

Business in the international environment

[Environment](#), [Ecology](#)



In the world, no country has all the resources to be independent. However, they must engage in transacting business or economic activities together and this is what is referred to as international trade. International trade is a situation whereby one or more countries come together to do business in other to meet up for their inadequacies. There have been different theories propounded by various economists about why countries have to engage in international trade. Some of the theories include the comparative cost advantage and the absolute cost advantage.

This issue leads us to the main discussion of business in the international environment. In this write up, there will be extensive analysis on three countries that engage in international trade. These three countries are carefully selected from the developed, emerging and developing countries. They include, the United State of America, Brazil and Cameroon. We shall use the World Trade Organization's (WTO) statistics to analysis the patterns of trade among these countries. Since, these countries differ in patterns of trade and the WTO's statistics will guide us in identifying these patterns. In addition, we shall consider five imports and exports of each country. Now, we shall discuss these countries one after the other.

United States of America

This is a developed country and their pattern of trade is export based, but the country imports mainly primary products. However, from the World Trade Organization's statistics for 2007, it shows that the country mainly imports primary goods and services and exports manufactured goods and services. Then, what is the country's pattern of trade? The country tends to import primary goods and services and export manufactured goods and

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services. Some of its imports include natural gas, petroleum products, green coffee, food oils, wool and other natural fibers while their exports include merchandized products, textiles, computers, industrial equipments and cars.

Brazil

This is an emerging economy and its trade policy is export promotion. The country tends to export both primary and manufactured products. However, the country exports more of primary products. According to the 2007 World Trade Organization's statistics, the country tends to export more than its import. The trade pattern of the country is to export manufactured and primary products and import both primary and manufactured products. The country's main exports are green coffee, sugar, agricultural products and machineries, biofuel and chicken and dairy products, while its imports include computers, textiles, cars, agricultural equipments and petroleum products.

Cameroon

Cameroon is a developing country pursuing various trade policies that promote the growth of the country's economy. The country is among the poorest in the world. The country imports more than the country exports. According, to the World Trade Organization's statistic, the country exports mainly primary products and import manufactured products. The country's pattern of trade is importing manufactured products and export primary product. Some of its exports include Fish, tobacco, Lumber and wood, Plywood and rubber, while its imports include technologies, automobiles, natural gas, furniture products and computers.

There are various relevant international trade theories that explain why these countries trade in the various products mentioned above. These trade theories include absolute cost advantage, and comparative cost advantage. There are other trade theories, but we will only focus on these two mentioned. Moreover, in analyzing these countries trade pattern then we must have a good understanding of the theories.

Absolute cost advantage refers to the cost advantage a country enjoys in producing certain products compared to the costs of producing them in other countries. Here, the costs of producing different products differ from country to country because factors of production will certainly be cheaper in some countries than in others.

Comparative cost advantage is related to absolute cost advantage, but differs in terms of cost. However, comparative cost advantage refers to the ability of a country to product goods and services at a lower opportunity cost than other countries of the world. This theory explains how and what countries could gain from trade, since, it allows countries to know various goods and services they could produce with a fewer resources. David Ricardo propounded this theory and he argued that countries should produce goods and services that they have comparative cost advantage.

In explaining why these three countries trade in the goods and services they trade depends on the resources they have. Since, no country has all the resources needed to survive and then must engage in international trade. Then the three countries mention above followed the two theories of absolute cost and comparative cost advantage. For instance, Brazil is a

country that has more comparative cost advantage of producing coffee and agricultural product than the other two countries.

They produce more of these products and export them to the United States of America. Another scenario is that of the USA that has more comparative cost advantage of producing manufactured goods like computers that the country exports to the other two countries. Considering absolute cost advantage, two or three of the countries produce one or more common goods. Besides, each one has the absolute cost of producing these goods. However, they enjoyed comparative cost advantage than the other. Example of this is Brazil and Cameroon that export green coffee. Brazil enjoys comparative advantage, while Cameroon only enjoys the absolute cost advantage of producing the good.

In a way, these countries benefit from trading the way they do. Since they all enjoy comparative cost and absolute cost advantage we could conclude they benefit from the way they trade. For example, though Brazil enjoys comparative cost advantage of producing green coffee than Cameroon, both countries benefit from the trade. Cameroon enjoys the absolute cost advantage, while Brazil enjoys the comparative cost advantage. We could conclude in a way that all the three countries benefit from the way they trade if we look at the statistics and information from 'GlobalEdge' and the World Trade Organization websites.

Conversely, in the future these countries would face different kinds of challenges in trading with one another. Such challenges could include the issue associated with tariffs, contradiction in the trade policies, unfavorable terms of trade and retard growth in the economy. The issue of tariffs is one of the

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problems or challenges that each country could face in trading with one another. In recent time, these countries have made some critical changes in their trade policies that affect their tariffs.

This in a way will influence the terms of trade of each countries and influence their growth. Cameroon will be more affected, since the country is developing and export mainly primary product. In addition, the country may face unfavorable trade patterns because they import more than they export. They also import more of manufactured goods to primary goods that they exports. Also, the country could retard in terms of economy growth. However, no country is left out in facing certain challenges.

Moreover, the government of these countries could enact policies that may be favorable to their economy. The developing and the emerging countries should pursue import substitution industrialization and export promotion strategy. United States of America should continue to promote their trading strategies and look for other innovative ones.

A country like Cameroon that import manufactured goods and export mainly primary product should enact export promotion strategy. This country could also pursue import substitution industrialization in other to encourage and promote the domestic industries.

Brazil on its part should continue to pursue export promotion strategy that will promote the local industries and thereby leading to economic development. Since, this will lead to favorable terms of trade and promote productivity on the part of the local industries.

In conclusion, we should understand that countries of the world dependent on others for some resources. In essence, no country is resource independent. Therefore, countries must engage in international trade. However, there are different trade policies that guide the ways countries trade between one another. Finally, countries should pursue policy that will promote their economy, thereby leading to economic development.

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