

# Does international trade hurt the economy

Business



Does International Trade hurt the Economy? Over the last decades, international trade has increased between industrialized and less industrialized countries and also between high and low wages countries. In the United States, international trade has become an important aspect to the economy in the recent years. In reference to McTeer (2008), the trade agreements approved in the early 1990's " have helped create a global market place, expanding global trade by opening more markets to goods from around the world". International trade has both negative and positive effects on the economy. This has made international trade an integral part of the political scene. Opponents and supporters have raised their opinions in numerous election campaigns, interviews and journals. In essence, various studies have been carried out to identify the problems and benefits that accrue from international trade. Japan is one of the countries that have been affected either negatively or positively by this trade. This is because of its diversified trade that depends mainly on trade in the international market. Countries benefit when they trade. When these countries produce different products, they benefit to a greater degree. For the past decade, Japan has benefitted immensely from its interaction with others in the international market. In reference to a study conducted by Flaherty (1999), international trade improves a country's technology and improves the productivity levels in turn. This has been the case with Japan which has seen the level of technology improve due to raw materials from trade partners and available markets for the finished goods in other countries. Flaherty (1999) asserts that the employment available becomes efficient and average incomes increase and the levels of standards of living improve. Statistics indicate that since Japan involved itself with international trade the living conditions for the local

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citizens have improved tremendously. In addition, since the elimination of the trade barriers as a result of globalization, Japan has witnessed a decrease in inflation and unemployment rates. Needless to say, international trade has caused a decrease in prices of commodities and increased product quality and choice.

Increased International trade has triggered an increase in Japan Products. Japan exports of goods and services have highly generated income. For many years, the country had experienced deficits in its trade balance. Increased International trade has reduced the deficit that has been contributed by higher imports and low exports. This has allowed the Japan economy to grow (McTeer, 2008).

Though the conventional economic deliberation holds that international trade benefits all the parties involved, it has negative effects, as well. The effect of international trade on labour has become an integral issue of debate and concern over the last decade. The rationale behind International trade is to reduce real wages of scarce inputs and increase the real wages of abundant inputs. In essence, this leaves the skilled workers with wage increments while the less skilled workers with wage decrements. This has increase the difference between the poor and the rich people in Japan. Flaherty (1999) denotes that a country's labor can drop due to trading with countries with cheap labor. Increase in open trade agreements and investments abroad pushes the low skilled wages down in the industrialized countries. The lack of protection in international trade is a serious matter of concern. This has left American workers worried about the U. S. jobs, particularly in the field where they have to bid for the jobs against those with low wage rates and labor rights.

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Since a country cannot sufficiently produce goods for its entire population, it has to rely on international trade to acquire goods from other countries. This leads to the importation of cheap goods, which compete with the relatively expensive locally produced goods (Flaherty, 1999). Because of price differences, the locally produced goods have lost market. Needless to say, the companies have ceased to exist. Japan has been able to counter this challenge through heavy investment in technology. This gives Japan an upper hand in electronics and technology related goods which counter the effects of imports bought in the country.

When imports are higher than the exports, deficit arises. This is the case in United States. Every time United States experiences deficit, it borrows money from overseas lenders to finance the disparity. This increases foreign debt, which the country has to pay with interest. High foreign debts and the accompanying interests pose a threat to the living standards of the people (McTeer, 2008). Japan has also suffered this challenge making it hard for the economy to grow as the government is concentrating at repaying the previous debts rather than starting development projects.

United States has experienced both gains and consequences of international trade in its history. The world is advancing swiftly in many aspects that a decision in progress would be significant to economic growth.

#### References

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