Factors of the international trade and economic growth

Science, Social Science

Factors Of The International Trade And Economic Growth

International trade is the exchange of good and services with other goods and services or with money. The transnational exchange of commodities is mostly influenced by the forces of demand and supply. Different countries are endowed with different resources that enable them to produce resources for sale. These resources include mineral resources such as metal ores of iron gold and diamond and petroleum and agricultural products such as plants and animals for food. Services for trade include tourism attraction sites, skills and technology. 1

For trade to be effective, several processes must be followed in order to make the product ready for sale. The product must be produced either directly or indirectly via processing of raw materials. Majority of raw materials necessary for production are produced in the poor countries. They usually act as primary producers of firm products. The giant economic countries gathers these raw materials for processing and value addition. 2 Their market is large for they export the finished products to the nation with poor economies.

There are several outcomes that are related with international trade. The rich nations contributes a lot to the global climatic change that affects even the poor nations that are non-contributors of these changes. This is because the rich nations are highly industrialized than the poor nations thus contributes a lot of the industrial greenhouse than the poor nations. International monetary institutions such as the international monetary fund IMF and the World Bank have been very instrumental in the recovery of the western countries economy since the Second World War. 3 To the poor nations, these institutions have been a source of slavery since they charge a high interest rates on loans and sometimes offers conditional grants and loans that are unnecessary for economic growth. Therefore, poor nations are always losers in the international trade.

References

STUDENT POSTING 1

Liberalization of trade have become a norm in today’s international trade. The interaction between countries have been made easier due to the development of technology that have led to the creation of a global community, making it easier for countries to exchange goods and services. I agree with the student posting that in the operations of a free trade, powerful nations tend to benefit more than the developing as well as the third world countries. Developed nations have the facilities that are required for production such as machineries and skilled man power. The poor nations do lack this facilities. Even though the international monetary institutions such as the IMF, GATT and the World Bank are meant to stimulate economic growth globally, it does not work well with the poor nations due to the high interest rates accrued for the loans offered to these countries. 4

STUDENT POSTING 2

Trade is mainly a subject of demand and supply. I would like to disagree with the student posting that all nations do gain out of the global trade. In fact, the nations that enjoy the economic stability tend to benefit more out of the international trade than the poor nations. This is because they usually act as a secondary producers of the commodities produced in the third world since poor nations lacks the technology and skills needed for this production. 5

They therefore act as a link for the survival of the poor nations. Poor nations lack the ability of competing with the giant economies since the commodities they produce are largely affected climate change an action that is largely contributed by the rich countries. Therefore, the mall economies usually lose while the giant economies gains.

References