

International Trade

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INTRODUCTION AND HISTORY

'International' trade cannot be in the era before the rise of the nation state, but simply means trade over long distances, the form of movement of goods representing international trade in the modern world.

Trade across borders or long-distance trade traces its roots long back to times when ancient civilizations involved in barter to avail goods and resources which were not available indigenously or locally. The Phoenicians Egyptians, and Mesopotamians, settled trade networks in early 3000 BCE, promoting exchange of Agri and other commodities such as spices, textiles and metals. The Code of Hammurabi, (1754 BCE), provides initial documentation of trading practices. The Indus Valley Civilization (one of the first human civilizations of the world) for instance, indulged in promoting long-distance trade in order to procure resources like gold, silver, pearls and tinted gems. The Silk Road, one of the most famous trade routes in history, began to take shape in China during the Han Dynasty (206 BCE - 220 CE). This network, which spanned more than 6,000 miles, helped to promote trade between Europe, Africa, and Asia. It encouraged the trade of costly commodities like silk, spices, gold, and cultural concepts. This trade route was strengthened and expanded by individuals such as the Chinese explorer and politician Zhang Qian. East to West trade included everything from silk and spices to glass-making and gunpowder processes. International trade channels expanded significantly during the Age of Exploration (15th -17th century). European adventurers like Ferdinand Magellan, Vasco da Gama, and Christopher Columbus set out on expeditions in search of new trade routes to witnessed significant expansions of international trade routes. These explorations led to the establishment of trade links and colonies, enabling the exchange of goods, resources, and cultural influences

between continents. These explorations led to the establishment of trade links and colonies, enabling the exchange of goods, resources and cultural influences between continents.

The history of international trade is extensive, having begun in the 16th and 17th centuries when mercantilism superseded the barter system. In the 18th century, liberalism gained ground more so than the economic theories and tenets of David Ricardo and Adam Smith have impacted each nation's international trade policies.

Since then, a great deal has changed, and international trade now has a whole new meaning. It was previously known that trade between two nations had an impact beyond only economics, it also stoked aspirations on the political and social fronts. Modern countries must engage in international trade in order to survive, due to the effects of globalization and technological advancements. Over the course of the previous few centuries, nations have signed a number of agreements to advance toward free trade, in which they waive import taxes and permit unrestricted trade in products and services.

GENESIS OF WTO

The governments set the laws and policies that control the nation's trade with other nations against the background of its economic policies and financial circumstances, including its balance of payments position.

The World Trade Organization, or WTO for short, is an international organization that oversees international trade regulations. Its main objective is to make international trade more seamless and unhindered. The WTO was established on January 1st 1995, and its headquarters are in Geneva, Switzerland. The Organization, which has 153 members, was established during the Uruguay Round of negotiations. WTO is run by a Director General and has 637 secretarial staff members. The main purpose of the WTO is to serve as a forum for international trade talks.

MAJOR WTO MINISTERIAL CONFERENCES

The Ministerial Conference is attended by trade ministers and other senior officials of 164 member countries of the WTO. It is the trade forum's highest decision-making body and under the Marrakesh Agreement, the Ministerial Conference has to meet every two years.

Singapore Ministerial Round- 1996

Doha Ministerial Round - 2001

Bali Ministerial Round - 2013

Nairobi Ministerial Round - 2015

Buenos Aires Round - 2017

Kazakhstan in June 2020

Many other regional, intra-regional and global super nations groups have come to existence being engaged in regional trade agreements as European union (EU), The North American Free Trade Agreement (NAFTA) signed by Canada, Mexico and US in 1994. The Association of Southeast Asian Nations (ASEAN)

INTEGRATION OF INTERNATIONAL TRADE

With the introduction of several organizations, there had been steady efforts made to unite countries to create greater markets, to standardize tariffs and exchange legal guidelines as well as do away with trade limitations in trying to create free markets together with the agreements, several international locations have begun to form unions to harmonize and free trade policies inside themselves in a bid to create free markets. One such instance is the economic Union of nations. First of all European turned into a Customs Union that similarly evolved into financial Union.

Customs Union

Customs Union refers to a coming together of member countries to shape a union wherein they permit loose trade among the member nations without

customs obligations and tariffs. But, they formulate a not unusual external change coverage to determine common import responsibilities which might be levied for imports from a third-celebration USA side from the member United States of America. Customs Union also can be referred to as unfastened change Zones with common trade price lists and rules.

Monetary Union

Monetary Union is an alternate bloc, which includes each loose markets and Customs Union within the member community.

Financial Unions

Contain near co-ordination and integration of economic and financial regulations of the member international locations

Examples: ECU Union, CARICOM - single marketplace and financial system of Caribbean network.

Monetary Integration

Economic Union and monetary Unions ultimately lead up to complete economic Integration because the final level. In economic Integration, the member countries perform with unmarried currency and fiscal policy coupled with single economic coverage and function as unmarried financial system.

To gain and stabilize unmarried economy, it necessitates the political integration, which brings into being the concept of United Nations with self sufficient states governed through federal authorities. United States of the incredible instance of such integration evolving into one country.

Trade Theories from the eighteenth century to the close of the twentieth century

Those worldwide alternate theories include:

(1) **Heckscher-Ohlin concept:** States that a rustic's exports rely on its sources endowment whether or not it is capital-abundant or labour-considerable. If capital abundant, it's going to produce and export the capital-extensive items exceedingly more cost effectively than the opposite us. Likewise, a labour-

ample us of a will produce and export the labour-extensive goods distinctly greater cost effectively than the other

(2) **Export base principle:** Export base principle indicates that nearby boom in output and employment is a function of exogenous call for a place's exports, assuming best elasticity of enter deliver and export demand

(3) **Product cycle concept and Linder's principle of representative demand:** Vernon's concept (1966) of the product cycle is developed from the point of view of America market (evolved international locations), wherein the theory puts less emphasis at the aspect-proportion principle of comparative advantage and more on the timing of innovation, the consequences of scale economies, and the jobs of lack of awareness and uncertainty in influencing trade patterns. Vernon claims that a large hole exists between the knowledge of scientific principles and the software of those concepts in the generation of latest, marketable merchandise (Hong, bankruptcy 17: 1).

(4) **Cumulative causation principle:** The principle of cumulative causation evolved through Kaldor (1970) perspectives regional boom as decided by using the increase of call for a place's exports. Kaldor's first law is that there exists a sturdy causal relation among the growth of manufacturing output and the increase of GDP. His second regulation of growth (1966) states that the manufacturing region is concern to big growing returns to scale. The valuable factor of this regulation not only presents assist for the hypothesis that the manufacturing sector is the 'engine of increase', however additionally units the basis for the cumulative causation fashions of boom.

(5) **Endogenous increase idea:** Expect that a country's long-run growth fee is exogenously determined through a financial savings price (the Solow model) or a rate of technical progress

(6) **New trade principle:** In keeping with Ezeala-Harrison (1999: 22), the new alternate theory (NTT) emanates from the brand-new boom principle (NGT) that emerged in the international change and monetary boom and improvement literature throughout the early 1990s. The NGT emphasises

technological progress (and the determinants of technological development) in addition to the externalities that the improvement and application of new expertise confers, as express variables that decide economic increase global trade flows alongside hugely complicated supply chains between countries that supply raw materials, to manufacturing nations that make and process them, and then on to patron countries, which put the final merchandise to apply. The digital revolution of the past due 20th and early twenty first centuries has converted global alternate. The rise of the internet and e-trade systems as Amazon, Flipkart and many others, has revolutionized the manner agencies behavior cross-border transactions. It has facilitated global exchange thru on-line marketplaces, connecting shoppers and sellers from one-of-a-kind corners of the arena. Worldwide deliver chains have grown to be intricately interconnected, bearing in mind green manufacturing, distribution, and consumption of products.

Reference

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