

**Introduction:**

In this chapter, we will discuss how trade in ancient times, long-distance goods were dangerous, so trade was limited to local markets. The Silk Road is the first example of a long-distance trade linking Rome with China - 6,000 km. Traders smuggled Chinese silk, Roman wool and precious metals, and many other luxury items from central India, Persia, and Central Asia. In the fifteenth century onwards, European colonization began again with the foreign trade, with the emergence of a new form of trade called the slave trade. The Portuguese, the Dutch, the Spanish, and the British abducted African settlers and forced them to work in the newly acquired territories of the Americas.

**1. History of international trade:**

In ancient times, long-distance goods were dangerous, so trade was limited to local markets. The Silk Road is the first example of a long-distance trade linking Rome with China - 6,000 km. Traders smuggled Chinese silk, Roman wool and precious metals, and many other luxury items from central India, Persia, and Central Asia. In the fifteenth century onwards, European colonization began again with the foreign trade, with the emergence of a new form of trade called the slave trade. The Portuguese, the Dutch, the Spanish, and the British abducted African settlers and forced them to work in the newly acquired territories of the Americas. Developed industrialized countries import raw materials as immature products and export finished products of value to non-industrial countries. International trade is the result of a focus on productivity and segregation of workers. It is based on the principle of comparative profitability of equally profitable trading partners.



## 2. International Trade Foundation:

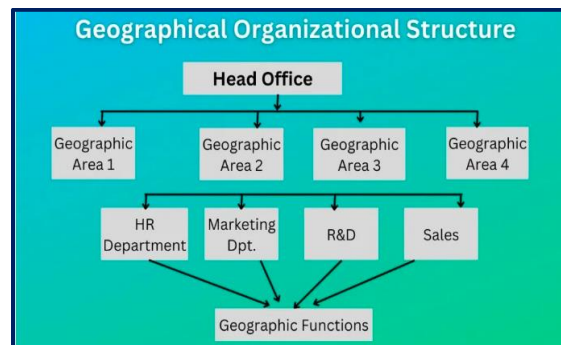


### (i) Differences in national resources:



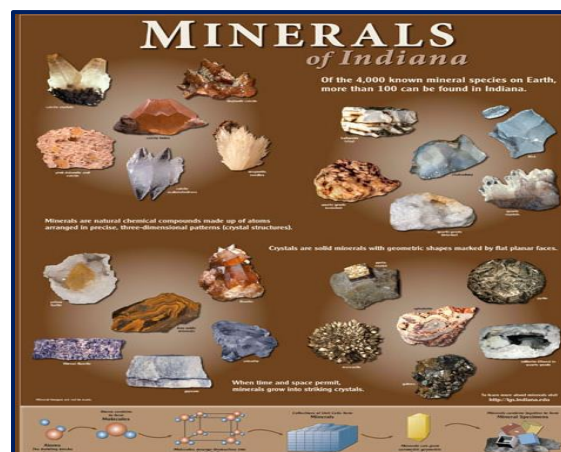
The world's resources are equally distributed due to differences in geographical features, geological soils and climatic zones.

### (a) Geographical structure:



Determines the mineral base and geographical diversity to ensure the diversity of plants and animals raised. Low-lying areas have great agricultural potential. Mountains attract tourists and promote tourism.

### (b) Minerals:



Equally distributed worldwide. The discovery of mineral resources provides the basis for industrial development.

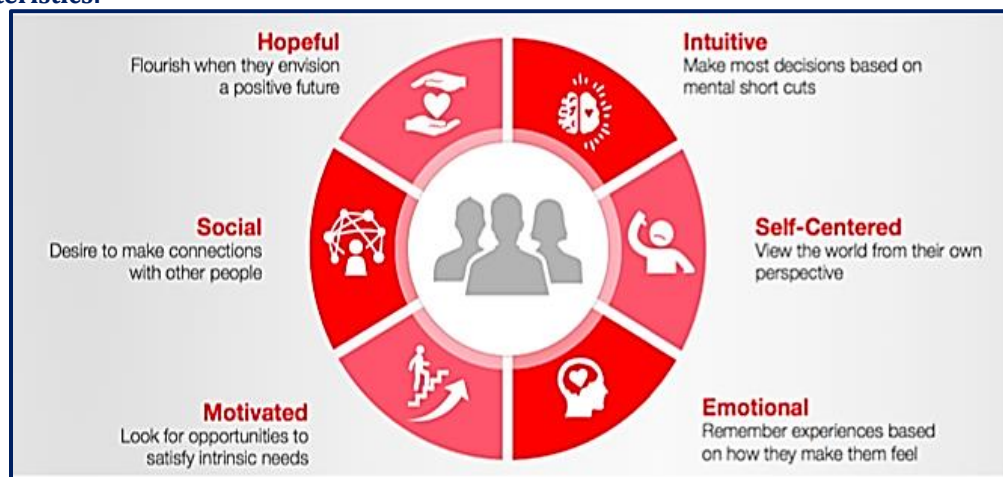


**(c) Climate:**



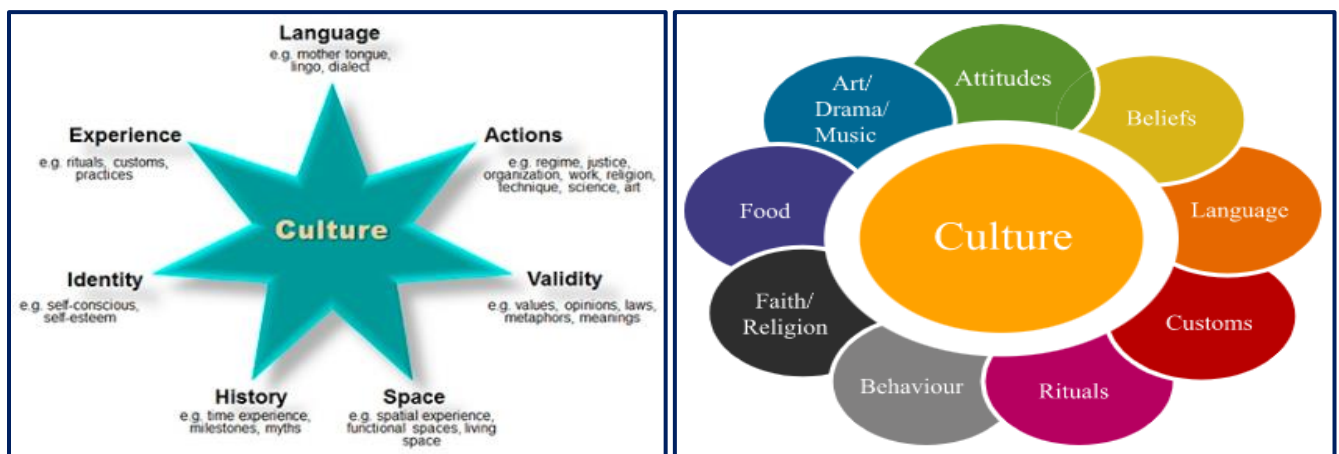
It affects the type of plants and animals that can live in an area. It also ensures a wide variety of different products, e.g., Wool production is possible in cold climates, bananas, rubber and corks can grow in tropical areas.

**(ii) Human characteristics:**



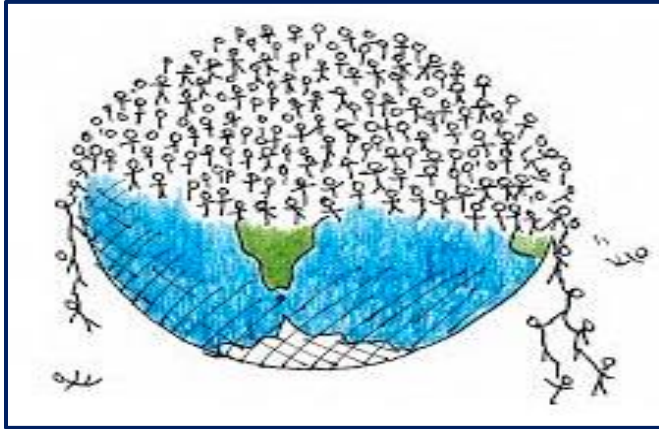
The size, distribution and diversity of people between countries affect the type and quantity of goods sold.

**(a) Cultural Aspects:**



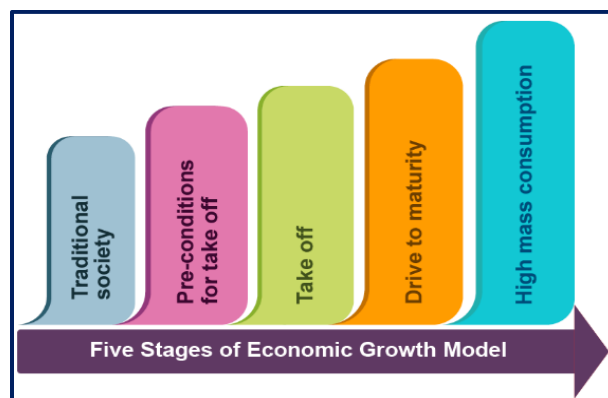
Different types of arts and crafts are developed in certain cultures that are recognized around the world, e.g., China produces beautiful porcelain and brocades. Iranian carpets are popular while North African leather and Indonesian batik fabric are highly valued handicrafts.

### (b) Population size:



Most populous countries have a large volume of domestic trade but foreign trade is limited due to the fact that most agricultural and industrial production is used in domestic markets. People's standard of living determines the need for better quality imported products because with a lower standard of living few people can afford to buy expensive imported goods.

### (iii) Phase of Economic Development:

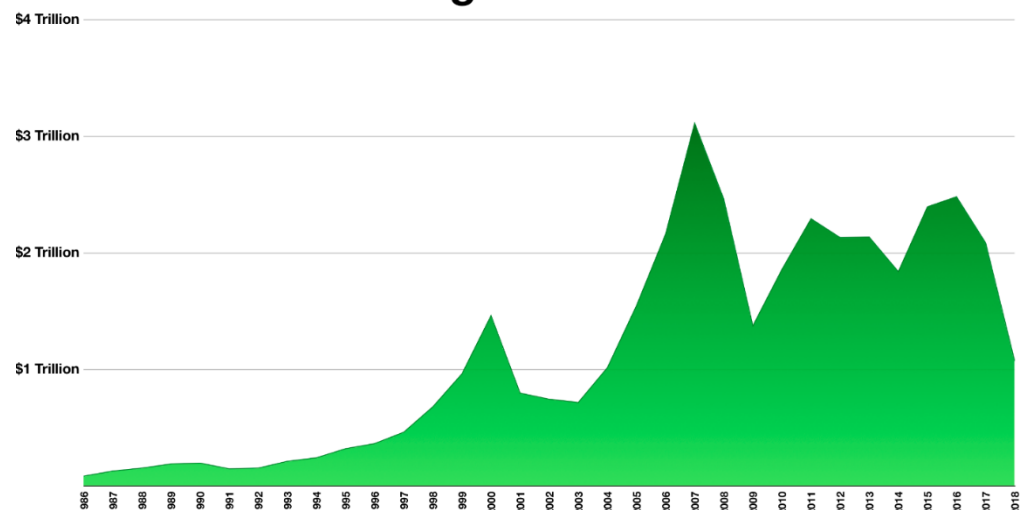


At different stages of economic development, the nature of commodities changes. In key agricultural countries, agricultural products trade in commodities and industrialized countries export finished machinery and products and import food grains and other raw materials.

### (iv) Level of foreign investment:

Foreign investment may increase trade in developing countries that lack the funds needed for mining development, oil drilling, major engineering, timber logging and agricultural investment. By developing industries that require so much money in developing countries, industrialized nations ensure food, mineral imports and build markets for their depleted products. This whole cycle increases the volume of trade between nations.

## World Foreign Direct Investment

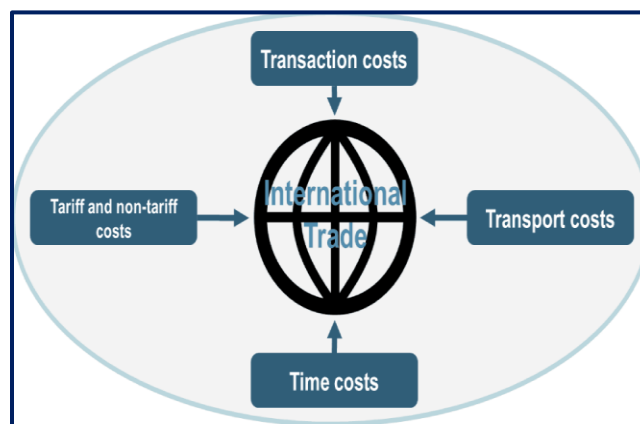


### (v) Transportation:



In ancient times, the lack of adequate and efficient transportation prevented trade in local areas. Only high value items, e.g. jewels, silk and spices were traded long distances. With the expansion of railways, maritime and air transport, better refrigeration and storage systems, trade has expanded the area.

### 3. Key Components of International Trade:



International trade has three very important aspects. This is the volume, the structure of the sectors and the direction of the trade.

#### 1. Trade Capacity:



Measured as the total value of goods and services sold. Real tons of merchandise make up the volume. However, the resources on sale cannot be measured in tons. Therefore, the total amount of goods and services sold is considered a trading volume.

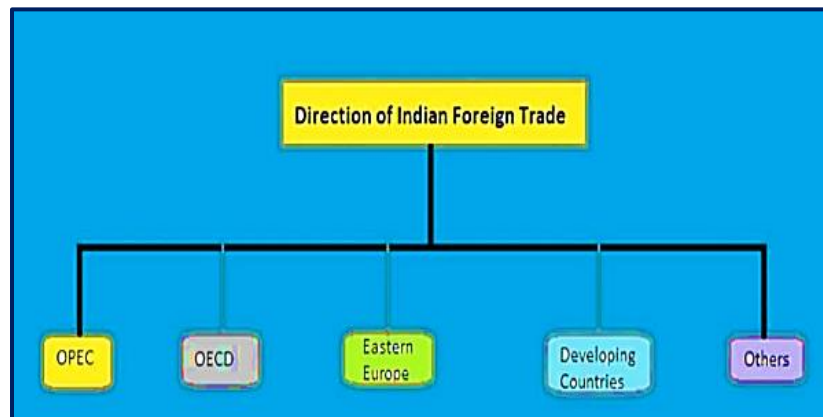


## 2. Commodity Buildings:



Previous 'goods' were the best-selling commodities, then the dominance of manufactured goods and now dominated the service sector which includes transport and other commercial services.

## 3. Direction of Trade:



Historically, modern developing countries exported valuable goods and art supplies, etc., which were exported to European countries. During the nineteenth century there was a decline in trade. European countries began exporting manufactured goods in exchange for food and raw materials from their colonies. Europe and the U.S. emerged as the largest trading partners in the world and were the leaders in the production of manufactured goods. Japan at that time was the third most important trading centre. The pattern of world trade changed dramatically during the second half of the twentieth century. Europe lost colonies while India, China and other developing countries began to compete with developed countries. The nature of the goods for sale has also changed.

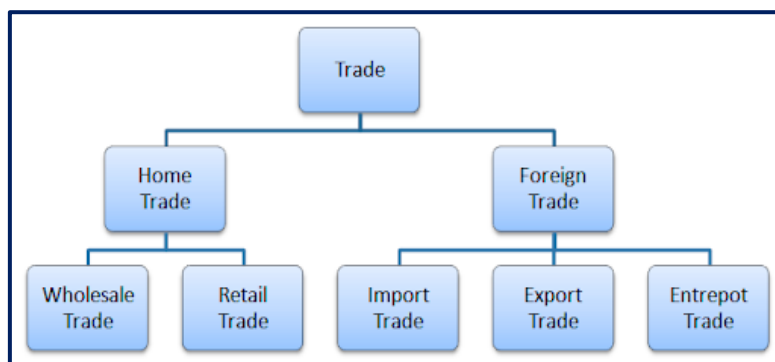
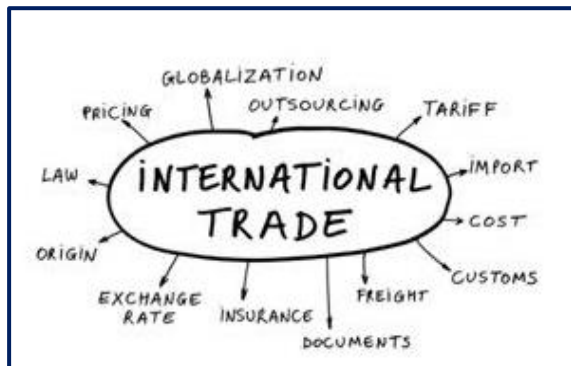
## 4. Trade Balance:



Balance of trade records the amount of goods and services imported and exported. If the amounts of imports exceeds the export value, the country has a negative or negative trade balance. If the value of the goods exported exceeds the value of the goods purchased, the country has a favourable or favourable trade balance.

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#### 4. Types of International Trade



International trade can be divided into two types:

**(a) Bilateral trade:**



Bilateral trade is done by two countries each. They entered into a trade agreement with each other. For example, country A may agree to trade in raw materials for a contract to buy something else in country B or vice versa.

**(b) Multilateral Trade:**



As the term implies, international trade is practiced with many trading countries. The same country can trade with a number of other countries. The country may also assign status to the "Most Popular Nation" (MFN) to other trading partners.

**Activity**

- Q1. Make a short note on the History of international Trade?
- Q2. Make a short note on the International Trade Foundation?
- Q3. Make a short note on the Key Components of International Trade?
- Q4. Make a short note on the Types of International Trade?

## 5. Case for Free Trade:

The act of opening a trading economy is known as free trade or free trade. This is done by reducing trade barriers such as taxes. Free trade allows all-inclusive goods and services to compete with local products and services.

Countries also need to be careful about discarded property; and free trade discarded cheap goods can harm domestic producers. The practice of selling goods in two countries at different prices for non-cost-related reasons is called disposal.



## 6. World Trade Organization

In 1948, in order to free the world from high taxes and various other restrictions, the Common Trade and Development Treaty (GATT) was established by other countries. In 1994, member states decided to establish a permanent centre for the development of free and fair trade between nations and the GATT was transformed into a World Trade Organization with effect from 1 January 1995. The WTO is headquartered in Geneva, Switzerland. 164 countries have been members of the WTO since December 2016. India has been one of the founding members of the WTO. The WTO is the only international organization that deals with international trade rules. It sets out the rules of the international trading system and resolves disputes between its member states. The WTO also oversees trade in services, such as communications and banking, and other issues such as intellectual property rights. It is also argued that health issues, workers' rights, child labour and the environment are being ignored.



## 7. Regional Trade Blocs



Regional Trade Blocs have emerged to promote trade between neighboring countries geographically, coherence in trade and commodity restrictions on trade in developing countries. Today, 120 regional trade districts account for 52% of world trade.



## 8. Some trade blocs are as follows



| Regional Blocs  | Headquarters        | Member Nations   | Origin                                 | Commodities   | Other Areas of Cooperation  |
|---|---------------------|--|--|---|---|
| ASEAN<br>(Association of South-East Asian Nations)      | Jakarta, Indonesia  | Brunei, Indonesia, Malaysia, Singapore, Thailand, Vietnam, Cambodia, Laos, Myanmar, Philippines.                                 | August 1967                            | <b>Agro products</b> - rubber, palm oil, rice, copra<br><b>Minerals</b> -copper, coal, nickel, tungsten<br><b>Energy</b> -petroleum, natural gas, software products | Accelerate economic growth, cultural development, peace and regional stability  |
| CIS<br>(Commonwealth of Independent States)             | Minsk, Belarus      | Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan, Turkmenistan, Ukraine and Uzbekistan | -                                      | Crude oil, natural gas, gold, cotton, fibre, aluminium  | Integration and cooperation on matters of economics, defence and foreign policy |
| EU (European Union)                                     | Brussels, Belgium   | Austria, Belgium, Denmark, France, Finland, Ireland, Italy, the Netherlands, Luxemburg, Portugal, Spain, Sweden and UK           | EEC- March, 1957<br>EU- February, 1992 | Agro products, minerals, chemicals, wood, paper, transport vehicles, optical instruments, clock-work of arts, antiques  | Single market with single currency  |
| LAIA (Latin American, Integration Association)          | Montevideo, Uruguay | Argentina, Bolivia, Brazil, Chile, Cuba, Columbia, Ecuador, Mexico, Paraguay, Panama, Peru, Uruguay and Venezuela                | 1960                                   | -   | -   |
| NAFTA (North American Free Trade Association)           |                     | U S A, Canada and Mexico   | 1994                                   | Agro products, motor vehicles, automotive parts, computers, textile   | -   |
| OPEC<br>(Organisation of Petroleum Exporting Countries) | Vienna, Austria     | Algeria, Indonesia, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, UAE and Venezuela                                   | 1949                                   | Crude petroleum   | Coordinate and unify petroleum policies   |
| SAFTA (South Asian Free Trade Agreement)                |                     | Bangladesh, Maldives, Bhutan, Nepal, India, Pakistan, Afghanistan and Sri Lanka.   | January 2006                           | -   | Reduce tariffs or inter-regional trade  |

### Activity

Q1. Make a short note on the Free Trade?

Q2. Make a short note on the World Trade Organization?

Q3. Make a short note on the Regional Trade Blocs?

## 9. Concerns Concerning International Trade:



This can be summarized as the merits and demerits of international trade.

### 1. Merits of International Trade:



Trade International benefits when it promotes regional excellence, high productivity, better quality of life, global availability of goods and services, equity in prices and wages and the dissemination of knowledge and culture.

### 2. Problems of International Trade:

The disadvantages are that, leading to foreign trust, unequal levels of development, exploitation and trade competition.

## 10. Gateway of international Trade





## 1. Ports:



The world's largest trading port ports and harbours. Goods and travellers travel from one end of the earth to the other. Ports provide facilities for drying, loading, unloading and storage.

Types of ports - Generally, ports are classified according to the type of traffic they carry. Types of ports depending on the portable:

### **(i) Industrial terminals:**



These terminals are specialized in many grains such as freight, sugar, iron, oil, chemicals and the like.

### **(ii) Commercial Ports:**



These ports carry standard products packaged and manufactured. These ports also hold passenger cars.



**(iii) Complete ports:**



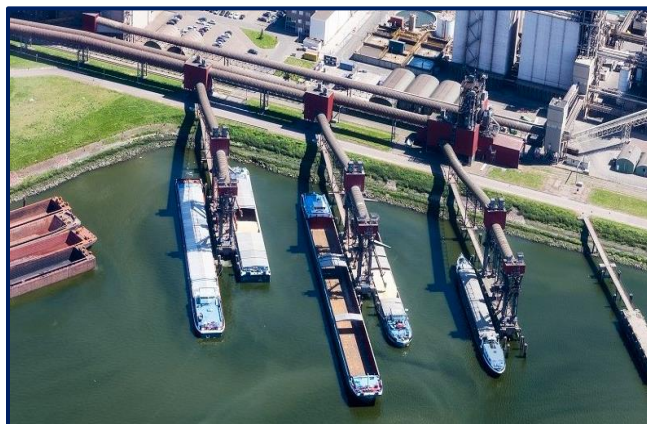
Such ports carry bulk and ordinary goods at large volumes.

**11. Most of the world's major ports are classified as wide estuaries:**

**1. Types of ports on a local basis:**

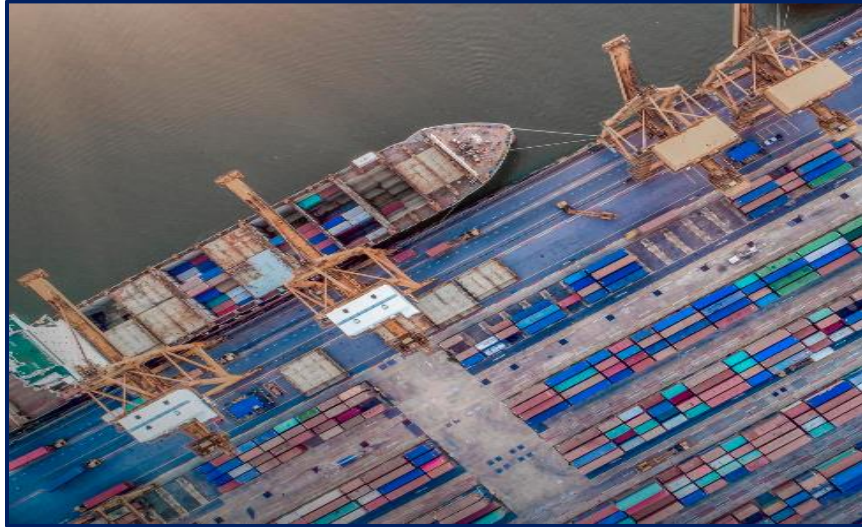


**(i) Inland Ports:**



These ports are located offshore. They are connected to the sea by a river or canal. Such boats are accessible only on low-lying vessels or boats. For example, Manchester is connected to a canal; Memphis is located on the Mississippi River. The Rhine has several ports such as Mannheim and Duisburg; and Kolkata is located on the Hooghly River, a tributary of the Ganga River.

**(ii) Outdoor Ports:**



These are deep water ports located far from the actual ports. These serve as parental ports by accommodating those vessels that cannot be approached because of their size. An ancient combination, for example, Athens and its outer port Piraeus in Greece.

**2. Types of ports on the basis of special operations:**



**(i) Oil stations:**



These stations are responsible for processing and exporting oil. Some of them are tank ports and some are filter ports. Maracaibo in Venezuela, Escher in Tunisia, and Tripoli in Lebanon tank stations. Abadan in the Gulf of Persia is a filter port.

**(ii) Calling Ports:**



These ports were developed as a call point on major seaports where ships used to stop for re-fueling, irrigation, and food delivery. Later, they developed into trading ports. Aden, Honolulu and Singapore are good examples.

**(iii) Pocket Station:**



These are also known as port ports. These package stations focus mainly on passenger transport and sending emails in wet areas for short distances. These channels occur in pairs arranged in such a way that they face each other in the water, e.g., Dover in England and Calais in France across the English Channel.

**(iv) Entrecote Ports:**

These are ports where goods are shipped to different countries for export. Singapore is an Asian entertainment destination. Rotterdam for Europe, and Copenhagen for the Baltic region.

**(v) Naval Ports:**



These ports are of strategic importance only. These ports serve naval vessels and have refinement facilities. Kochi and Karwar are examples of such ports in India.

**Activity**

- Q1. Make a short note on the Concerns Concerning International Trade?
- Q2. Make a short note on the Gateway of international trade?
- Q3. Make a short note on the Most of the world's major ports are classified as wide estuaries?



## Questions For Practice

- |   |   |  |
|---|---|--|
| <p>1. What is India's share in world trade?<br/>(a) 1%                      (b) 2%<br/>(c) 3%                      (d) 4%</p> <p>2. India has ____ large ports?<br/>(a) 6                        (b) 8<br/>(c) 10                      (d) 12</p> <p>3. In which state is Nhava Sheva port located?<br/>(a) Gujarat                (b) Goa<br/>(c) Maharashtra        (d) Karnataka</p> <p>4. When was the harbor of Chennai built?<br/>(a) 1839                    (b) 1849<br/>(c) 1859                    (d) 1869</p> <p>5. What is the carrying capacity of Indian port goods (millions of tons)?<br/>(a) 100                      (b) 300<br/>(c) 500                      (d) 700</p> <p>6. Which one of the following is a landlocked harbor?<br/>(a) Vishakhapatnam<br/>(b) Mumbai<br/>(c) Enno<br/>(d) Haldia</p> <p>7. Most of India's foreign trade is made up of the following?<br/>(a) Land and Sea<br/>(b) Earth and Air</p> | <p>(c) Sea and wind<br/>(d) The Sea</p> <p>8. Which port is called the 'Queen of the Arabian Sea'?<br/>(a) Mangalore            (b) Kochi<br/>(c) Mumbai                (d) Kandla</p> <p>9. Which country is India's largest trading partner?<br/>(a) Britain                (b) China<br/>(c) USA                      (d) in Pakistan</p> <p>10. What are the major shipments from New Mangalore airports?<br/>(a) Coal                    (b) Iron ore<br/>(c) Copper                (d) Micah</p> <p>11. Which of these trade blocs has India as an associate member?<br/>(a) ASEAN                (b) SAFTA<br/>(c) OPEC                    (d) QECD</p> <p>12. Identify the South American country from the following options which is a part of OPEC?<br/>(a) Venezuela            (b) Brazil<br/>(c) Peru                      (d) Chile</p> <p>13. In which year GATT was formed?<br/>(a) 1946                    (b) 1948<br/>(c) 1950                    (d) 1955</p> <p>14. The Headquarters of EU are at?<br/>(a) London                (b) Paris</p> | <p>(c) Brussels              (d) Berlin</p> <p>15. Slave trade was abolished in the USA in:<br/>(a) 1708                    (b) 1758<br/>(c) 1778                    (d) 1808</p> <p>16. Which is a river port?<br/>(a) Mumbai                (b) Kochi<br/>(c) Kolkata                (d) Karachi</p> <p>17. Silk route was between:<br/>(a) China and Rome<br/>(b) China and India<br/>(c) Japan and Sri Lanka<br/>(d) Africa and China</p> <p>18. Which of the following is the headquarters of WTO?<br/>(a) Belgium                (b) Indonesia<br/>(c) Switzerland            (d) Austria</p> <p>19. What does the Latin word 'Salarium' mean?<br/>(a) Non-payment of salary<br/>(b) Payment by salt<br/>(c) Trade in Salt by Sea<br/>(d) Barter of Salt for Silver</p> <p>20. Which of the following is an Oil port?<br/>(a) Tripoli                    (b) Mumbai<br/>(c) London                (d) New York</p> |
|---|---|--|

## Solutions

- |        |        |        |        |         |         |         |         |         |         |
|--------|--------|--------|--------|---------|---------|---------|---------|---------|---------|
| 1. (a) | 3. (c) | 5. (c) | 7. (c) | 9. (c)  | 11. (b) | 13. (b) | 15. (d) | 17. (a) | 19. (b) |
| 2. (d) | 4. (c) | 6. (d) | 8. (b) | 10. (b) | 12. (a) | 14. (c) | 16. (c) | 18. (c) | 20. (a) |

