CBSE Test Paper 04
Ch-9 International Trade

1. Write the full form of OPEC.
2. Who are the member nations of ASEAN?
3. How is ‘barter system' practised among various tribal communities in the world?
4. Which association is the largest single market in the world?
5. What are important aspects of international trade?
6. Explain the three aspects of international trade.
7. What is international trade? Which are the two types of international trade? Give one characteristic of each.
8. Initial currency was different from present currency. Clarify.
9. Write a short note on WTO.
10. Mention three merits and three demerits of International Trade.

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Answer

1. OPEC stands for Organization of Petroleum Exporting Countries.

2. As of 2010, the Association of Southeast Asian Nations (ASEAN) has 10 member states. Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, Vietnam.

3. In tribal communities, the barter system is practised by the direct exchange of goods. Money is not used.

4. European Union (EU) association is the largest single market in the world.

5. International trade has three important aspects:

   i. Volume of trade: The actual tonnage of goods traded makes up the volume. However, services traded cannot be measured in tonnage. Therefore, the total value of goods and services traded is considered to be the volume of trade.
   ii. Sectoral composition of trade: Composition of trade means a study of the goods and services of imports and exports of a country. In other words, it tells about the commodities of imports and the commodities of exports of a country. Therefore it indicates the structure and level of economic development of a country.
   iii. Direction of trade: Direction of foreign trade means the countries to which India exports its goods and the countries from which it imports. Thus direction consists of destination of exports and sources of our imports.

6. International trade has three very important aspects. These are:

   i. **The volume of Trade:** Volume refers to the actual tonnage of goods traded. But services traded cannot be measured in tonnage. Hence, the volume of trade is measured simply as the total value of goods and services traded.
   ii. **Composition of Trade:** The nature of goods and services traded by countries has been changed during the last century as the percentage of primary products in the

total traded goods was maximum at the beginning of the last century. Later manufactured goods dominated and presently the service sector is showing a rising trend.

iii. **The direction of Trade:** The world trade pattern underwent drastic changes during the second half of the 20th century. The developing countries like India and China have started competing with developed countries. The nature of the goods traded has also changed.

7. **International Trade** - The movement of goods and services from areas of surplus to deficit areas between the two countries.
   Two types of international trade are:

   i. **Bilateral Trade**- The exchanging of goods between the two countries.
   ii. **Multilateral Trade**- The exchange takes place between several countries on a regular basis.

8. Initial currency was not in the form of paper notes or coins. At the beginning, there was no money. People engaged in barter, the exchange of merchandise for merchandise, without value equivalence. Slowly, a type of prehistoric currency involving easily traded goods like animal skins, salt and weapons developed over the centuries. Sometime around 1,100 B.C., the Chinese moved from using actual tools and weapons as a medium of exchange to using miniature replicas of the same tools cast in bronze. Rather in the olden times, before paper and coin currency came into being, rare objects with very high intrinsic value served as money, like, flintstones, obsidian, cowrie shells, tiger's paws, whale's teeth, dog's teeth, skins, furs, cattle, rice, peppercorns, salt, small tools, copper, silver and gold.

9. WTO stands for World Trade Organisation. The GATT was transformed into the World Trade Organisation from 1st January 199595. It is only international organisation dealing with the global rules of trade between nations. It sets the rules for the global trading system and resolves disputes between its member nations. WTO also covers trade in services, such as telecommunication and banking, and other issues such as intellectual property rights.
   The WTO has received a lot of criticism from people who are worried about the effects of free trade and economic globalisation. It is argued that free trade does not

make ordinary people's lives more prosperous but only results in rich people and countries becoming richer. This is because the influential nations in the WTO focus on their own commercial interests. Moreover, many developed countries have not fully opened their markets to products from developing countries. It is also argued that issues of health, worker's rights, child labor and environment are ignored.

10. **Merits:**

    i. Optimal use of natural resources: International trade helps each country to make optimum use of its natural resources. Each country can concentrate on production of those goods for which its resources are best suited. Wastage of resources is avoided.
    ii. Availability of all types of goods: It enables a country to obtain goods which it cannot produce or which it is not producing due to higher costs, by importing from other countries at lower costs.
    iii. Specialisation: Foreign trade leads to specialisation and encourages production of different goods in different countries. Goods can be produced at a comparatively low cost due to advantages of division of labour.

    Demerits:

    i. Impediment in the Development of Home Industries: International trade has an adverse effect on the development of home industries. It poses a threat to the survival of infant industries at home. Due to foreign competition and unrestricted imports, the upcoming industries in the country may collapse.
    ii. Economic Dependence: The underdeveloped countries have to depend upon the developed ones for their economic development. Such reliance often leads to economic exploitation. For instance, most of the underdeveloped countries in Africa and Asia have been exploited by European countries.
    iii. Political Dependence: International trade often encourages subjugation and slavery. It impairs economic independence which endangers political dependence. For example, the Britishers came to India as traders and ultimately ruled over India for a very long time.