

Chapter-9 International Trade

Two levels: National and International

The initial trade was barter system in which goods are exchanged. Before currency, there were flint stones, obsidian, cowry's shells, tigers paw, whale's teeth, dog's teeth, skins, furs, cattle, rice, pepper, corns, salt, small tools, copper, silver, and gold.

History of International Trade

1. Trade was restricted to small distance due to theft
2. People used to satisfy their immediate facilities
3. Only rich people used to bring jewellery and other ornaments
4. The silk route is an example connecting with China and Rome
5. Wool, silk, precious stones; were trade
6. After Rome disintegration, it was not given importance
7. The slave trade was started with the colonization
8. After industrial revolution, raw material and finished products are given importance
9. During world wars, many countries imposed taxes
10. After the world war, GATT was formed

Why does International Trade Exist

1. Specialization in production
2. Division of labor
3. Comparative advantage
4. Complementarity and transferability of goods, services
5. Mutual benefit
6. Foreign policy
7. Developed transport and communication

Basis of International Trade

1. Difference in National Resources
 - A. Geological structure
 - B. Mineral resources
 - C. Climate
2. Population factors
 - a. Cultural factors
 - b. Size of population
3. Stage of economic development
4. Extent of foreign investment
5. Transport

Important aspects of International Trade

1. Volume of trade
2. Composition of trade
3. Direction of trade

4. Balance of trade

Types of International Trade

1. Bilateral trade
2. Multilateral trade

Case for Free Trade

Dumped Goods

WTO

GATT was formed in 1948

The GATT was transformed in to WTO on 1.1.1995

It maintains the global rules between the nations

It resolves the disputes between the nations related to trade

It covers trade services, telecommunication and banking, intellectual rights

It gives importance to rich nations

It is not favour to poor nations

Regional trade blocs

ASEAN, CIS, EU, LAIA, NAFTA, OPEC, SAFTA

Concerns related to international trade

1. Regional specialization
2. Higher level of production
3. Better standard of living
4. World wide availability of goods and services
5. Equalization of prices and wages
6. Diffusion of knowledge and culture
7. Leads to dependence
8. Uneven level of development
9. Exploitation
10. Commercial rivalry leads to wars
11. Affect life
12. Production and use of resource raised
13. Depletion of resources
14. More pollution

Gate ways of International Trade Ports

1. Provide facilities to cargo and passenger
2. Provide docking, loading unloading, storage facilities for cargo
3. Maintain navigable channels
4. Arrange tugs and barges, provide labor managerial services
5. The quantity of cargo handled by the port is an indicator of level of development of its hinter land

Types of port

Based on cargo handled

1. Industrial ports
2. Commercial ports
3. Comprehensive

Based on location

1. Inland ports
2. Out ports

Based on specialised function

1. Oil ports
2. Ports of call
3. Packet station
4. Entre pot ports
5. Naval ports