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1: Chapter 3: International Trade Theory â€“ International Business

The course provides a comprehensive foundation for understanding all aspects of International Trade Finance in a global context, covering the key principles, concepts, infrastructures, practices, issues, and current developments.

International Trade Theory International Trade Theory International trade is the exchange of capital, goods, and services across international borders. The benefits of trading include lower prices, better products for consumers, improvement of political ties among nations, and efficiency gains for domestic producers. Mercantilism Mercantilism asserts that by maximizing exports and minimizing imports a country would keep wealth within its borders instead of spending money overseas by purchasing goods from other countries. The flaw with mercantilism is that it treats trade as a zero-sum game; because of its shortsighted approach, the gain or loss of one country is exactly balanced by the loss or gain of another country, ultimately no country benefits from trading. Absolute Advantage Absolute advantage compares the productivity of different producers or economies. In other words, a country that has an absolute advantage can produce a product with lower marginal cost to include, fewer and less expensive materials, productivity in less time, fewer workers and lower wages. The producer that requires a smaller quantity inputs to produce a good, has proven to have an absolute advantage in producing that good. A country with an absolute advantage can sell a good for less than a country that does not have absolute advantage. Absolute advantage refers to a difference in productivity of nations, while comparative advantage refers to differences in opportunity costs. Absolute advantage is important, but comparative advantage is what determines what country will specialize in a specific product. Comparative Advantage In economics, comparative advantage refers to the ability of a party to produce a good or service at a lower marginal and opportunity cost over another. This is the concept that a certain good can be produced more efficiently than others due to several factors such as productive skills, climate, and natural resource availability. Why Should We Care? To assemble just one model of airplane, the , its smallest and most popular commercial jet, still containing , parts, the company relies on a complex web of hundreds of suppliers. Boeing does not hesitate to outsource when there is cost savings, this concept is directly tied to comparative advantage and specialization. That now-independent company, Spirit Aerosystems, also does work for competing aerospace companies. Boeing works with many external suppliers, over vendors in Utah alone, these suppliers employ hundreds of thousands of skilled workers worldwide. What is it that keeps such a valuable global company in Utah? There are several reasons why Utah has both competitive and comparative advantage for Boeing. Composites is an industry that can bring technology, jobs, education, and competitive advantage to the Utah workforce. Boeing Salt Lake completes dreamliner production expansion [Press Release]. Utah job postings [Data set]. Improving the quality of life in Utah. Boeing will expand work to Utah. Boeing will expand composites manufacturing capabilities in Seattle. Boeing reportedly considering bringing tail work in-house. Utah gives Boeing incentives to open tail piece factory. Salt Lake City specializes in composites. Boeing picks Utah supplier to make some composite parts. Hundreds of suppliers, one Boeing airplane. International trade theory [Power Point Slides].

2: PT. Debindo International Trade & Exhibitions,Jakarta,Indonesia

*Studying about the IT part 3. TRADE BARRIERS. I rade Barriers * "Any hurdle, impediment or road block that hampers the smooth flow of goods/services and payments from one destination to another They arise from the rules and regulations governing trade either from home country or host country or intermediary.*

Share Loading the player If you walk into a supermarket and can buy South American bananas, Brazilian coffee and a bottle of South African wine, you are experiencing the effects of international trade. International trade allows us to expand our markets for both goods and services that otherwise may not have been available to us. It is the reason why you can pick between a Japanese, German or American car. As a result of international trade, the market contains greater competition and therefore more competitive prices, which brings a cheaper product home to the consumer. What Is International Trade? International trade is the exchange of goods and services between countries. This type of trade gives rise to a world economy, in which prices, or supply and demand , affect and are affected by global events. Political change in Asia, for example, could result in an increase in the cost of labor , thereby increasing the manufacturing costs for an American sneaker company based in Malaysia, which would then result in an increase in the price that you have to pay to buy the tennis shoes at your local mall. A decrease in the cost of labor, on the other hand, would result in you having to pay less for your new shoes. Trading globally gives consumers and countries the opportunity to be exposed to goods and services not available in their own countries. Almost every kind of product can be found on the international market: Services are also traded: A product that is sold to the global market is an export , and a product that is bought from the global market is an import. Increased Efficiency of Trading Globally Global trade allows wealthy countries to use their resourcesâ€”whether labor, technology or capital â€” more efficiently. Because countries are endowed with different assets and natural resources land, labor, capital and technology , some countries may produce the same good more efficiently and therefore sell it more cheaply than other countries. If a country cannot efficiently produce an item, it can obtain the item by trading with another country that can. This is known as specialization in international trade. Country A and Country B both produce cotton sweaters and wine. Country A produces ten sweaters and six bottles of wine a year while Country B produces six sweaters and ten bottles of wine a year. Both can produce a total of 16 units. Country A, however, takes three hours to produce the ten sweaters and two hours to produce the six bottles of wine total of five hours. Country B, on the other hand, takes one hour to produce ten sweaters and three hours to produce six bottles of wine total of four hours. But these two countries realize that they could produce more by focusing on those products with which they have a comparative advantage. Country A then begins to produce only wine, and Country B produces only cotton sweaters. Each country can now create a specialized output of 20 units per year and trade equal proportions of both products. As such, each country now has access to 20 units of both products. We can see then that for both countries, the opportunity cost of producing both products is greater than the cost of specializing. More specifically, for each country, the opportunity cost of producing 16 units of both sweaters and wine is 20 units of both products after trading. Specialization reduces their opportunity cost and therefore maximizes their efficiency in acquiring the goods they need. With the greater supply, the price of each product would decrease, thus giving an advantage to the end consumer as well. Note that, in the example above, Country B could produce both wine and cotton more efficiently than Country A less time. This is called an absolute advantage , and Country B may have it because of a higher level of technology. However, according to the international trade theory, even if a country has an absolute advantage over another, it can still benefit from specialization. Other Possible Benefits of Trading Globally International trade not only results in increased efficiency but also allows countries to participate in a global economy, encouraging the opportunity of foreign direct investment FDI , which is the amount of money that individuals invest into foreign companies and other assets. In theory, economies can, therefore, grow more efficiently and can more easily become competitive economic participants. For the receiving government, FDI is a means by which foreign currency and expertise can enter the country. These raise employment levels, and, theoretically, lead to a growth in the gross domestic product. For the investor, FDI offers company expansion and growth, which means higher revenues. Protectionism As with other theories, there are opposing views. International trade has two contrasting views regarding the level of control placed on trade: Free trade is the simpler of the two theories: The main idea is that supply and demand factors, operating on a global scale, will ensure that production happens efficiently. Therefore, nothing needs to be done to protect or promote trade and growth, because market forces will do so automatically. In contrast, protectionism holds that regulation of international trade is important to ensure that markets function properly. Advocates of this theory believe that market inefficiencies may hamper the benefits of international trade, and they aim to guide the market accordingly. Protectionism exists in many different forms, but the most common are tariffs , subsidies , and quotas. These strategies attempt to correct any inefficiency in the international market. Opponents of global free trade have argued, however, that international trade still allows for inefficiencies that leave developing nations compromised. What is certain is that the global economy is in a state of continual change, and, as it develops, so too must all of its participants. Trading Center Want to learn how to invest? Get a free 10 week email series that will teach you how to start investing. Delivered twice a week, straight to your inbox.

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3: International trade - Wikipedia

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Free trade The benefits of free trade Countries are able to specialise in the production of goods and services that they are best at which means costs tend to be less. For instance, it is cheaper to grow tropical fruits in the warmer climates and import them than to try to grow them in the UK. Consumers can purchase goods that would not be produced within their own country. In addition, firms can import products with their exact specifications due to the greater choice, which increases productivity and profitability. Operating in international markets means that demand is likely to be higher and therefore firms can expand their output whilst benefitting 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. Absolute and comparative advantages HL Absolute advantage: This is a result of productivity a country may be more efficient at producing certain goods than others. As shown in the diagram, country green has the absolute advantage in the production of good Y because the PPC cuts the axis higher than country grey. Whereas, country grey has the absolute advantage in the production of good X. According to the theory of absolute advantage, if a country is absolutely more efficient in the production of both goods, then there is no reason for it to specialise and engage in trade. This would be illustrated if the PPCs did not intersect. Therefore, it gives up less resources than other countries in producing the concerned good or service. As shown in the diagram, country green has the absolute advantage in the production of both goods. However, according to the theory of comparative advantage, trade is still worthwhile because there is a difference in opportunity cost. Country grey has the comparative advantage in the production of good X, whereas country green has the comparative advantage in the production of good Y. For instance, countries differ in the quality and quantity of factor of production, including stock of human, natural and physical capital. Technology is embodied in physical capital and therefore also has an effect on the productivity of country and its comparative advantage. The exchange rate can also have an effect on the comparative advantage because an exchange rate that is appreciating will make exports less competitive, whereas a depreciating exchange rate will have the opposite effect. Assumptions of comparative advantage: Constant costs of production as the PPCs are linear â€” economies of scale and increasing returns to scale mean that costs tend to depend on output Perfect mobility of factors of production within a country â€” in reality workers are often geographically and occupationally immobile.

4: What Is International Trade?

5 Most Common Myths About International Trade (Part 3).

5: International Trade - Part 1: Trade Finance Instruments

International transportation of goods is fraught with many risks, many of which are unpredictable. It is in the perceived interest of both sides to handle as little risk as possible or at least have a certainty of knowledge of where the parties' risk begins and ends.

6: Ecuador - Market Overview | www.enganchecubano.com

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8: ibeconomics | International Trade

This course provides a comprehensive foundation for understanding all aspects of International Trade in a global context. This is the first of four-part collection, covering the key principles, concepts, infrastructures, practices, issues, and current developments in the world of International Trade Finance.

9: International Trade Administration; Part 3: Sponsored Programs & Activities | World Trade Daily

â€¢ The Pattern of International Trade displays patterns that are easy to understand (Saudi Arabia/oil or China/crawfish). Others are not so easy to understand (Japan and cars). â€¢ The history of Trade Theory and Government Involvement presents a mixed case for the role of government in promoting exports and limiting imports.

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