

Bilateral or multilateral international trade economics essay



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Is exchange of the resources, goods and services crosswise international boundaries or territories? In most countries it presents a significant share of Gross Domestic Product (GDP). While international trade has been present throughout a lot of history economic, social and political significance has been on the increase in recent centuries industrialization advanced transportation Globalization, Multinational corporations and out sourcing are all having major impact on the international trade is essential to the continuance of Globalization. Without international trade nations would be incomplete to the goods or services produced within their own borders. International trade is also branch of economics which together with international finance forms the largest branch of International economics”

International trade is in principle not much dissimilar from Domestic Trade as the inspiration and the performance of parties involved in a trade do not change fundamentally apart from whether trade is across a broader or not.

The main variation is that international trade is typically more costly than household trade. The reason is that border on average imposes additional costs such as tariffs time costs due to border delay and costs associated with country differences such as tongue the legal system or culture.

Advantage of international trade

Monetary gains to the respective country indulging in trade. Through international trade foreign countries can be gained due to exchanging of goods or services.

More variety of goods available for consumers.

Better quality of goods In US companies have specialized in producing a particular goods or services so due to international trade these goods or services are exchanged and spread all over the world .

Competition both at the international level as well as local level.

Closer ties between nations.

More exchange of technical know-how.

Local producers will try to improve the quality of their products.

Increase in employment locally.

Disadvantage of international trade

Local production may suffer

Local industries may be overshadowed by their international competitors

Rich countries may influence political matters in other countries and gain control over weaker nations.

Ideological differences may emerge between nations with regard to the procedures in trade practices.

EUROPEAN UNION

Is the economic association of European countries which seek?

Creating a unified, barriers free market for products and military all the way through continent as well as a widespread currency with a unified authority

over the currency”(http://www.investorwords.com/1775/European_Union.html)

The European Union was established in 1993 by the treaty of Maastricht and was based on the European Economic Community. The EU are created of three area or pillars which are

European community

Common foreign and security policy

Police and judicial Co - operation in Criminal matters

Europe Union plays a significant role in Global trade. This is particularly so in terms of economic relations in which it negotiates and concludes international agreements.

The EU has a special responsibility for

Economic assistance

Development of Co- operation and humanitarian aids

Conducting a policy designed to compliment and co- ordinate those of member states.

Example of member countries in EU are Germany, France , Finland , Denmark , Cyprus, Hungary , Belgium , Italy , Poland , Portugal , Spain , Uk, Netherland etc.

BILATERAL

Is the trade between two states mostly, clearance, exchange trade based on bilateral deals among government, and exclusive of using hard exchange for disbursement. Bilateral trade agreements often aim to keep trade deficits at lowest amount by custody a clearing account where deficit would accumulate.”

(http://en.wikipedia.org/wiki/Bilateral_trade)”

BILATERAL TRADE AGREEMENTS

A Bilateral trade (BTA) is a trade agreement struck between any two countries, usually in order to reduce tariffs and quotas on items trade among themselves. A BTA may be either preferential where in benefits and obligations apply only to the signatory or the majority - favored which applies terms that are previously given to other nations under parallel agreements.”

(http://en.wikipedia.org/wiki/List_of_bilateral_free_trade_agreements)

ADVANTAGES OF BILATERAL TRADE

Countries involved in international trade on bilateral trade agreements have the following benefits.

They can share mutual strengths and overcome mutual weaknesses through combined efforts.

Bilateral trade agreements provides common platform to act a united fashion in other multilateral platform , like multilateral trade negotiation in the world trade organization (WTO) and even in global political arena under the UN.

It facilitates resources sharing and to have unique voice in the other forums. For example during 11-17 may 2009 this writer participated in an international workshop on South Asia economic integration.

Bilateral agreements seem to provide instant, mutual gains for each country's own economy. This observation allows government to work with coalitions supporting liberalization. Which are instrumental in overcoming internal resistance to an agreement Reciprocity is a useful political tool and is more easily promoted to domestic constituencies than some mysterious economic theory about the remuneration to unilateral or multilateral trade liberalization

It is easy to control international trade on bilateral trade agreements because only two countries are involved compared to multilateral where many countries may involve.

DISADVANTAGE OF BILATERAL TRADE

There is a limited country in bilateral trade agreements so there will be limited exchange of goods or services since only two countries will participate.

It will be difficult for a country which is in bilateral agreement to get assistance from another country.

Bilateral trade agreement seems to be discriminatory lead to fragmentation of the world trade system

Emerging countries are nations with social or business activity in the process of rapid growth and industrialization currently countries in the world economies market or example China , India, Columbia, Argentina, Indonesia, Peru, Chile.”(http://en.wikipedia/wiki/emerging_markets)

DEVELOPED COUNTRIES

Most of the EU countries are listed as developed countries to scribe countries that have a high level of development according to some criteria. Which criteria and countries are classified as being developed is a contention issue and is surrounded by fierce debate. Economic criteria have tended to dominate discussion one such criterion is income per capital.

Country with high gross domestic product (GDP) per capital would this be described as developed countries. Some of the developed countries like Canada, USA, Denmark, UK, France, Japan, Norway, Italy, Sweden, China, Spain, Switzerland, German, Belgium etc.

Multilateral

Is the term in international relations that refers to multiple countries working in a concert on a given issue . It is more advantageous for emerging countries to agree international trade agreements with EU on a Multilateral bases. The main proponents of multilateralism have traditionally been the middle powers such as Canada, Australia, Switzerland the Benelux countries and the Nordic countries. “(<http://en.wikipedia.org/wiki/multilateralism>)

MULTILATERAL TRADE AGREEMENT

Refers to three or more countries who wish to regulate trade between the nations without discrimination. They are usually intend to lower trade barriers between participating countries and as result increase the degree of economic integration between the participants.

Multilateral trade agreements are considered the most effective way of liberalizing trade in an interdependent global economy. The free trade agreements seek to standardize the rule of trade between countries make the participants, economies more efficient and reduce the likelihood of conflict between participating countries.

A multilateral trade agreement covers goods or services and Intel lecture property.

(http://www. ehow. com/about_660599_definition_multilateral-trade-agreement. html)

For emerging or developing countries, it is more advantageous to agree International trade on multilateral basis due to the following advantages.

ADVANTAGES OF MULTILATERAL TRADE

A great variety of products and services available to the world since many countries will be involved.

Wider markets for the producing country conferring the economies of large - scale production.

The overall growth of trade due to the reciprocal advantages.

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More exchange of technical knowhow (Transfer of technology)

Since many countries will be participating on multilateral trade agreement basis it will be easier to exchange technology. Through multilateral trade there will be an increase of technology from EU country can be transferred to emerging country like china, India, Brazil, Peru etc hence the production of goods or services will be improved.

Closer ties between countries (friendship) in the course of multilateral trade agreement member countries will establish multinational relations in terms of Economical , Political , Socially e. g. China and Tanzania.

Strength bargaining power against non multilateral nation

Strength the currency and exchange rate Euro vs. Us and other. On the financial side reducing the number of cross border flows saves bank charges and reduces the number of foreign exchange transaction and the spread lost to intermediaries

Transaction cost will be eliminate because it lowers conversion charges for member states

Price transparence because of the distorting of exchange rate

Encourage investment to member of states because uncertainty caused by exchange rate fluctuation are eliminated in country where there is universal currency

Single currency in a single market share trade and the whole thing else should operate more efficiently within the state.

Strengthen the security and political understanding to members states

Qualitatively a netting system introduces discipline into the intercompany settlement process. Netting imposed clear time frames and terms on intercompany transactions, which allows for more national leading and lagging of payment and avoids the negative tax impact of delayed settlement being deemed loans by tax authorities. A reasonable degree of certainty on resolution also helps to improve cash flow forecasting

DISADVANTAGE OF MULTILATERAL TRADE

Since many countries will be participating multilateral trade agreement it will be difficult to control Dumping effect. It will be difficult to control countries which produce goods or services which have low quality.

Also it will be difficult to trace which country produce inferior/ low quality products and services since many countries will be participating in international trade on multilateral trade agreements basis.

Loss of Sovereignty

This would be extremely unwanted because nationwide governments would be unable to find the ability to control policy. It would be one more step downward the road towards a Europe where Brussels was similar to Westminster and local authority." (<http://library.thinkquest.org/19110/english/advantag/index.html>)

THEORY OF COOPERATIVE ADVANTAGE

According to Daniel Redebaugh Sullivan the theory that says that global efficiency gain many still result from trade if a country specializes in those product it can produce more efficiently than other product -regardless of whether other countries can produced those same product even more efficiently.

RECOMMENDATION OF THE MODEL

Transaction cost will be eliminated to the emerging countries because of lowest conversion changes for members of states

But also it will be increase investment to the emerging states because of uncertainty caused by exchange rate fluctuations are eliminated in those countries where there is a levirebal currency

To use a single currency among the members states should make since that is trade and the whole thing else should activate more effectively and efficiently within the state

Author: (Amitabh shkula) founder of paggu. com

Increase in employment locally.

In emerging countries people are self employed by engaging themselves in International trade. Also different institutions and organizations have been established to control and promote international trade while in return people are employed in those intuitions.

More variety of goods or services available for consumers

Due to unequal distribution of natural resources around the world differences in geographical and climatic conditions. We may find out that some resources are found in some countries while the same resources are not found in another country for that case we can purchase variety of goods or services from different countries all over the world.

Closer ties between nations (friendship)

In the course of international trade relationship between countries can be established e. g. China and India. Local producers will try to improve the quality of their products. Competition both at the international level as well as local level

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