

GOA UNIVERSITY SYLLABUS

RAJHAUNS

A TEXTBOOK OF

INTERNATIONAL ECONOMICS

SEMESTER VI

B.Com

Dr. Deepak Karmali Churi



ECONOMY
EDITION

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FIRST EDITION : 2020

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UNIT 1

Introduction to International Trade

The world has a long, rich history of international trade among nations that can be traced back to hundred years of civilizations. Since then it was recognized that trade can directly help to improve the quality of life of the people in the world. Today, the practice of trade among nations is growing by leaps and bounds. It would be difficult to find a person who has not been influenced in some way by the growing trade among nations.

What is International Trade? Why International Trade?

The few fundamental and logical questions one can ask at this stage are what is international trade and why do modern countries trade with one another? Why cannot a nation be self sufficient or self-reliant? Why cannot a nation produce all the goods and services desired by its citizens for different purposes? The answers to all the above questions are not at all difficult and neither do they require any detailed theoretical analysis. Any individual who can answer one of the following questions would be in a position to easily understand the meaning and need of international trade. "Why cannot one labourer at a point of time be a doctor, engineer, banker, farmer etc?" Or "Why cannot one firm produce all types of goods and services?"

Trade is commonly understood to mean exchange of goods or services among people. Trade may be internal or external. By internal or domestic trade we mean transactions taking place within the geographical boundaries of a nation or region also called as intra-regional trade. External or international trade is defined as trade among different countries or trade across political frontiers. It means exchange of goods and services between one country and another.

Let us make an attempt to enumerate the reasons that make countries engage in international trade. All nations do not have all the resources to produce each and every commodity or service desired by its citizens. Some countries are deficient in critical raw materials, such as textile or oil, some will have deficiency with respect to required capital and machinery and few would lack skilled professionals. Thus, international trade is inevitable when there exists such marked differences between countries. To make up for these various differences and deficiencies, countries must engage in international trade and obtain the resources necessary to produce the goods