

Fundamental of international buisness



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Fundamentals of International Business Understanding the structure and evolution of international trade in goods and services is essential for firms that want to export some products. Firms scanning the world market for opportunities to diversify products and markets, as well as suppliers, must have detailed statistical information on international trade flows in order to utilize resources effectively. In 2003 the world export (sum of all countries) was equal to USD 8, 819, 000, 000, 000 (The World Factbook).

International trade is closely connected with economic growth and technological change, dramatic increases in world trade in goods, services and financial assets in last decades are due to drastic economic changes and technological advances. Actual technological developments have strong implications for world trade and output growth. Technological advances drastically reduced the transportation and telecommunication costs and dramatically changed the structure of international trade in the same time. In fact, new technological changes lower the natural barriers of space and time that separate national markets while liberalization policies the artificial barriers to the international movements of goods, services and capital. Technological development may be accepted as the engine of the economic globalization in the world.

The level of technology, broadly speaking, can be defined as a stock or a combination of our knowledge and experiences on production process, product quality, organization of production and management, marketing and services (Kibritcioglu, 1997). In all countries, the primary export sector is manufacturing industry, except the Middle Eastern and African countries which are relatively resource abundant and hence, export mainly mining sector products or oil.

Technological advances is the key factor in the growing volume of international trade of goods and services. Technological gap between industrialized and developing countries as a source of foreign trade, on the other hand, may be closed either due to the continual dissemination of information from the advanced ones or both.

There are many international organizations that facilitate foreign trade. Among them the most important and active is World Trade Organization. The WTO was created on 1 January 1995 to replace the General Agreement on Tariffs and Trade (GATT), a series of post-war trade treaties intended to facilitate free trade. The WTO had 76 members at its creation. A further 72 members joined over the following ten years, the latest (as of 16 February 2005) being Cambodia on 13 October 2004. Developing countries now account for two-thirds of the WTO's membership. WTO serves as the forum for on-going multilateral trade negotiations aimed at liberalizing world trade and administration of the resulting trade agreements. WTO also has a dispute settlement system designed to reduce trade friction through interpretation of the agreements and commitments.

The most fundamental WTO rules of goods trade involve non-discrimination, both in the form of national treatment (prohibiting discrimination on the basis of nationality) and most-favored nation treatment (the principle of providing to all trading partners the same customs and tariff treatment given to the so-called “most favored nation.”). There are also many other technical rules designed to ensure market predictability (www.wto.com).

WTO is an engine of policy reform, because it imposes constant pressure to reduce tariff protection, eliminate export subsidies and provide domestic support in a minimally trade distorting way as well as determines more and

more the choice of policy tools: from price support to direct payments to decoupled support. While the WTO provides a forum for multilateral negotiations to reduce trade barriers, it also establishes and enforces rules for the global trading system.

Global trade and rising competition, and hence economic globalization, induce worldwide economic growth that improves standards of living and quality of life.

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