e., to other countries. For example, Russia exports oil to China and European countries.
- **2.Import Trade** - It refers to the inflows of goods and services purchased by a country from another country in the global market. For example, the USA imports automobiles from Japan and Germany.
- **3.Entrepot Trade** - Entrepot trade is a combination of export and import trade. This form of trade is also known as 're-export'. Through this form of trade, a country imports goods and exports them to other countries after adding some value to them. For example, many south-east Asian countries import electronic parts and export assembled or finished electronics to other countries.

# Advantages of International Trade

- ☐ International trade **facilitates international specialisation** and comparative advantage.
- ☐ International trade finds and **creates markets** for surplus domestic output.
- ☐ International trade **facilitates the import** and availability of essential and rare goods and services that cannot be produced in the domestic economy.
- ☐ International trade is an important **means to earn foreign exchange**, an opportunity for developing countries to make developing trade.
- ☐

# Advantages of International Trade(contd.)

- International trade **promotes and increases the quality of life** and standard of living of the citizens of a country. There is an availability of more choices in goods due to an increase in the size of the markets at competitive rates.
- ☐ International trade **boosts competition across markets**. Producers make sure to produce quality products that are fit to compete in a global market.
- ☐ International trade **enhances opportunities for investment**, stock trading, brokerage, real estate development etc.

# Advantages of International Trade(contd.)

- □ International trade **serves as an engine for growth**, thus accelerating and boosting the pace of GDP growth.
- □ International trade **facilitates the transfer of technology and capital** from developed countries to emerging countries leading to large-scale production.
- □ International trade **creates job opportunities** and has decreased unemployment rates with the growing global market size.
- □ International trade **stabilises prices**, increases efficiency, develops means of transport and communication, and **increases international relations**, cooperation and understanding.

# Disadvantages of International Trade

- □ International trade **threatens home industries** and startups lacking the experience and resources to compete with aged and foreign firms.
- □ **Nations and enterprises involved in foreign trade are vulnerable to unforeseen global events.** Unfavourable events can adversely affect demand, supply and employment. For example, the coronavirus pandemic had adversely affected world trade and brought it to a halt.
- □



## Disadvantages of International Trade(contd.)

- A country overly dependent on international trade for imports of strategic resources **is prone to be manipulated and controlled by the exporters** who can threaten national security and a liberal economy. For example, most of the developing countries of Africa and Asia have been manipulated and colonised by European countries.
- □International trade encourages subjugation, slavery and manipulation, **hindering economic independence** and endangering the freedom and sovereignty of a country.

# Disadvantages of International Trade(contd.)

- ☐ International trade poses a great threat to natural resources. Foreign companies can put pressure and drain natural resources at a depleting rate.
- ☐ Limited restrictions can lead to the smuggling of harmful goods like drugs, organ trade, human trafficking etc.
- ☐ International trade can lead to a shortage of domestically produced goods, leading to inflation in prices in the home country.
- ☐ Limitedly restricted international trade can be a harm to the workers. These workers would be more prone to manipulation and overwork with the least benefits.

# THANK YOU

- THANK YOU

- THANK YOU

- THANK YOU