Trade type analysis

Business

Free trade refers to a form of marketing where the government does not apply tariffs to importers or offer subsidies to exporters. This paves way for both importers and exporters to enjoy equal gains from trade. In this kind of trade, the prices are set by interaction of, demand and supply. Fair trade refers to a trading links, between two companies, based on a set of internationally accepted values. This form of marketing helps in achievement of sustainable development by providing ideal trading environment and protecting the rights of common placed producers (Luger, 2003). Protected trade refers to a regulated and monitored exchange of imports and export with a main objective of protecting public infant industries from unfair competition from other trading partners. Direct trade refers to practice where the farmer sells his or her products directly to another user or customer, thus avoiding intermediaries who always extend the supply chain (Rivoli, 2009). The main similarity between fair trade and free trade is that they both aim at improving individuals and corporations income and profits. Free trade opposes the implementation of the conservation legislation which promote trade imbalance among trading partners. On the other hand fair trade, to some extent advocates use of trade barriers by developing countries. Both have a common goal of ensuring that each trader either in developed country or a developing country gets a fair share of benefits that come up as a result of trade (Luger, 2003). Though the two types of trade have some similar goals, to some extent they differ from each other. Free trade seems to the welfare of the company employees. It is less concerned with employee’s safety at their work place, as well as the wages they earn. To fair trade, on the other hand, these are the pillars of fair trade. It always recommends better payments of employees. It also stands to urge adoption

of better security measures of the workers (Abbott, Kaufmann and Cottier, 2006). Both the protected trade and direct trade have a similar goal. They are both concerned with the welfare of the producer. Protected trade plays a key role in protecting the local infant industries from the cut throat competition that is always associated with well established foreign companies (Rivoli, 2009). On the other hand, direct trade aims at protecting producers from getting exploited by the long chain of intermediaries and brokers who always wait to connect them with the final buyers. One crucial difference between fair trade and direct trade is that direct trade leaders always ensure that they secure premium prices, which is higher than the trade price for customers who sell high quality products e. g. coffee (Rivoli, 2009). Fair trade dealers, on the other hand, always strive to ensure farmers get lowest price because the leaders are unable to negotiate for any amount above the minimum price. Based on the course material, free trade is the one of the most common type of trade that characterizes international trade. From the main source, we can see that cotton growers are said to have benefited more from their competition from corn oil (Rivoli, 2009). This shows that for maximum benefits, the there must be free and fair competition, a feature that is only found in free trade. Fair trade is also one of the leading marketing approaches accepted globally. This is due to the fact that it allows direct interlink between two or more companies, thus helping the affected companies to become more competitive in the global market. An example is where initially Texas cotton farmers had a reputation for poor by-products; this caused individual consumers to connect with other cotton producers like Wesson oil, for supplies (Rivoli, 2009). Later after, they had been supplied with by-products by these other producers; they came to

realize that West Texas cotton farmers did not supply them with poor by products as they originally thought. This boosted the Texas sales thus increasing its market share (Rivoli, 2009). If it was not for fair trade that gave customers chance to test products of other companies, Texas cotton farmers could not have gotten a chance to win the trust of the consumers. With the changing structure of trade, there has been rapid change in terms of trade. With increased pace of globalization, many countries have liberalized their economies thus significantly changing terms of trade that were originally in place. Many governments are currently withdrawing their support in various sectors of economy e. g. agricultural sector (Rivoli, 2009). This has given the private sector an opportunity to provide it services to the public. This has led to increased cost of production, thus leaving established producers to supply the market with commodities. These strong produces are able to access the services from the private sectors, thus enabling them to be the sole producers in the economy. This has significantly affected terms of trade as these stable farmers have almost monopolized various sectors of the economy. Works Cited Abbott, F. M., C. B. Kaufmann, and T. Cottier. International Trade and Human Rights: Foundations and Conceptual Issues. University of Michigan Press, 2006. Print. Luger, E. Free Trade versus Fair Trade. GRIN Verlag., 2003. Print. Rivoli, P. The Travels of a T-Shirt in the Global Economy: An Economist Examines the Markets, Power, and Politics of World Trade. 2nd ed. John Wiley & Sons., 2009. Print.