Good example of relation between international trade and world output essay

Economics, Trade

International business, individual project

Abstract

This paper discusses international business from the perspective of international trade and world output. In general terms it explores how the nations in the world trade among each other not only for business ends such as making profits, but also to get goods that may not be locally available. To this end the paper examines the patterns of trade among nations, especially with regard to geographical positioning, income, and the availability of the products to be traded. The paper also highlights that the trade is crucial for the survival of not only the trading business entities but also the consumers of the products traded. To demonstrate this, examples of such trading in various countries are highlighted; the key point being identifying products that the said countries might have to do without if the trade did not exist or ceased to exist.

Introduction

Some of these purposes are the availability of cheaper products and variety in products. This is best explained by the theory of comparative advantage where the importing country has the ability to produce the product locally, but opts to import the product since it saves on cost and other resources (Reuvid and Sherlock, 2011). Accordingly, there is connection between world output and international trade.

Generally speaking, world output relates to the goods or products generated by the nations in the world, both the exporting and the importing countries.

In this regard, the relation between the international trade and world output is akin to supply and demand; the increase in international trade signifies the increase in world output and vice versa. In some cases one influences the other; for instance, the availability of products (world output) may influence consumers to trade more. Similarly, increased level of trading may motivate countries to produce more products. It is however imperative to note that in some instances there might be an increase in international trade without a corresponding increase in world output. Indeed in the last decade international trade has tripled whereas world output has only doubled (Dean, 2004).

There are various factors that contribute to such phenomenon. One factor is the decline in the price of traded products as compared to the untraded products (Dean, 2004). The decline in price is attributable to falling costs of trade as nations strive to attract business. Another factor is the fact the increased productivity growth in tradable goods as compared to the non-tradable goods (Dean, 2004). Additionally, the increase in a country’s income changes the products consumed, which invariably increases the level of trade without necessarily increasing the demand for products.

Broad pattern of international trade

Trade patterns generally relate to how nations trade, that is, which nations they trade with, and what goods are traded. Trade patterns play a critical role in international trade. Understanding trade patterns serves two purposes: one, they assist a nation to predict how its pattern of trade will change and thus assist the nation to anticipate and prepare for the future;

and secondly, nations are able to influence the economic welfare of other nations, particularly those who are in dire need of the trade.

International trade, just like any other trade depends on key factors such as income and availability of goods. In such regard, the bigger part of international trade is attributable to nations with high income. It is estimated that these nations account for more than fifty five per cent of international trade (Motley, 2005). Trade between high income nations and the other nations (both middle and low income) account for more than thirty percent whereas trade between the middle and low income countries account for the remaining percent (Motley, 2005). It is imperative to note that these numbers accrue from documented trade, which might not be the accurate position since some trade is undocumented or access to such documentation is restricted; for instance in cases where the trade involves sensitive products.

In relation to goods traded, nations with plenty of raw materials generally import manufactured goods. Additionally, such countries have a low participation in international trade. It is however worth noting that owing to the theory of comparative advantage, nations with raw materials are actively participating in international trade. Agriculture based nations also have a low participation as compared to manufacturing nations, this is because most agriculture based nations depend on the weather, which nowadays is erratic.

The scenario if international trade ceased to exist

As previously noted, international trade is very important to all nations, without it, not only would economies go down but also certain products would not be available. Take for example the United States, if the trade ceased to exist products that are used on a daily basis such as tea, coffee, certain fruits and vegetables would not be available. This is because majority of the coffee and tea in the country is imported from Brazil and Indonesia. Similarly, a lot of fruits and vegetables are exported from Mexico. Additionally, a lot of electronics such as phones, Televisions, and computers would not be available since majority come from Japan, China, Germany, and France.

Another country that would suffer if international trade ceases to exist in America's number one trading partner: Canada. The country would have to do without products such as bread, coffee, soybeans, frozen snow crabs, and pork. They would also have to do without natural gas, which they import from America.

Conclusion

In conclusion therefore, international trade is very important to a nation; to the economy and also the citizens. Through it products, services, and jobs are made available, all which to a large extent benefit the country. Indeed, as more and more countries apply the theory of comparative advantage, international trade becomes more and more important. In such regard, it is safe to conclude that the economy and livelihood of nations today depend, to a large extent, on international trade.

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