Economics case study samples

Business, Company

International (Free) Trade

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Free trade or international free trade is one of the most effective ways of making economies stronger. It is in a view that when the governments lift the barriers from the trade, the circulation of funds in the market increases and gives benefit to the citizens. Free trade creates jobs in many different ways and its impact on the domestic job creation policies. For example, a few decades back there were no labor force in the Middle East countries such as UAE and Saudi Arabia. The free trade policy from the governments of these countries creates a lot of jobs for the workers from South Asian countries such as India and Pakistan. The free trade policy of these countries creates funds for the South Asian countries and the Gulf countries use the affordable labor in developing their countries. Therefore, the free trade policy gives benefit to the countries at both ends. (Worms, McGraw & Fung, 2013)

Outsourcing is one of the most effective ways of reducing the expenses of the organization. In trade, globalization environment, it is highly probable that the company hire a company from another country which is producing the same quality product at much cheaper rates. For example, a juice manufacturing company can hire a company from another country to manufacture the packing of the juice. Similarly, many businesses adopt the policy of offshoring to enhance their productivity and profitability. When there is a huge market share in another country, then it is highly probable that the company moves or builds their production plant to the consumer country to save expenses and to improve the supply.

There are many advantages and disadvantages of importing cheap goods and services. The first advantage of importing cheaper goods and services is that the goods become reachable for the local consumers and reduces the monopoly of the local manufacturers. Moreover, the cheaper labor also enhances the profitability of the domestic industry because the savings from the lower wages will help in enhancing the market and productivity of the companies. However, the main disadvantage of importing cheap labor and goods is that it can create unemployment in the importing country. Moreover, the cheaper goods can damage the local industry.

References

Worms, G., McGraw, H., & Fung, V. (2013, April 19). Four ways to stimulate global trade and
job creation. Retrieved from http://www. forbes. com/sites/realspin/2013/04/19/four-ways-to-stimulate-global-trade-and-job-creation/