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INTRODUCTION

- ❑ Trade between two or more countries is called **foreign trade** or **international trade**. This involves the exchange of goods and services between the citizens of two countries. When citizens of one country exchange goods and services with the citizens of another country, it is called foreign trade.
- ❑ “The aim of international trade is to increase production and to raise the standard of living of the people. International

CLASSIFICATION

International trade must be classified into three ways:

1. **Import Trade:** The inflow of goods in a country is called import trade.
2. **Export Trade:** The outflow of goods from a country is called export trade.
3. **Entrepot Trade:** Many times goods are imported for the

TYPES

There are four types of international trade transactions:

1. **Direct Business:** In direct business the importer places order with manufacturer of the exporting country.
2. **Consignment Business:** Under consignment business the exporter sends the goods to an agent in the importing country.
3. **Indent Firms:** The indent firms charge a commission for their services. The indent firms are also called commission agents.

CHARACTERISTICS

International trade is characterized by the following features:

- Territorial specialization
- International competition
- Separation of sellers from buyers
- Long chain of middlemen
- International rules and regulations

ROLE OR IMPORTANCE

The Role and importance of international trade are as follows:

- Division of labor and specialization
- Optimum allocation and utilization of resources
- Raises Standard of Living of the people
- Generate employment opportunities
- Equality of prices

BENEFITS

There are some benefits of international trade:

- Efficient Allocation and Better Utilization of Resources
- Variety of Goods Available for Consumption
- Promotes Efficiency in Production
- Utilization of Surplus Produce

BARRIERS

There are some barriers to international trade:

- Cultural and social barriers
- Political barriers
- Tariffs and trade restrictions
- Standards

REASONS

*Here are seven reasons for **growing globally**:*

- Reduced dependence on your local market
- Increased chances of success
- Increased efficiency
- Increased productivity

PROBLEMS OR DIFFICULTIES

The following are the special problems of international trade:

- Distance
- Different languages
- Risk in transit
- Intense competition
- Difficulties in Payments

ADVANTAGES

The main advantages of international trade are as follows:

- Optimal use of natural resources
- Availability of all types of goods:
- Advantages of large-scale production
- Stability in prices
- Increase in efficiency

DISADVANTAGES

The main disadvantages of international trade are as follows:

- Exhaustion of Resources
- Effect on Domestic Industries
- Effect on Consumption Habits
- Times of Emergency
- Economic Dependence

THEORY OF ABSOLUTE ADVANTAGE

- ❑ According to **Adam Smith**, if one country has absolute advantage over another in one line of product and the other country has an absolute advantage over the first country in another line of production, then both countries would gain by trading.
- ❑ Absolute advantage is the ability of a country, individual,

*According to him, there are following **advantages of this theory.***

- 1. Absolute Cost Advantage:** Trade between two countries would be mutually beneficial if the cost of producing a commodity in one country is lesser than the cost of producing the same commodity in another country.
- 2. Natural Advantage:** A country would produce those goods that are naturally favoring its climatic conditions. The type of goods produced would also depend upon the availability

CONCLUSION

- ❑ In conclusion it can be said that, international trade leads to economic growth provided the policy measures & economic infrastructure are accommodative enough to cope with the changes in social and financial scenario that result from it.
- ❑ In order to face the cross border competition challenges, a well functioning, national competition regime is insufficient.
- ❑ International trade opens up the opportunity for develop

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THANK YOU !