



# International trade restricted or encouraged

Radhika Pethe

Student, Indore Institute of Law, Indore, Madhya Pradesh

## ABSTRACT

*This paper focuses on the study of international trade its trade relations and mainly it should be encouraged more or should be banned. So my aim to do this research is I want to find that how international trade helps positively and why sometimes it needs to be banned. This paper examines international trade in India and all the trade relations with other countries. I have used doctrinal research methodology for my research and drew up major research questions about the international trade which I would be answering in the whole research paper. The major points I am covering will be what are the trade relations, types of international trade, how globalization has affected trade, the meaning of trade flow, should nations trade with other countries or not? And the main focus will be on the drawback of trade and advantages of trade and the debate between them. I will also mention how the international trade came into existence i.e. evolution of international trade and its importance.*

**Keywords:** International Trade, Importance, Restricted or Encouraged

**Research method:** The research method I have used is completely doctrinal in which i have examined the whole international trade and i am going to explain every point in much prescribed manner. This research method is completely original and does not in any way intended to plagiarise.

### How has the research done?

The international trade in this research include importance, advantages, disadvantages, evolution, trade theory and the main focused point is the debate between drawbacks and advantages.

### What materials are used?

Data has been collected from books, articles, magazines, blogs, and online sources.

## 1. INTRODUCTION

International trade means economic transactions made between the countries. The things which are commonly trade are clothes, television, and oil. Other than goods it includes services also like travel services paid for foreign patents. International trade transactions are facilitated by international financial payments in which the private banking system and the central banks of the trading nations play an important role. International goods and services are traded across countries for the purpose of providing the nation with commodities it lacks in exchange for those that it produces in abundance such transactions functioning with other economic policies tend to improve a nations standard of living. The exchange of g and s along the international borders allows greater competition and also more competitive prices in the market.

Free international trade is often desirable as it allows countries to specialize in order to produce the goods that they are relatively efficient at producing while importing other goods. There is always one way of expressing the gains from trade in goods and services is to differentiate between static gains and (i.e. improvements in allocative and productive efficiency) and dynamic gains (i.e. gains in welfare that occur from improved product quality, increased choice, and faster innovative behavior). [1]

Operating in international markets means that demand is likely to be higher and therefore firms can expand their output whilst benefit from economies of scale. These cost savings by firms can then be passed onto the consumers as well.

Due to the increased competition, domestic firms are forced to improve the quality of their output and so more efficiently allocate resources. For instance, monopoly power tends to decline. The transfer of technology and ideas across borders becomes faster. This means that innovation in one country has benefits for many others as well. [2]

## 2. TYPES OF INTERNATIONAL TRADE

One type of trade included in types of international trade is an intra-industry trade in which importers import goods that are similar to those produced in the country. An example of this type of sale can be seen in the importation of automobiles. Practically every country that produces automobiles also imports other types of automobiles from other countries.

In intra-firm trade, the international trade is confined to various arms or subsidiaries of a multi-national corporation. The corporation may be a franchise or it may simply be a big organization with international outlets. Inter-firm trade occurs between different types of companies that produce different types of goods. This type of trade may be seen in the case of a supplier of raw materials and a company that is importing the raw materials, which is based in another country. [3]

Inter-industry trade refers to the method of trade whereby parties from the two countries exchange goods that are not manufactured in either country. For example, a country that has oil may export the oil to a country that has no oil deposits, and as such is incapable of manufacturing oil. The destination country may, in turn, export apples to the oil-producing country. The oil-producing country may not have the right weather for the growth of apples. In this case, an inter-industry trade has occurred between the two countries, since the items that were exchanged were items that could not be manufactured or produced in either country. Sometimes the reasons why the countries are not able to manufacture the items may include a lack of technical ability to produce the item or lack of raw materials.

Even though it is mainly material items in an inter-industry trade that are included in the types of international trade, intangible items like skills and services are also involved. For instance, country A could recruit experts from country B to come and help them design and build a subway system. Country B could also recruit skilled agricultural workers from country A to come and help them implement an effective agricultural irrigation system. In this case, an inter-trade in skills has occurred.

### **3. IMPORTANCE OF INTERNATIONAL TRADE**

International Trade enables the fuller utilization of resources. Underdeveloped countries are not in a position to use their mineral resources, so they export their raw materials to developed countries where the same are needed the most.

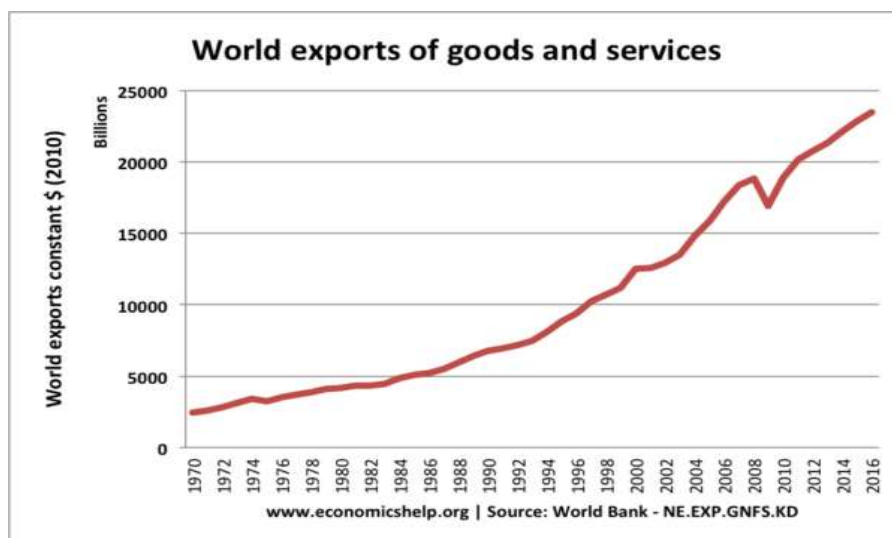
Because of International Trade, the trading partners get goods cheaper than otherwise. Because every country produce those goods in the production of which it has to occur less comparative by virtue of International Trade consumers gets an opportunity to consume a large variety of goods produced by different countries. This improves the quality of life.

International trade enables every country to dispose of their surplus production. Some countries produce more than their own requirement. They sell this surplus production in other countries and avoid the occurrence of deflationary pressures in the domestic economy.

International Trade encourages countries to compete with each other in the production of different kinds of goods at the low cost of production. Competitiveness stimulates productivity. It widens the extent of the market. Every country makes an attempt to produce different goods in large quantity. This induces production on large scale and thereby generates economies of scale.

International Trade stimulates the spirit of competition among the entrepreneurs. Novel techniques of production are devised to produce quality goods at low cost.

International Trade promotes mutual cooperation among different countries. It creates an atmosphere of goodwill and friendship among the trading countries. [4]



**Fig. 1: Graph showing world exports of goods and services**

### **4. BENEFITS OF INTERNATIONAL TRADE**

Apart from the introduction and importance of international trade my research paper also includes the benefits of international trade which are further explained in points.

- (i) Variety of goods – when international trade facilitates there are diff varieties of particular product. This gives consumer lots of choices which improves there quality of life and helps the country to glow.
- (ii) Better utilization of resources- when wasteful duplication of resources is prevented then it helps the environment from harmful gases leaked into the atmosphere and also provides countries with better marketing power.

- (iii) It promotes the efficiency of production- countries that can produce product at lower possible cost will able to gain a larger share in the market.
- (iv) More employment- when the market widened through trade more employment generated which help countries to destroy their unemployment.
- (v) Consumption at a cheaper cost- when one country is unable to produce within its border or production may cost high then the cost becomes cheaper when there is an import from other countries.
- (vi) Reduces trade fluctuations- the prices of good remains stable when there are large supplies and extensive demand.
- (vii) Utilization of surplus produces- International trade enables different countries to sell their surplus products to other countries and earn foreign exchange.[5]

#### **4.1 Why should it be encouraged?**

International trade should be encouraged if we focus on its advantages which are:

- (i) International trade encourages the development of the most efficient sources of supply.
- (ii) International trade enables specialization on a large scale because of the expanded market, which enables the realization of economies of scale. When the size of the market is limited, certain investments are uneconomical.
- (iii) International specialization and the economics in production make goods available comparatively cheaper.
- (iv) International trade increases real incomes and consumption. This could lead to an expansion of employment and output and foster economic growth.
- (v) Trade on a global scale makes available even goods that cannot be domestically produced.
- (vi) Trade enables a country to conserve certain scale resources as commodities why to embody these scarce resources may be imported from countries where they are abundant.

In terms of geopolitical relations between countries, it can be helpful because when two nations are dependent on each other due to international trade chances are they will not indulge any war with each other and hence it indirectly helps in maintaining peace between countries.

The manufactures of product get better value for their produce because had there been no global trade they would have been forced to sell the product in local markets at any price due to limited demand while in case of international markets they get a better price due to a larger market and higher demand for their products. [6]

#### **4.2 Why should it be restricted?**

There are so many disadvantages of international trade for which it should be restricted by some aspects which are:

- (i) Economic dependence – for the underdeveloped countries have to be depended upon developed countries by which they will dominate and sometimes it leads to economic exploitation.
- (ii) Political dependence- it often encourages subjugation and slavery it impairs economic independence which endangers political dependence.
- (iii) Misutilization of resources – it causes the economic downfall of the country in the long run because excessive exports may exhaust natural resources.
- (iv) Import of harmful goods - Import of spurious drugs, luxury articles, etc. adversely affects the economy and well-being of the people.
- (v) The danger to international peace - International trade gives an opportunity to foreign agents to settle down in the country which ultimately endangers its internal peace.

International trade also presents cultural complications like different cultures have different attitudes, standards, and expectations that can create a problem for brands and businesses failing to consider the expectation a different culture may have can lead to mistakes that damage the reputation of the brand and can be very costly to the bottom line. Any step of the sales process could create an offense. Something as simple as inappropriate packaging can be enough to permanently damage a brand's reputation. The main and very important risk in doing international trade is it increases the risk of **proprietary information theft going to an international market with a product or any service increases the risk that other brand or business may be stealing info about the product its marketing concepts and sometimes even personal identity.**

China has a reputation for doing this, even if there isn't a business presence in the local market.

### **5. EVOLUTION OF INTERNATIONAL TRADE**

It has a rich history starting with barter system being replaced by mercantilist in 16<sup>th</sup> and 17<sup>th</sup> centuries Adam Smith the father of economics have written a book called wealth of nation all the economic thoughts and principles of various economists have influenced the international trade policy of each country Free international trade is often seen as desirable because it allows countries to specialize, in order to produce goods that they are relatively efficient at producing, while importing other goods. This is the essence of the comparative advantage argument supporting gains from trade: exchange allows countries to “do what they do best, and import the rest”.

From a historical perspective, international trade has grown remarkably in the last couple of centuries. After a long period characterized by persistently low international trade, over the course of the 19th century, technological advances triggered a period of marked growth in world trade (the 'first wave of globalization'). This process of growth stopped, and was eventually reversed in the interwar period; but since the Second World War international trade started growing again, and in the last decade's trade expansion has been faster than ever before. Today, the sum of exports and imports across nations is higher than 50% of global production. At the turn of the 19th century, this figure was below 10%. [7]

## **6. CONCLUSION**

From the whole research on international trade I have concluded that international trade should not be encouraged because if the international trade will be given more importance then the underdeveloped countries will not even bother to grow up every country needs its own growth that is why international trade should be done less but not be banned completely because if it will be banned then the trade relations between the country will not be linked properly it's good for countries who don't illegally copy each other trades .international trade helps the consumers to have choices for their product in various ways.

International trade sometimes acts as negative when it increases political dependency and cultural discriminations sometimes which are the major disadvantages of the international trade my research is about the debate that international trade should be banned or restricted.

The evolution of international trade has come from Adam smith s book in the last 50 years. The main question about legalization of international trade is that it will reduce the black market or not because sometimes illegal activities also take place while trading internationally.

In the above research, I have explained each and every aspect of international trade its point of legalization and points of restrictions it should be banned because increases political dependence but it is good for the nation when it is done by legal aspects.

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