INTERNATIONAL TRADE

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Abstract

The history of international trade chronicles notable events that have affected the trade between various countries. Difference between domestic and international trade is that factors of production such as capital and labor are typically more mobile within a country than across countries.

International trade allows us to expand our markets for both goods and services that otherwise may not have been available to us. As a result of international trade, the market contains greater competition and therefore more competitive prices, which brings a cheaper product home to the consumer.

Key words: International trade, gross domestic product (GDP), trade barrier, World Trade Organization (WTO)

INTRUCTION

International trade is the exchange of goods and services between countries. This type of trade gives rise to a world economy, in which prices, or supply and demand, affect and are affected by global events. Political change in Asia, for example, could result in an increase in the cost of labor, thereby increasing the manufacturing costs, which would then result in an increase in the price. Trading globally gives consumers and countries the opportunity to be exposed to goods and services not available in their own countries. Almost every kind of product can be found on the international market (food, clothes, spare parts, oil, jewelry, wine, stocks, currencies and water). Services are also traded: tourism, banking, consulting and transportation. A product that is sold to the global market is an export, and a product that is bought from the global market is an import. Imports and exports are accounted for in a country's current account in the balance of payments.

The exchange of goods or services along international borders. This type of trade allows for a greater competition and more competitive pricing in the market. The competition results in more affordable products for the consumer. The exchange of goods also affects the economy of the world as dictated by supply and demand, making goods and services obtainable which may not otherwise be available to consumers globally. International trade is the exchange of capital, goods, and services across international borders or territories.[1] In most countries, such trade represents a significant share of gross domestic product (GDP). While international trade has been present throughout much of history (see Silk Road, Amber Road), its economic, social, and political importance has been on the rise in recent centuries.

Industrialization, advanced in technology transportation, globalization, multinational corporations, and outsourcing are all having a major impact on the international trade system. Increasing international trade is crucial to the continuance of globalization. Without international trade, nations would be limited to the goods and services produced within their own borders.

International trade is, in principle, not different from domestic trade as the motivation and the behavior of parties involved in a trade do not change fundamentally regardless of whether trade is across a border or not. The main difference is that international trade is typically more costly than domestic trade. The reason is that a border typically imposes additional costs such as tariffs, time costs due to border delays and costs associated with country differences such as language, the legal system or culture. International trade is also a branch of economics, which, together with international finance, forms the larger branch of international economics. For more, see The Observatory of Economic Complexity. Trading is a value added function of the economic process of a product finding its market, where specific risks are to be borne by the trader, affecting the assets being traded which will be mitigated by performing specific functions.

INTERNATIONAL TRADING “SYSTEM”

The international trading “system” comprises many thousands of unilateral, bilateral, regional, and multilateral rules and agreements among more than two hundred independent nations. Atop this complex and rapidly evolving mass of political and economic arrangements is the World Trade Organization (WTO), with 153 members that together account for nearly all of world trade.

Created in the Uruguay Round of multilateral negotiations as a successor to the General Agreement on Tariffs and Trade (GATT), the WTO provides a legal and institutional framework for national policies that directly or indirectly affect international trade among its members. Like the GATT, the primary goal of the WTO is to promote freer and more predictable conditions of trade. However, practice has gradually moved away from the principles that shaped the original GATT. In the WTO, nondiscrimination among trading partners remains a fundamental principle, as laid out in the original GATT (now known as GATT 1947) and also in the updated GATT 1994 produced in the Uruguay Round. Yet GATT rules also allow for preferential (i.e., discriminatory) policies, and these have become an increasingly important feature of the international trading system. Likewise, although reciprocity has always played a key role in GATT/WTO procedures for multilateral trade negotiations and dispute settlement, the scope of non-reciprocal arrangements intended to benefit poorer countries has steadily expanded.

International trade flows have recovered after the global crisis, while their growth has decelerated recently. World economic growth rates have also declined of late and remain unpredictable. Given the uncertain status of global trade, output and employment, the international trading system issues, non-tariff measures, competition policy, and sustainable development issues, their evolution should be monitored to help assess how to boost global economic resilience, sustainable growth and inclusive development. Continuing efforts to strengthen multilateral trade cooperation are essential. Consideration could also be given to reformulating Governments' role in trade policymaking in order to better focus trade on contributing development.

GLOBAL TRADE - DEFINITION, ADVANTAGES AND BARRIERS

Global trade, also known as international trade, is simply the exchange of goods and services across international boundaries. Global trade involves the export and import of goods and services between international borders. Goods and services that enter into a country for sale are called imports. Goods and services that leave a country for sale in another country are called exports. For example, a country may import wheat because it doesn't have much arable land but export oil because it has oil in abundance.

Global trade can also reduce international conflict and war. It may not make intuitive sense at first glance, but think about it for a moment. Global trade creates long-term mutually beneficial relationships or a symbiosis. If you start a war with someone who provides you needed goods such as wheat or oil, you may have just shot yourself in the foot. In other words, global trade cultivates cooperation rather than conflict.

Barriers

A trade barrier is anything that hinders trade. You can generally divide barriers to trade into two categories:

1. Policy barriers.
2. Natural barriers.

Policy trade barriers are barriers to trade intentionally imposed by national governments. Primary policy barriers include:

- ***Tariffs***, which are special taxes imported on imported goods that make them more expensive. The purpose of a tariff is to make domestic goods that compete against imported goods more competitive.
- ***Quotas*** limit the amount of imported goods that can enter a country within a certain period of time. Again, the intent is to make it easier for domestic companies to compete.
- ***Product standards*** can also be used as a barrier to trade. For example, some countries do not permit the import of genetically altered beef or wheat. This protects local farmers from competition from countries that produce genetically altered products. Whether this particular type of product standard is a pretext to protect local producers from trade competition is hotly debated.

Natural trade barriers include:

- ***Geographical barriers*** can present a serious problem. Shipping across vast oceans involves significant costs, which adds to the cost of imported products. Trading partners that are geographically close have a distinct advantage.
- ***Information asymmetry*** is also a barrier to trade. Local companies know a lot more about their own markets than foreign companies seeking to export into the market. Language and culture as well as political and legal differences between countries can make trade difficult. Countries with the same language and similar cultures and political systems will have an advantage in trading with each other because they will understand each other better than their competitors.

International trade is an activity mainly conducted by firms or persons led by the principle of maximising their utility function. Nevertheless, there is room for public policy; we can try to define principles that should apply to the rules or the policy-making related to international trade, and particularly to trade negotiations. In trade negotiations, every country pursues its own interests. It cannot be otherwise because there are always different sensitivities, interests and constituencies to answer to. However, a ‘progressive approach’ or ‘progressive principles’ for trade negotiations have to be more sophisticated than just pure and simple individual profit maximisation.

As a starting point, this would require a vision and a clear political direction to address imbalances effectively, and hence, to achieve a better and fairer environment to negotiate trade rules and to compete.

CONCLUSION

Global trade is worth trillions a year and involves the exchange of goods and services between international borders. Each country can produce and export goods and services in which it has a comparative advantage and import goods and services in which it doesn't. Advantages of global trade include specialization, economic growth, and reduction of global conflict. Barriers to trade can be either policy driven or natural. Policy barriers include tariffs, quotas and product standards. Natural barriers include geographic distance and information asymmetry.

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