

International trade paper

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The Role of International Trade Harriette Sane-aka Herzing University The United States has been constant in keeping an open market for quite a while and that has helped the production of goods extraordinarily. The Open market was not always the norm, and for most of American history, the United States imposed sanctions on outside imports in an effort to protect those individuals that aim to produce their goods within the shores of the United States from foreign competition.

International trade has a rich history starting with barter system being replaced by Mercantilism in the 16th and 17th Centuries. The 18th Century saw the shift towards liberalism. It was in this period that Adam Smith, the father of Economics wrote the famous book ' The Wealth of Nations' in 1776 where in he defined the importance of specialization in production and brought International trade under the said scope. David Ricardo developed the Comparative advantage principle, which stands true even today. (Management study guide, 2008) International trade or world trade affects the entire American economy.

The early industrial years of American the economy was based entirely on the exporting goods to other countries, and these exports created the revenue need to sustain the country. America would export more products than it needed this created a surplus in the GDP. This began to change in the 1930's when the trade began to change and the country began to import more products. This downward trend led the GDP its lowest point in history. In today's world trade market America's import percentage is somewhere in the mid-60%. The balance of trade in America today is running in a deficit.

The U. S. government has created trade agreements with the various countries that allow free trade between these countries. This means there are no tariffs, fees or taxes applied toward the good being imported or exported between the countries in the agreement. These countries include Mexico and Canada that create the North American Free Trade Agreement (NAFTA), and Israel. These agreements are not limited to free trade, but other countries such as Jamaica, that need assistance in order to grow economically America has lessened the amount of tariffs need to import good into America. Egmmmons, 2005) Ever walked into a supermarket and been able to buy South American bananas, Columbian coffee, different spices from India, and a bottle of South African wine; well that is the role international trade plays in the American society. International trade is also the reason why when shopping for a new car, you can pick between a Japanese, German or American car. International trade is the exchange of goods and services between countries and the trades between different countries and continents have existed for decades.

International trade lets us increase the market for foreign products, and bridges the gap between both the importer, and the exporter. As a result of international trade, the market is saturated with products, and merchants in turn have to lower prices of their goods which then allow the consumer to get things for a lesser price because of the availability. We have come a long way since the earlier times and International trade today has taken on new dimension. Today with the advancement of technology and impact of globalization has made it easy for all countries to engage in international trade for their survival.

There are many factors of international trade but the most significant parts of international trade, in my opinion; are the history, and the advantages and disadvantages of international trade. According to Patel, they are various advantages are named for the countries entering into trade relations on an international scale such as: International trade enables a country to consume things which either cannot be produced within its borders or production may cost very high. Therefore it becomes cost cheaper to import from other countries through foreign trade.

International trade helps a country to utilize its resources to the maximum limit. If a country does not takes up imports and exports then its resources remain unexploited. Thus it helps to eliminate the wastage of resources. Imports and exports of different countries provide opportunities to the consumer to buy and consume those goods which cannot be produced in their own country. They therefore get diversity in choices. By making the size of the market large with large supplies and extensive demand international trade reduces trade fluctuations. The prices of goods tend to remain more stable.

International trade enables different countries to sell their surplus products to other countries and earn foreign exchange. International trade fosters peace, goodwill and mutual understanding among nations. Economic interdependence of countries often leads to close cultural relationship and thus avoid war between them. [(Patel, 2010)] International trade does not always amount to blessings. It has certain drawbacks also such as the import of foreign goods foreign trade may lead to import of harmful goods like

cigarettes, drugs etc. Which may run the health of the residents of the country?

E. g. the people of China suffered greatly through opium imports. (Patel, 2010) International trade leads to intensive cultivation of land. Thus it has the operations of law of diminishing returns in agricultural countries. It also makes a nation poor by giving too much burden over the resources. Over Specialization may be disastrous for a country. A substitute may appear and ruin the economic lives of millions. (Patel, 2010). One of the serious drawbacks of foreign trade is that one country may gain at the expense of other due to certain accidental advantages.

The Industrial revolution in Great Britain ruined Indian handicrafts during the nineteenth century. Foreign trade may lead to war different countries compete with each other in finding out new markets and sources of raw material for their industries and frequently come into clash. This was one of the causes of first and Second World War. (Patel, 2010) International trade has a vast effect on trade as a whole because it brings nations together in such a way that had never been done before and it changed the complexity of the way homes and society was run.

In Northern America for example, trade brought women out of the traditional roles, and into the workforce which for generations was a male only domain. This is evident even today as women in the workforce now carry roles that at a time were sinful to even think about. International trade is effective in situations like globalization where a country has a need and the other has the ability to negate that need with products that may be necessary to elevate the need or essentially draw the two countries closer.

And although the trade agreement has been in place for centuries, they are still a lot of glitches that are still being fixed. In October 2011 Congress passed three long-awaited free trade agreements with South Korea, Colombia and Panama, ending a political standoff that had stretched across two presidencies. The move offered a rare moment of bipartisan accord at a time when Republicans and Democrats were bitterly divided over the role that government ought to play in reviving the sputtering economy.

The approval of the deals was a victory for President Obama and proponents of the view that foreign trade can drive America's economic growth in the face of rising protectionist sentiment in both political parties. They were the first trade agreements to pass Congress since Democrats broke a decade of Republican control in 2007. [(New York Times, 2012)] International Trade plays a major role in this picture because a country in need would most likely bend easier when situations get extreme or dire. This paves a way for countries that may have one time be neglected to now harness momentary bargaining prowess.

Even things like Culture has also been affected by International trade because a country that was once self sufficient and as a result would likely never reach out for help now bargains with others that they once despised because the ability to do so is much easier after trade was open. International trade is essential for most countries to operate, or even progress. Most people in the United States wear clothes that were not manufactured here within the boundaries. This situation conveniently makes for a need from a country that was once looked down upon to have a chip to play with.