

Chapter : 8

International Trade

1. Choose the right answer from the four alternatives given below:

(i). Most of the world's great ports are classified as:

- (a) Naval Ports
- (b) Oil Ports
- (c) Comprehensive Ports
- (d) Industrial Ports

Answer: (c) Comprehensive Ports

(ii). Which one of the following continents has the maximum flow of global trade?

- (a) Asia
- (b) North America
- (c) Europe
- (d) Africa

Answer: (b) North America

2. Answer the following questions in about 30 words:

(i). What is the basic function of the World Trade Organisation?

Answer: Basic function of World Trade Organisation is to act as an international organisation to deal with the global rules of trade between nations. It sets the rules for the global trading and resolves the disputes between member nations. It is a permanent institution for looking after the promotion of free and fair trade amongst nations. WTO also covers trade in services, such as telecommunication and banking, and other issues such as intellectual rights.

(ii). Why is it detrimental for a nation to have negative balance of payments?

Answer: Negative balance of payment indicates that for a country the expenditure on imports is higher than the income from exports. This implies that a country is running down on its stock of foreign exchange and it has to bank upon international loans for funding the payments of imports.

(iii). What benefits do nations get by forming trading blocs?

Answer: Countries with geographical proximity, similarity and complementarities in trading item form trading blocs. These develop as a response to failure of global organisation to speed up intra-regional trade. The main benefits arising from trade blocs are:

- Increase intra-regional trade by removing trade tariffs within member nations.
- Have a greater say in international market as they have more power as trading bloc than as an individual nation.

3. Answer the following questions in not more than 150 words:

(i). How are ports helpful for trade? Give a classification of ports on the basis of their location.

Answer:

- The commercial part of a harbour containing facilities for embarking and disembarking passengers, loading and unloading, and facilities for storage are called ports.
- Ports are called gateways of international trade. 90-95% of international trade is carried out through them. Major part of the

international trade is carried out through waterways and ports are two ends of a waterway, they become extremely important.

- Cargoes and travellers pass from one part of the world to another through these ports.
- The ports provide facilities of docking, loading, unloading, storage facilities for cargo.
- In order to provide these facilities, the port authorities make arrangements for maintaining navigable channels, arranging tugs and barges, and providing labour and managerial services.

On the basis of location ports can be classified as:

- **Inland Ports:** These ports are located away from the seacoast. 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 Hoogly, a branch of the river Ganga.
- **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.

(ii). How do nations gain from International Trade?

Answer: International trade is the result of specialisation in production. It benefits the world economy if different countries practise specialisation and division of labour in the production of commodities or provision of services. Each kind of specialisation can give rise to trade. Thus, international trade is based on the principle of comparative advantage, complementarity and transferability of goods and services and in principle, should be mutually beneficial to the trading partners. Undertaking international trade is mutually beneficial to nations as it leads to regional specialisation.

- **Higher level of production:** With availability of foreign technology and production equipments, even developing nations are able to increase their production level.

- Better standard of living: With increased production and trade, there is an increase in exports and hence increased per capita income which gives rise to increased standards of living.

Worldwide availability of goods and services: Before liberalization of international trade, all goods were not available in all parts of world, which deprived both consumers as well as producers of developing countries. With international trade both consumers and producers benefit from availability of goods.