

Group 5 members & Adm no:

1. Imran Abdisalan	24/07984	9.	
2. Eugene Chore	24/05813	10.	
3. Daphene Kilei	24/04976	11.	
4. Salome Kimari	22/07227		12.
5. Mitchell Wangui	22/04296		13.
6.		14.	
7.		15.	
8.		16.	

Title: **INTERNATIONAL PERSPECTIVE OF BUSINESS**

International Trade: Definition, Functions, Forms, and Factors

Introduction to International Trade

• Definition:

- International trade refers to the exchange of goods and services between countries. It enables nations to obtain products they do not produce domestically, fostering economic growth.

Importance:

- Promotes global economic integration
- Enhances consumer choice
- Drives innovation and competition

Functions of International Trade

1. Resource Allocation:

- Helps countries utilize their resources efficiently by specializing in products they can produce most effectively.

Market Expansion:

- Allows businesses to reach new markets, increasing their customer base and revenue potential.

Foreign Exchange:

- Facilitates currency exchange, enabling countries to engage in transactions that require different currencies.

Economic Development:

- Contributes to GDP growth, job creation, and technological transfer between nations.

Risk Diversification:

- Companies can spread their risk by operating in multiple markets, reducing dependency on a single economy.

Forms of International Trade

1. Bilateral Trade:

- Trade between two countries, often formalized through trade agreements.

2. Multilateral Trade:

- Involves multiple countries and is often governed by international organizations (e.g., WTO).

3. Free Trade:

- Minimal restrictions and tariffs between trading nations to encourage trade.

4. Protectionism:

- Government actions (like tariffs and quotas) aimed at protecting domestic industries from foreign competition.

5. E-commerce:

- Online trading of goods and services, which has expanded the reach and ease of international trade.

Factors Affecting International Trade

1. Economic Factors:

- Currency exchange rates, inflation, and economic stability can influence trade flows.

2. Political Factors:

- Trade policies, political stability, and diplomatic relations affect trade agreements and tariffs.

3. Cultural Factors:

- Language, customs, and consumer preferences can impact market entry strategies.

4. Technological Factors:

- Advancements in technology (e.g., logistics and communication) enhance trade efficiency and reduce costs.

5. Legal and Regulatory Factors:

- Different countries have varying laws regarding trade, labor, and environmental standards, which can impact international operations.

Conclusion

- **Summary:**
 - International trade is crucial for economic development and globalization. Understanding its functions, forms, and influencing factors can help businesses navigate the global marketplace effectively.