CBSE Test Paper 02
Ch-9 International Trade

1. What do you mean by dumping?
2. What is the main objective of WTO?
3. Classify international trade.
4. What are naval ports? Give one example of naval port.
5. Why is it detrimental for a nation to have negative balance of payments?
6. Distinguish between Ports of Call and Packet Station.
7. Why does international trade exist?
8. Distinguish between inland port and out port.
9. Explain any five bases of international trade.
10. How is the trade of services different from the trade of primary and manufacturing sectors?

Answer

1. Selling of goods in foreign markets at a cheaper rate and in domestic market at a higher rate is called dumping. Dumping is a term used in the context of international trade. It's when a country or company exports a product at a price that is lower in the foreign importing market than the price in the exporter's domestic market. Because dumping typically involves substantial export volumes of a product, it often endangers the financial viability of the product's manufacturers or producers in the importing nation.
2. The WTO has six key objectives:
   i. to set and enforce rules for international trade.
   ii. to provide a forum for negotiating and monitoring further trade liberalization.
   iii. to resolve trade disputes.
   iv. to increase the transparency of decision-making processes.
   v. to cooperate with other major international economic institutions involved in global economic management.
   vi. to help developing countries benefit fully from the global trading system.
3. There are two types of between international trade:
   i. **Bilateral trade:** A bilateral trade is the exchange of goods between two nations promoting trade and investment. The two countries will reduce or eliminate tariffs, import quotas, export restraints, and other trade barriers to encourage trade and investment.
   ii. **Multi-lateral trade:** As the term suggests multi-lateral trade is conducted with many trading countries. The same country can trade with a number of other countries.
4. Naval ports are those ports which are strategically important as they serve warships and have repair centres for them. Examples of naval ports are Kochi and Karwar.

5. The balance of trade records the volume of goods and services imported as well as exported by a country to other countries. If the value of imports is more than the value of a country's exports, the country has a negative or unfavourable balance of trade. If the value of exports is more than the value of imports, then the country has a positive or favourable balance of trade. Balance of trade and balance of payments have serious implications for a country's economy. A negative balance would mean that the country spends more on buying goods than it can earn by selling its goods. This would ultimately lead to the exhaustion of its financial services.

6. i. Port of Call - A port of call is an intermediate stop for a ship on its sailing itinerary. At these ports, cargo ships may take on supplies or fuel, as well as unloading and loading cargo while cruise liners have passengers get on or off ship. These are the ports which originally developed as calling points on main sea routes where ships used to anchor for refuelling, watering and taking food items. Later on, they developed into commercial ports. Aden, Honolulu and Singapore are good examples.
   ii. Packet Station: These are also known as ferry ports. These packet stations are exclusively concerned with the transportation of passengers and mail across water bodies covering short distances. These stations occur in pairs located in such a way that they face each other across the water body, e.g. Dover in England and Calais in France across the English Channel.

7. There are five basis of International Trade:

   i. Difference in national resources: The world's national resources are unevenly distributed because of differences in their physical make up i.e. geology, relief soil and climate.
   ii. Population factors: The size, distribution and diversity of people between countries affect the type and volume of goods traded.
   iii. Stage of economic development: At different stages of economic development of countries, the nature of items traded undergo changes.
   iv. Extent of foreign investment: Foreign investment can boost trade in developing countries which lack in capital required for the development of mining, oil drilling, heavy engineering, lumbering and plantation agriculture.
   v. Transport : With expansions of rail, ocean and air transport, better means of

refrigeration and preservation, trade has experienced spatial expansion.

8. i. Inland port--An inland port is a port on an inland waterway, such as a river, lake, or canal, which may or may not be connected to the ocean. The term "inland port" is also used to refer to a dry port, which is an inland extension of a seaport, usually connected by rail to the docks. These ports are located away from the sea coast. They are linked to the sea through a river or a canal. Such ports are accessible to flat bottom ships or barges. For example, Manchester is linked with a canal; Memphis is located on the river Mississippi; Rhine has several ports like Mannheim and Duisburg; and Kolkata is located on the river Hoogli, a branch of the river Ganga.
   ii. Out Ports: These are deep water ports built away from the actual ports. These serve the parent ports by receiving those ships which are unable to approach them due to their large size. Classic combination, for example, is Athens and its out port Piraeus in Greece.

9. Five bases of international trade are as follows:

   i. **The difference in National Resources:** The distribution of the world's national resources is uneven due to different physical make-ups like geology, relief, soil and climate.
   ii. **Population Factors:** Type and volume of goods traded between different regions of the world are affected by the size, distribution and diversity of people. It includes cultural factors and the size of the population.
   iii. **Stage of Economic Development:** The nature of commodities traded changes with the change in the stage of economic development of countries. In less developed countries, agriculture is the most important sector. These countries export agro-products to the industrialised nations and import machinery and finished products from them.
   iv. **The extent of Foreign Investment:** Developing countries lack the capital which is required for the development of mining, oil drilling, heavy engineering, lumbering and plantation agriculture.
   v. **Transport:** With the development of modem means of transport and the expansion of rail, ocean and air transport, trade has expanded spatially. In early time, only high-value items, e.g. gems, silk and spices were traded over long

distances because of the lack of efficient means of transport.

10. The trade in the service sector is quite different from trade in the products of primary and manufacturing sectors:

    i. The trade in services can be expanded infinitely.
    ii. It can be consumed by many at the same time.
    iii. It is weightless.
    iv. Once produced it can be easily replicated.
    v. Thus, service trade is capable of generating more profit than producing goods.
    vi. In 2010 service sector which includes travel, transportation and other commercial services have been shown an upward trend.
    vii. In service sector the trade can be cross-border; for example, where a U.S. stockbroker buys stock for a client in another country.
    viii. Unlike trade in goods, trade in services does not necessarily mean that services are produced in one country and consumed in another.
    ix. Trade in services records the value of services exchanged between residents and non-residents of an economy, including services provided through foreign affiliates established abroad.