

The paper will be paragraphs answering the question below on the instruction

[Business](#)



When articles on America's decreasing trade deficit are published, the general perception believes that this is a sign of a bad economy. However, this should not be the case, this means that United States is importing or exporting capital in an unnatural manner. If a nation's exports surpass or are more than their imports, this is good for their economy whereas, if imports exceed exports it is bad for the economy. Debt transactions destabilize the economy while credit transactions stabilize the economy. When the U. S government sends relief payments to developing country is a debt trade transaction. On the contrary, when a technology company located in America receives a loan from a Bank in Germany it is termed as a credit trade transaction. When a German resident purchases stock from a broker located in U. S, is it termed as a credit transaction. On the contrary, when a U. S resident receives dividend payments from stocks of a company located abroad is a debt trade transaction. When an American tourist is on a shopping extravaganza in Hong Kong, this is also a debt trade transaction. 2)

Globalization is known as the process of integration across economies and societies. The Key drivers of globalization include trade and market, investment and capital flows and information and innovation on poverty (Hill 11). The types of trade flows encompass the flow of services, finance, information and products. The frequency and intensity of this flows related to the increase and decrease forming a trend in globalization. The changing demographics on the global market place occur due to one main reason, competition. Competition in a global market place with the dominance of countries like U. S in the world economy and the world trade picture. There was also change in demographics with the dominance of world foreign direct

investment. Trade flows can be a fundamental factor for determining an emerging market. As an emerging market, a country is seen to embark on an economic reform that will be good for the country. 3) Given the current state of the global economy, for a nation that is emerging and wants to build on their competitive trade position through factor conditions, related and supporting industries, county's structure, strategy and rivalry and, demand conditions should be highly considered. This means that the government should act as catalysts of competition but do not get directly involved in the competition. The new trade theory and the international trade theory can help support this claim. As the output of a country expands with specialization its ability to realize economies of scale will increase as unit cost decrease. Countries that have early entrance in a certain type of market have an advantage of fist mover and limited barrier to entry (Hill 23). International trade theory encompasses the difference between countries. Since factors like trade differ from one country to another, cheap labour can be used as a competitive advantage. This is in reference to Ricardian trade theory which purports difference in labour patterns. Michael Porter's article on the " Competitive Advantage of Nations" offers a clear insight on how an emerging country should take advantage of its trade position by implementing the first theory of competitiveness. This is based on the causes of productivity in which companies will tend to compete. A country's natural resources and pool of labour are deemed as a source of prosperity. Porters concept of " clusters" advocates for interconnection of firms, companies related industries as a new way of improving economies by setting public policies. 4) Harmonized code is an international standardized

coordination of names and numbers that are used to classify traded products that are developed by the WCO World Customs Organization. Product HS CODE Women's Silk Dresses 500720 Brown rice 100620 Herrings, excluding livers and roe 030310 Men's Cotton Raincoats 620332 Leather Brief Case 410791 5) With reference to the theory of integration, trade diversion an economic argument. This means that third countries stand a chance of lower opportunity cost as opposed to member countries that are excluded by import tariffs. Unrestricted trade flows will enable countries to specialize in production of goods for those who can produce them most effectively (Hill 56). It is as a result of economic integration within a specific geographical region. On the other hand, the political case of integration uses the concept of connecting neighboring countries economies and making them increasingly dependent on each other. This will help in creating incentives and political collaboration by reducing the potential violence between them. In addition to this, these countries can enhance their political weight on the world. The benefits of political and economical integration do not out way the difficulties. Despite the fact that economic integration benefits the majority, it comes with a cost. A set on nation may benefit from regional free trade but some may loose. Consumer surplus is likely to decrease as a result of integration. This is evident from the European integration and NAFTA. National sovereignty of a country is not respected and this may lead to boarder disputes. work cited Hill, Charles W. L. Global business today. New York : McGraw-Hil, 2009. Print.