

A Study on the Mechanism of International Trade

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ABSTRACT

International trade is the exchange of goods and services between countries. There are two extreme views regarding the level of control placed on international trade: free trade and protectionism. Free trade is a market model in which trade in goods and services between or inside countries streams with no restrictions imposed by government. Restrictions to trade include taxes and other measures, for example, tax and non-tax trade barriers. Conversely, protectionism attempts to protect domestic businesses and living wages. The most well-known types of protectionism are taxes on imported goods, subsidies, and portions.

International trade has contributed greatly to the worldwide economic system. Emerging market economies (EME) was a result of international trade activities. The current study highlights the mechanism of international trade.

1. INTRODUCTION

The world policy of International trade has contributed immensely to the development and development of numerous countries of the world. Research has demonstrated that international trade has become more worldwide activities today on the planet than whenever in modern history. This program has encouraged numerous countries on the planet to receive international economic policies that promote greater trade and investment.

Countries that engage in international trade for the most part operate under one umbrella or the other, for example, multilateral, bilateral, just as regional agreement. The international trade program has encouraged numerous countries on the planet to embrace international economic policies that promote greater trade and investment. BRICs abbreviation implies Brazil, Russia, India and China represent the leaders of these emerging market economies.

International trade activities underpin the development and development of these countries. This examination brings round the raw numbers on the activities of international trade and how its fostered development and development of the emerging market economies.

Emerging market economies, which are classified as BRICs, implies Brazil, Russia, India and China are the leaders of these economies. These countries had the help of international trade activities which underpins its areas of development and development.

This research will fundamentally evaluate the roles of international trade in emerging market economies. It will be inclined to explain how international trade has contributed to the development and development of emerging market economies.

Recardian model-This model is developed on the theory of comparative advantage. As indicated by this model, countries involved in trade, specialize in delivering the items wherein they have comparative advantage. For instance if country An and B, are involve underway of Y clothes and X vehicles, and A produce more amount of clothes in a day at lower cost (£) and less number of autos at significant expense (£) in a day, while B produce less amount of clothes at significant expense (£) in a day and more number of vehicles at lower cost (£) in a day.

Comparatively "A" should produce quantities of clothes while "B" should produce number vehicles because of the advantage they both have over each other on the generation cost.

Heckscher-Ohlin model-this model places emphasize on endowments components of creation as the reason for international trade. As per this theory, countries will specialize in and export those items which make use of the domestically bounteous variables of generation more intensively than those elements which are not quite available in the home country. This is for the most part base on the accessibility of bottomless factor of generation. A country should export just that which it has in bottomless and import what it does not have in inexhaustible.

Gravity model-this model provides empirical explanations of international trade. As per the model, economic sizes and distance between countries are the essential factors that determine the pattern of international trade. The model resembles the Newtonian law of gravity which additionally considers distance and physical size between two objects.

The model stated that international trade is determined by the volume of trade between two countries to include the size of the two countries' GDPs and the distance between the countries, without specifically accepting that trade is corresponding to the result of the two GDPs and inversely relative to distance. That is, the value of trade between any two countries is relative to the result of the two countries' GDPs which diminishes with the distance between the two countries.

2. MECHANISM OF INTERNATIONAL TRADE

International trade refers to as the transfer of goods and services which include capital goods starting with one country then onto the next. This definition was agreeing by Economics Concepts who defined it as trade across international boundaries. In many countries, such trade represents a critical share of total national output (Gross domestic product).

While international trade has been present right through a large measure of history, its economic, social and political importance has been on the rise in recent centuries. Therefore, without international trade, countries would be limited to the goods and services produced inside their own borders.

However, Economics Concept includes that, the difference between international trade and domestic trade is that, this type of trade is more expensive than domestic trade. This is because the trade across international border require other charges or costs, for example, duties, and other expenses associated with country differences, for example, language, legal system or culture are additionally incurred. Elements of generation, for example, capital and work commonly move more freely inside a country than across countries. Therefore, these determinants really give clear polarization of the two concepts to business individual and associations.

There are such a significant number of definitions of emerging market economies (EME) given by different researchers. The EME countries constitute approximately 80% of the worldwide populace just as 20% of the world economies. Quick development is evidenced by solid economic data, as in rising Total national output (Gross domestic product), Gross domestic product per capital, trade volumes and foreign reserves. Quick development generally means higher benefits for foreign investors, which makes better more foreign investment in a country which thusly, holds up economic development.

However, one of the points of WTO is that it encourages trade among members country. Therefore, the incorporation of Russia in World Trade Association made it clear that their presence in the association membership can inspire Russia to become a decent environment suitable for international trade which could increase Russians economic development and development.

This implies the establishment of WTO which encourage international trade has contributed greatly to the emerging market economies who's are members of this foundation. Following the gravity model of international trade which state that trade isn't proportionate to the Gross domestic product of two countries and inversely proportionate to their distance. That people go into trade irrespective of the distance as long as they derived fulfillment from the items or services purchased.

Distance isn't a barrier to international trade the extent that this model is concern more especially when countries come into agreement and regulate custom obligation, for example, levies as seen in the agreement of the WTO membership countries.

The Soviet Association moved the technologies themselves, yet in addition the arrangement for the key organizations that fabricate inspiration to agree to technology. From the swearing off expression, China enormous development in technology was as a result of international trade, technologies were transferred from the then Soviet Association state through international trade to China which make China what it is today, a member of the Emerging Market Economy. This was viewed as one of the most structured move of technology across national borders ever known.

3. DISCUSSION

The proponent added that, this scenario does not brings the countries on top in the world alone, but also portrayed practical growth in the availability of milk and milk products for the growing inhabitants of these countries. These increase the income of firms in India therefore supported growth and development of India as an emerging economy. This whole activity was sustained by international trade.

Following the model of comparative advantage which state that countries involved in trade should specialize in the production of goods which they have comparative advantage over others. From the above explanation we can see that India account for higher percentage of Milk production compare to other countries mention along side with it above therefore have a comparative advantage over them, and should specialize in the production of milk.

This is underpinning by the model of comparative advantage which states that countries should specialized in the production of commodity which give them cost advantage over other product. This can be a practical example to the milk production in India.

A country can export what it has in its country to another country that does not have and import others to its country because of it absent or unavailability of the product. This is done through the help of international trade.

Following the Heckscher-Ohlin model which emphasize on factor endowment as the bases for international trade, that countries should partake in export of

what they have and import what they do not have. This underpins the above mention role play by international trade to emerging market economies. As a result of this, it contributed immensely to growth and development of these countries.

With the aid of international trade, agricultural inputs are supplied to both the subsistence and commercial farmers in the emerging countries, which higher numbers of its employees are found. These inputs include fertilizers, insecticides, pesticides, implements, and machinery such as tractors etc.

However, many industries from developed economies depend on raw materials supplied by agricultural sectors from emerging countries. These industries include, sugar industry, paper industry, cotton industry, tobacco industry and coffee. These trends continue to improve economic status as well as development in those nations' economic.

International trade at the cause of it operation had played much important roles in the development of emerging countries. However, some of these roles had caused many problems to the emerging market economies. The inflows of investors through free direct investment FDI into developing or emerging market economies is also detrimental to the domestic industries.

The presence of FDI in the emerging countries really forces many domestic firms to fold up. This is because the FDI employ and pay higher wages to its workers compared to the host nation's firms. This action would draw competent and skilful workers away from the domestic firms which will affect its productivities.

Since FDI firms pay higher wages, and employs a higher level of labor than domestic firms. There is a real risk however, that more and more quality labor will be drawn into foreign firms away from domestic firms. If this is the case, then the spillover effects with regard to the transfer of technology and managerial skills from foreign firms to domestic firms resulting from labor turn over may be quite limited.

In addition, the expansion of FDI would gradually give the FDI industries power to detect for the host government.

This can occur in economies where the FDI give out loan to the host nations. This is common in developing economies. He who pays the pipers detects the tone. This action is disadvantageous to the sovereignty of any economy.

Multilateral, bilateral and regional trade agreement results in dumping in overseas markets. Dumping in an economy occurs when goods exported to overseas market are sold at a price below their cost of production. There is a constant rift between United States (US) and China, accusing each other of dumping and high charge of tariffs on their products.

4. CONCLUSION

In conclusion, this research has evaluated how international trade has contributed to the growth and development of the emerging market economies critically. It has studied scholarly research and provides a better understanding of the critical evaluation of the roles of international trade in the emerging market economies.

The world today is perhaps more widely integrated than at any time in history. This was because international economic policies which promote greater international trade and investment were encouraged. If international trade does not play a role in the development of countries, the program would have been a forgotten history.

Even this question of critical evaluation of the roles of international trade to emerging market economies would not have arisen. The roles of international trade in the development of emerging market economies as found by this research work include: provision of additional capital to the emerging market economies, fostering multilateral, bilateral and regional trade agreements among member countries, improvement of economic performance and raising of overall income of member countries, it help in marketing of natural endowment, provision of input and raw materials for agricultural and manufacturing sectors and enable the developing countries to borrow funds at very low interest rates.

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