1. Details of Module and its structure

Module Detail	
Subject Name	Geography
Course Name	Geography 03 (Class XII, Semester - 1)
Module Name/Title	International trade – Part 2
Module Id	legy_10902
Pre-requisites	Basic Knowledge about International Trade
Objectives	After going through this lesson, the learners will be able to understand the following: • Explain the type of International trade • Describe the Regional trading Blocs • Explain the Concern related to International trade • Discuss the important of Sea ports and types of ports
Keywords	Nafta, Opec, Asean, Saarc,Wto, Gatt, Bilateral trade, Multi-lateral trade

2. Development Team

Role	Name	Affiliation
National MOOC Coordinator (NMC)	Prof. Amarendra P. Behera	CIET, NCERT, New Delhi
Program Coordinator	Dr. Mohd. Mamur Ali	CIET, NCERT, New Delhi
Course Coordinator (CC) / PI	Dr. Tannu Malik	DESS, NCERT, New Delhi
Course Co-Coordinator / Co-PI	Dr. Archana	CIET, NCERT, New Delhi
Subject Matter Expert (SME)	Kumar Shyam Shaaishav Dr. Archana	PGT KV Pachimvihar, New Delhi CIET, NCERT, New Delhi
Review Team	Mrs. Renuka Shama	Laxman Public School, New Delhi

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Trade refers to the movement of goods and services from areas of surplus to areas of deficit. When exchange of goods and services takes place between two countries, it is called International trade. Throughout history, trade routes have played significant roles in cultural diffusion. You must have heard or read about the old ‗silk route' between China and Southwest Asia. The caravans traveling on this south-land route used to trade in silk, iron wares, and condiments. Trading between different parts of the world, especially between Asia and Europe has a very long history. The chance discovery of America by Columbus was prompted by trade. The Indians, the Chinese, the Arabs, the Romans, the Dutch and the British — all have contributed in promoting trade relations. Trade in modern time is no less important. In fact it is now the base of all world economies.

The exchange of goods or services along international borders. This type of trade allows for a greater competition and more competitive pricing in the market. The competition results in more affordable products for the consumer. The exchange of goods also affects the economy of the world as dictated by supply and demand, making goods and services obtainable which may not otherwise be available to consumers globally.

International trade may be categorised into two types:

a) Bilateral trade: Bilateral trade is done by two countries with each other. They enter into agreement to trade specified commodities amongst them. For example, country A may agree to trade some raw material with agreement to purchase some other specified item to country B or vice versa.

b) 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. The

country may also grant the status of the —Most Favoured Nation‖ (MFN) on some of the trading partners.

International Trade — The changing scenario

Trade has undergone fundamental changes over time, both in quality and quantity. Economic value and the major types of commodities accounting for most of the value-added in international trade have proceeded through distinctive eras over time, with technology as a constant driving force.

In the first phase, primary commodities i.e. raw materials, minerals and food products dominated. In the second phase, beginning with the Industrial Revolution, manufacturing goods accounted for the largest share of international trade, and was the most lucrative sector. Trade in primary commodities during this phase still took place, but the technological upgrading of products made manufacturing trade of standardised products more attractive. In the third phase, services became global commodities, accounting for a growing share of international trade.

Twin technological revolutions in information and transportation have fueled the growth and upgrading of commodities in trade. Transport costs have continued to fall throughout the twentieth century. Advances in communications technology — telephone, fax, electronic mail, and video conferencing have facilitated the coordination and monitoring of production in diverse locations. Improvement in trans-Atlantic cable capacity and the corresponding increasing capabilities of global communication have also facilitated more interactions among firms in different countries.

Emerging Sectoral Composition of Trade

It has changed significantly in recent years showing high growth in capital goods, especially machinery and transportation and commercial services. By contrast trade in primary commodities continue to fall, and its relative share of trade has been declining, especially over the last 30 years. It is mainly because of the cyclic decline of commodities price relative to manufacture and services trade. Manufacturing trade still predominated, but this market is becoming more differentiated due to the customised delivery of products to seek new

competitive advantages. Until I960, most TNCs were either of from the USA or the UK. In recent years, Japanese, German and other companies have become important on global scene. The power and influence of TNCs continue to grow with liberalisation.

Changing Sectoral Components

The strong growth registered for services is a recent phenomena. Service trade is qualitatively different from manufacturing trade in that services are infinitely expansible and potentially weightless, many people can use them at the same time, and once the goods are produced, they can be replicated at a low cost. For some companies, such as IBM, more profits are generated from providing services than from producing goods in the traditional sense.

In twenty-first century, it is predicted that commodity trade will be further upgraded and that the highest rewards from trade will involve the selling of lifelike interactive or virtual reality experiences globally. The recent globalisation of production also has altered the type of commodities that are traded. For instance, a significant proportion of trade is now constituted as component parts rather than finished goods. Vertical specialisation takes place where countries acquire expertise in particular stages of the production process. A country may import certain goods from another country to use them for the production of its own goods and then export that to some other country. The sequence only ends when the final goods reache their destination. Vertical trade involves, for example, the skill intensive design and manufacturing of a microchip in one country and its labour-intensive assembly onto a memory board in another, whereas horizontal trade entails completing all stages of computer manufacturing in a single country.

Global Pattern of Trade

International trade has become very complex with a high degree of specialisation in agricultural and industrial production. It has become an important component of the world economy. Global trade has grown much more rapidly over the past 25 years. Between 1985 and 1995, the average annual growth rate of the value of world exports was twice that of production. It was several times greater than that of world population growth.

The fundamental structure of international trade has been based on a few trading blocs i.e. groups of countries with formalised systems of trading agreements. Most of the world‘s trade has been taking place within these blocs. Membership of these trading blocs is the result of the effects of (i) distance; (ii) the legacy of colonial relationship; and (iii) geopolitical alliances.

Case for Free Trade

The act of opening up economies for trading is known as free trade or trade liberalisation. This is done by bringing down trade barriers like tariffs. Trade liberalisation allows goods and services from everywhere to compete with domestic products and services.

Globalisation along with free trade can adversely affect the economies of developing countries by not giving equal playing field by imposing conditions which are unfavourable. With the development of transport and communication systems goods and services can travel faster and farther than ever before. But free trade should not only let rich countries enter the markets, but allow the developed countries to keep their own markets protected from foreign products. Countries also need to be cautious about dumped goods; as along with free trade dumped goods of cheaper prices can harm the domestic producers.

Dumping
The practice of selling a commodity in two countries at a price that differs for reasons not related to costs is called dumping.

Panel to study anti-dumping duty on shrimp

The US act had seriously hit India's export to that country as US is the second largest importer of marine products from India

GEORGE JOSEPH
KOCHI, 26 November

Upholding India and Thailand request, World Trade Organization (WTO) has constituted a panel to examine the anti-dumping duty and customs bond imposed by the US government against the import shrimp from these countries. The dispute settlement body of WTO has resolved to appoint the panel so that several rounds of discussion with these countries were fu-

Alliance [SSA], an organization of local shrimp manufacturers. The US act had seriously hit India's export to that country as US is the second largest importer of marine products from India. The duty was also imposed against a host of other countries like Thailand, China, Brazil, Ecuador and Vietnam in July 2004. US customs had also imposed continuous bond requirement on importers of certain frozen warm water shrimp from these countries.

World Trade Organisation

In 1948, to liberalise the world from high customs tariffs and various other types of restrictions, General Agreement for Tariffs and Trade (GATT) was formed by some countries. In 1994, it was decided by the member countries to set up a permanent institution for looking after the promotion of free and fair trade amongst nation and the GATT was transformed into the World Trade Organisation from 1st January 1995 WTO is the only international organization dealing with the global rules of trade between nations. It sets the rules for the global trading system and resolves disputes between its member nations. WTO also covers trade in services, such as telecommunication and banking, and others issues such as intellectual rights.

The WTO has however been criticised and opposed by those who are worried about the effects of free trade and economic globalisation. It is argued that free trade does not make ordinary people‘s lives more prosperous. It is actually widening the gulf between rich and poor by making rich countries more rich. This is because the influential nations in the WTO focus on their own commercial interests. Moreover, many developed countries have not fully opened their markets to products from developing countries. It is also argued that issues of health, worker‘s rights, child labour and environment are ignored.

Regional Trade Blocs

It is being recognised by most countries that protectionist barriers to trade are detrimental to national economies. Therefore, most governments have reduced tariffs and quotas on import. Many countries have simple bilateral agreements with trading partners minimising or eradicating trade barriers on a product-by-product basis.

Since World War II, the primary vehicle for serving this purpose on the global level has been the General Agreement on Tariffs and Trade (GATT). Through series of negotiations, it has systematically lowered tariff rates worldwide. This has contributed to global economic boom in the post. World War II period. Originally GATT membership was almost exclusive to developed nations. It soon expanded to include the developing world. Most countries of the world are now its members.

In 1995 the GATT metamorphosed into World Trade Organisation (WTO), a permanent rather than ad hoc organisation in Geneva that also settles trade disputes. The WTO regulates trade in services too, but has yet to include important non-tariff barriers, such as export restraints, inspection requirements, health and safety standards, and import licensing which inhibit imports. In addition to these broad global agreements many nations have joined regional trading blocs, which were designed to reduce protectionism and enhance economic relations among member states.

Regional Trade Blocs have come up in order to encourage trade between countries with geographical proximity, similarity and complementarities in trading items and to curb restrictions on trade of the developing world.

Today, 120 regional trade blocs generate 52 per cent of the world trade. These trading blocs developed as a response to the failure of the global organisations to speed up intra-regional trade. Though, these regional blocs remove trade tariffs within the member nations and encourage free trade, in the future it could get increasingly difficult for free trade to take place between different trading blocs. Some major regional trade blocs have been listed in Table:-

Regional Blocs	Head Quarter	Member nations	Origin	Commodities	Other Areas of Cooperation
ASEAN (Association of South East Asian Nations)	Jakarta, Indonesia	Brunei, Indonesia, Malaysia, Singapore, Thailand, Vietnam	Aug, 1967	Agro products, rubber, palm oil, rice, copra, coffee, minerals – copper, coal, nickel and tungsten. Energy – petroleum and natural gas and Software product	Accelerate economic growth, cultural development, peace and regional stability
EU (European Union)	Brussels, Belgium	Austria, Belgium, Denmark, France, Finland, Ireland, Italy, the Netherlands,	EECMarch 1957 EU – Feb. 1992	Agro products, minerals, chemicals, wood, paper, transport vehicles, optical instruments, clocks - works of	Single market with single currency

		Luxemburg, Portugal, Spain, Sweden and U.K		art, antiques	
LAIA (Latin American Integration Association)	Montevideo, Uruguay	and U.K. Argentina, Bolivia, Brazil, Columbia, Ecuador, Mexico, Paraguay, Peru, Uruguay and Venezuela	1960		
NAFTA (North American Free Trade Association)		U.S.A., Canada and Mexico	1994	Agro products, motor vehicles, automotive parts, computers, textiles	
OPEC (Organisation of Petroleum Exporting Countries)	Vienna, Austria	Algeria, Indonesia, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, U.A.E. and Venezuela	1949	Crude petroleum	Coordinate and unify petroleum policies.
SAFTA (south Asian free trade agreement)		Bangladesh, Maldives, Bhutan, Nepal, India, Pakistan and SriLanka	Jan-2006		Reduce tariffs on interregional trade

European Union (EU)

Originally it was founded in 1957 by six members — Italy, France, Federal Republic of Germany, Belgium, the Netherlands, and Luxemburg. It was called the European Economic Community (EEC). Later it expanded to include most of the Western Europe.

The EEC contributed significantly to help Europe recover from the 1970s petro-shocks and slow economic growth. In 1992 the EEC launched an ambitious plan to eliminate several trade barriers among its members.

The EEC changed into the European Union (EU) in 1995. It has harmonised several production and trade regulations. A common currency, the euro, was launched in early 1999 for effectively binding diverse countries into a single economy. With 400 million people, the EU is the largest single market in the world.

European Free Trade Association (EFTA)

In 1960 seven countries i.e. United Kingdom, Austria, Denmark, Norway, Sweden, Portugal and Switzerland joined together to form EFTA with the objective of bringing cooperation in the field of trade. They abolished the tariff between different member countries. In December 1972 United Kingdom and Denmark abandoned their membership and joined EEC while Iceland joined this association and Finland accepted its co-membership. Now again there are seven members.

North American Free Trade Agreement (NAFTA)

Compared to the EU, NAFTA is considerably more modest. NAFTA‘s origins lay in the 1988 US- Canada Free Trade Agreement, which gradually eliminated trade restrictions between the world‘s two largest trading partners.In 1994 NAFTA was expanded to include Mexico. For the first time a developing nation was expanded to include Mexico. For the the first time a developing nation was included in trade bloc having developed nations as members. NAFTA has been now been extended to included Latin American countries too. It has thus created a free trade zone extending from Alaska to Tierra del Fuego.

Organisation of Petroleum Exporting Countries (OPEC): - The 14 member countries of OPEC are Algeria, Ecuador, Gabon, Indonesia, Iran, Kuwait Libya,Nigeria,Qatar, Saudi Arabia, United Arab Emirates , Venezuela and Angola. This Organisation was formed by the petroleum producing countries in 1960 to decide policies regarding crude oil prices.

Association of South East Asian Nations (ASEAN)

It was formed in 1967. Indonesia, Malaysia Thailand, Philippines and Singapore are its members. Tariffs between ASEAN and the rest of the world is growing faster than within the region. ASEAN also helps its members by presenting a joint negotiating stance when the region. Dealing with Japan. EU AND Australia and New Zealand. India has now become an associate member.

South Asian Association for Regional Cooperation (SAARC)

The South Asian Countries (India. Pakistan, Bangladesh, Nepal, Bhutan, Sri Lanka, Maldiives have formed (SAARC). One of its objectives is to trade among the member nations. The progress on the trade front has been marred due to Indo-Pak relations.

Concerns Related to International Trade-

Undertaking international trade is mutually beneficial to nations if it leads to regional specialisation, higher level of production, better standard of living, worldwide availability of goods and services, equalisation of prices and wages and diffusion of knowledge and culture.

Some barriers to international trade include differences in language, culture, laws and regulations. Trading companies also may encounter misunderstandings over the terms of contracts, leading to problems with payment for goods, freight or insurance. Laws on land, employment, intellectual property and public health are different from country to country and may cause problems for international enterprises. Movements in currency exchange rates and rising inflation or interest rates in the foreign country are a trap for unwary traders. Tariffs and quotas on imported goods, combined with subsidies for domestic industries, load the dice against foreign businesses in many countries.

International trade can prove to be detrimental to nations of it leads to dependence on other countries, uneven levels of development, exploitation, and commercial rivalry leading to wars. Global trade affects many aspects of life; it can impact everything from the environment to health and well-being of the people around the world. As countries compete to trade more, production and the use of natural resources spiral up, resources get used up

faster than they can be replenished. As a result, marine life is also depleting fast, forests are being cut down and river basins sold off to private drinking water companies. Multi-national corporations trading in oil, gas mining, pharmaceuticals and agri-business keep expanding their operations at all costs creating more pollution â€— their mode of work does not follow the norms of sustainable development. If organisations are geared only towards profit making, and environmental and health concerns are not addressed, then it could lead to serious implications in the future

Gateways of International Trade

Sea ports play an important role in international trade and hence, known as ‗Gateways of International Trade'. Ocean routes are most economical for carrying bulk and heavy commodities in large quantity. Port is that place on the coast where cargo is received from other countries as import and sent out to other countries as export. It thus, acts as a point of entry and exit.

The chief gateways of the world of international trade are the harbours and ports. Cargo and travellers pass from one part of the world to another through these ports.

The ports provide facilities of docking, loading, unloading and the 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. The importance of a port is judged by the size of cargo and the number of ships handled. The quantity of cargo handled by a port is an indicator of the level of development of its hinterland.

Types of Port

Ports are classified in two ways: on the basis of their location such as inland ports and outports; and on the basis of the specialised tasks performed such as passenger ports and commercial ports. Most ports are, however, multipurpose.

Generally, ports are classified according to the types of traffic which they handle. Types of port according to cargo handled:

- **Industrial Ports:** These ports specialise in bulk cargo-like grain, sugar, ore, oil, chemicals and similar materials.

- **Commercial Ports:** These ports handle general cargo-packaged products and manufactured good. These ports also handle passenger traffic.

- **Comprehensive Ports:** Such ports handle bulk and general cargo in large volumes. Most of the world‘s great ports are classified as comprehensive ports.

Types of port on the basis of location:

- **Inland Ports:** 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 Hooghly, 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.

Types of port on the basis of specialized functions:

- **Oil Ports:** These ports deal in the processing and shipping of oil. Some of these are tanker ports and some are refinery ports. Maracaibo in Venezuela, Esskhira in Tunisia.Tripoli in Lebanon are tanker ports. Abadan on the Gulf of Persia is a refinery port.

- **Ports of Call:** 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.

- **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.

- **Entrepot Ports:** These are collection centres where the goods are brought from different countries for export. Singapore is an entrepot for Asia. Rotterdam for Europe, and Copenhagen for the Baltic region.

- **Naval Ports:** These are ports which have only strategic importance. These ports serve warships and have repair workshops for them. Kochi and Karwar are examples of such ports in India.