International Trade and Relation

Ravi Kant

Assistant Professor, Government College for Women, Pali, Rewari

Introduction

International Trade

In recent years, international trade is growing at a very fast rate. It involves all commercial activities that cross national boundaries. International trade refers to exchange of goods and services, investment across borders of countries. International trade is concerned with trade in goods and services, inflow and outflow of foreign investment, cross border transactions in intellectual property and technology, international outsourcing etc. It has grown at fast speed due to globalization. International trade has significant effect on daily lives. In adepartmental store, we find product from Japan, Taiwan and China; clothing from China, Hong Kong and India. On the roads, we find automobiles fromJapan, Germany, Korea, America using oil from Iran, Iraq, Soudi Arabia and Kuwait. We used to enjoying these product from distant lands and we forget that these products have come through the complex network of international trade. With the growth of international trade, the various nations of the world are becoming the part of same global village. Policy of globalization adopted by various nations is promoting the scope of international trade.

Globalisation has reduced the barriers imposed on trade among countries. Now, goods and services, labour, capital can be exchanged among countries. Globalisation means linking the economy of a country with the economies of other countries by means of free trade, free mobility of capital and labour etc. It also means inviting multination corporations to invest in domestic country. Globalisation implies opening of economy to foreign investment, removing obstacles to the entry of multinational corporations , carrying out massive import liberalization by bringing down import duties considerably, promoting international trade etc. Globalisation assumes that domestic economy should have close link with world economy. As a result, there will be unrestricted flow of goods and services, technology and expertise among different countries of the world. MNCs are playing an important role in the process of globalization. Now there is increased movement of investment, technology, goods and services among different nations. With the improvement in transportation and communication, more people move from one nation to another in search of better jobs., better education, tourism, medical treatment and other opportunities etc.

International institutions such as World Trade Organisation (WTO), United Nation Conference on Trade and Development (UNCTAD), International Monetary Fund (IMF), World Bank etc. are promoting international business. On WTO platform, member nations agree to reduce tarrif and non-tarrif barriers on movement of goods and services across member nations. They are agree to reduce administrative barriers on inflow and outflow of foreign investment. It has promoted cross border trade and investment. It has created many opportunities for multinational corporations.

International trade also affects relations among countries. In today"s world , all the countries have become dependent on each due to international trade. A country is not so enriched with natural resources that can fulfill all its requirement itself. Some are rich in one resources and there is deficit of other resource. International trade helps them to fulfill their needs and thus develops relations among them.

Theories of International Trade : These theories can be divided into two categories as follows :

1. **Classical or Country – Based theory** These theories are described as under

Mercantalism : Developed in sixteenth century, mercantilism was one of the earliest efforts to develop an economic theory. This theory stated that a country"s wealth is determined by the amount of its gold and silver holdings. In it's simplest sense, mercantalists believed that a country should increase its holdings of gold and silver by promoting its exports and discouraging imports. In other words, if people in other coutries buy more from you (exports) than they sell to you (imports), then they have to pay you the difference in gold and silver. The objective of each country was to have a trade surplus, or a situation where the value of exports are greater than the value of imports, and to avoid a trade deficit, or a situation where value of imports is greater than the value of exports.

Absolute Advantage : In 1776, Adam Smith questioned the leading mercantile theory of the time in The Wealth of Nations. Adam Smith, an inquiry into the nature and causes of the Wealth of Nations(London: W.Strahan and t. Cadell, 1776). Recent versions have been edited by scholars and economists.Smith offered a new trade theory called absolute advantage, which focused on the ability of a country to produce a good more efficiently than another nation. He reasoned that trade between countries should not be regulated or restricted by government policy or intervention. He stated that trade should flow naturally according to market forces. In a hypothetically two-country world, if A country could produce a good cheaper or faster than country B, then country A had the advantage and coud focus on specializing on producing that good. Similarly, if country B was better at producing another good, it could focus on specialization as well. By specialization, countries would generate efficiencies, because their labor force would become mere skilled by doing the same tasks. Production woud also become more efficient, because there would be an incentive to create faster and better production methods to increase specialization.

Comparative Advantage theory : The challenge to absolute advantage theory was that some countries may be better at producing both goods and therefore, have advantage in many areas. In contrast, another country may not have any useful absolute advantage. Tp answer this challenge, David Recardo, an English economist, introduced the theory of comparative advantage in 1817. Recardo reasoned that even if contry A had absolute advantage in the production of both products, specialization and trade could still occur between two countries. Comparative advantage occurs when a country cannot produce a product more efficiently than the other country; however, it can produce that product better and more efficiently than it does other goods. The difference between these two theories is subtle. Comparative advantage focuses on the relative productivity difference, whereas absolute advantage look at the absolute productivity.

Heckscher-Ohlin Theory (Factor Proportion theory): The theories of Smith and Ricardo didn't help countries determine which products would give a country an advantage. Both theories assumed that free and open markets would led countries and producers to determine which goods they could produce more efficiently. In the early 1900s, two Swedish economists, Eli Heckscher and Bertil Ohlin, focused their attention how a country could gain comparative advantage by producing products that utilized factors that were in abundance in the country. Their theory is based on a country's production factors- land, labor, and capital, which provide the funds for investment I plants and equipment. They determined that the cost of any factor or resource was a function of supply and demand. Factors that were in great supply relative to demand would be more expensive. Their theory, also called the factor proportionat theory, stated that countries would produce and export goods that required resources or factors that were in great supply and, therefore, cheaper production factors. In contrast, countries would import goods that required rsources that were in short supply, but higher demand. For example, China and India are home to cheap , large pools of labor. Hence these countries become the optimul locations for labor – intensive industries like textiles and garments.

2. **Modern or Firm-Based Theories**

Country Similarity Theory : Swedish economist Steffan Linder developed the country Similarity theory in 1961, as he tried to explain the concept of in traindustry trade. Linder'stheory proposed that consumers in countries that are in the Sme or similar stage of development should have similar preferences. In this firm-based theory, Linder suggested that companies first produce for domestic consumption. When they explore exporting, the companies often find that markets that look similar to their domestic one, in terms of coustomer preferences, offer the most potential for success. Linder's country similarity theory then states that most trade in manufactured goods will be between countries eith similar per capita incomes, and intraindustry trde will be common. This theory is often most useful in understanding trade in goods where brand names and product reputations are important factors in the buyer's decision-making and purchasing processes.

Product Life Cycle Teory : Raymond Vernon, a Harvard Business School professor, developed the product life cycle theory in the 1960s. The theory, originating in the field of marketing, stated that a product lilfe cycle has three distinct stages: (1) new product (2) maturing Product, and(3) standardized product. The theory assumes that production of the new product wil occur completely in the home country of its innovation. In the 1960s this was a useful theory to explain the manufacturing success of the United States. US manufacturing was the globally dominant producer in many industries after after World War II. It has been used to describe how the personal computer (PC) went through its product cycle. The PC was new product in the 1970s and developed into a mature product during the 1980s and 1990s. Today, the PC is in the standardized product stage, and the majority of manufacturing and production process os done in low-cost countries in Asia and Maxico.

Global Strategic Rivalry Theory : Global strategic rivalry theory emerged in the 1980s and was based on the work of economist Paul Krugman and Kelvin Lancaster. Their theory focused on MNCs and their efforts to gain a competitive advantage against other global firms in their industry. Firms will encounter global competition In their industries and in order to prosper, they must develop competitive advantages. The critical ways that firms can obtain a sustainable competitive advantage are called the barriers to entry for that industry. The barriers to entry refer to the obstacles a new firm may face when trying to enter into an industry or new market. The barriers to entry that corporations may seek optimize include, research and development, the owernership of intellectual property rights, economies of scale, unique business processes or methods as well as extensive experience in the industry, and the control of resources or favorable acess to raw materials.

International Relation :

International relations attempts to explain the interactions of states in the global interstate system and it also attempts to explain the interactions of others whose behavior originates within one country and is targeted toward members of other countries. In short, the study of international relation is an attempt to explain behaviour that occurs across the boundries of states. The broader relationships of which such behaviour is a part, and the institutions in including-private, state, non-governmental, and inter-governmental that oversee those interactions. Explanations of that behavior may be sought at any level og human aggregation. Some look to psychological and social-psychological understandings of why foreign policymakers act as

they do. Others investigate institutional processes and politics as factors contributing to the externally directed goals the behavior of states. Alternatively, explanations may be found in the relationships between and among the participants(balance of power), in the intergovernmental arrangements among states(collective security), in the activities of multinational corporations(the distribution of wealth), or in the distribution of power and control in the world as a single system.

International Relations(IR) is the study of relationship among countries, the roles of sovereign states, inter-governmental (IGO), international non-governmental organizations (INGO), non-governmental organization (NGO), and multinational corporations (MNC). International relations is an academic and a public policy field, and so can be positive and normative, because it analyzes and formulates the foreign policy of a given state. A political activity, international relatin dates from the time of the Greek historian

Thucydides (ca. 460-395 BC), and , in the early 20th century, became a discrete academic field within political science. However, international relations is an interdisciplinary field of study.

Besides political science, the field of international relation draws intellectual material in the fields technology and engineering, economics, history, and internation law, philosophy, geography, and social work, sociology, anthropology, and criminology, psychology and gender studies, cultural studies and cult-urology. The scope of international relation comprehends globalization, state sovereignty, and internation security, ecological sustainability, nuclear proliferation, and nationalism, economic development and global finance, terrorism and organized crime, human security, foreign interventionism, and human rights(sutch, &Juanita, 2007).

International Relation and Globalization :

As more nations, people, ad cultures adapt to the ever changing international community, diplomats, politician, and representatives must meet and deal with accordingly to the needs and wants of nations. Diplomacy can be exerted in many forms; through peace talks, written constitutions, and field experiences (carlsnaes, Thomas Rises, & Beth A. Simmons, 2013).

Culture is a familiar term and remains unchanged by definition. However, globalization and international relation have constantly altered culture both positively and negatively. Globalization increases worldwide technology, and the readability of fast, effective communication and consumption of popular products. Globalization links cultures and international relations on a variety of levels; economics, politically, socially, etc. international relations have used globalization to reach its goal of understanding cultures. International relations focus on how countries, people and organizations interact; and globalization is making a proud effect on international relations.

Understanding culture, globalization, and international relations is critical for the future of not only governments, people, and businesses, but for the survival of the human race. In today's increasingly interdependent and turbulent world, many of the leading issues in the news concern international affairs. It is the continuing impact of globalization. The process of continuing integration of the countries in the world is strongly underway in all parts of the globe. It is a complex interconnection between capitalism and democracy, which involves positive and negative features that both empowers and overpower individuals and groups. From the other hand, globalization is a popular term used by governments, business, academic and a range of diverse non-governmental organizations. It also signifies a new paradigm within world politics and economic relation. While national governments for many years dictated the international political and economic scene, international organizations such as the World Bank, International Monetary Fund and the world Trade Organization have now become significant role players. In this "Global village," national governments have lost some their importance and perhaps, their powers in favour of these major international organizations. As a Process of interaction and integration among people, companies and governments of difference nations, globalization is process driven by the international trade and investment and aided by information technology. Thic process focuses on the environment on culture, on political system, on economic development and prosperity, and on human physical well-being in societies around the world (Sutch &Juanita, 2007).

The theories of international relations have been stated as follows :

Realism- The international system is defined by anarchy, which is the absence of central authority States are sovereign and thus they are autonomous of each other, no inherent structure or a society can emerge or exist to order any kinds of relations between them. Realism can understand power in a variety of ways, i.e.militarily,economically and diplomatically and eventually it puts emphasis upon the distribution of powerful material capability as the determinant of international politics. Realists are of the viewpoint that survival is the major goal of every state and foreign invasion and occupation are regarded to be the problems that are experienced by the states.

Institutionalism : Institutionalism relies on micro-economic theory and game theory to reach a radically different conclusion, that co-operation between the countries is possible. Co-operation is regarded to be coherent and a self-interested strategy that the countries pursue under different set of circumstances. Under this theory, the institutions are defined as the set of rules, norms, practices and the decision making procedure that adequately design the expectations and overcome the uncertainties that weaken co-operation. Institutions are considered to be the main areas that largely contribute in increasing efficiency and they also cause a reduction in the transaction costs of coordination by making provision of the centralized forum in which states are able to conduct meetings.

Liberalism : Liberalism makes for a more composite and a less organized body of theory as compare to realism and institutionalism. The basic vision of the principle is that the national characteristics of individual states matter for their international relations. This view contrasts in sharp manner with both realist and institutionalist accounts, in which all state s have fundamentally the same objectives and behaviors, atleast internationally, the self interested individuals following wealth and survival. Liberal theories have often put emphasis upon the distinctive behavior of liberal states, though more modern work has sought to extend the theory to a general domestic characteristics, based on the description of international relations.

Constructivism – Constructivism is not a theory, but rather an ontology. It is a set of hypothsis is about the world and human motivation and agency. Its counterpart is not realism, institutionalism, orliberalism, but rather rationalism. By stimulating the rationalist outline that undergrids many theories of international relations. Constructivists produce constructivist alternatives in each of these families of theories. In the constructivist account, the variables of interest to the scholars are the military power, trade relatin, international institutions, or domestic preferences, these are not important, because they are objective circumstances about the world, but rather because they have certain societal significances.

The English School – The English School shares most of the constructivism's assessments of rationalist theories of international relations. It also put emphasis upon the uniqueness of international society and social significances to the learning of world politics. Basically, however, it does not pursue to generate testable hypotheses about State behaviour as the other theories do. Instead, its objectives are more similar to those of a historian. Comprehensive opinion and well-formed understanding is preferred over the universal explanatory models. Hadley Bull, for instance, a leading English School scholar, discussed that international law was one of five central institutions arbitrating the influence of international anarchy and as an alternative producing and anarchical society.

Critical Approaches – The governing international relations theories and their fundamental positivist epistemology have been confronted with a variety of viewpoints. Scholars working in Marxist, feminist, post-colonial, and ecological fields, have all put forward analysis of international relations, explanations of state behaviour, colonialism, developing country approach to international law, feminism, and approach to international law. Most of these researches share an apprehension with the construction of power and the state, which theories like realism or institutionalism tend to get adequately established. For example, Maxist scholars observe the prominence on state relations as complicating the more fundamental dynamics of global class relations, as it has been stated in the theory of Marxism. Only by understanding the awareness and the behaviout of global capital, one is able to realize the impact of state behaviour.

International Relation & Economic Trade and Development

Capitalist economic theory holds that a completely liberalized global market is the most efficient way to foster growth, because each country specializes in producing the goods and services in which it has a comparative advantage. Yet, in practice, cutting trade barriers and opening markets do not necessarily generate development. Rich countries and large corporations dominate the global marketplace and create vey unequal relations of power and information. As a result. Trade is, inherently, unequal and poor countries seldom experience rising well-being, but increasing unemployment, poverty, and income inequality(Dixit & Norman, 1980).

An additional problem is that free trade is not equally free. Agricultural subsidies and other trade barriers in the US and the EU prevent poor countries open up their own markets to US and EU exports. Critics of free trade point out that many of the world's richest countries sheltered their economies by protection when they were at the start of their own growth. Further, trade is so dominated by transnational corporations that new trade rules mainly benefit those companies. A number of NGOs have started to promote fair trade, arguing that trade can promote development if it is environmentally sustainable and includes respect for human and labor rights. This paper provides information on trade issues, including how to make trade contribution to development. The trade and development of a country largely depends on international relation, especially structural changes. Economic structural change refers to a long-term shift in the fundamental structure of an economy, which is often linked to growth and economic development. For example, a subsistence (prevalent) economy may be transformed into a manufacturing economy, or a regulated mixed economy is liberalized. A current driver of structural change in the world economy is globalization. Structural change is possible because of the dynamic of nature of the economy system (Milner, 1997).

Patterns and changes in sector employment drive demand shifts through the income elasticity. Shifting demand for both locally sourced goods and for imported products is a fundamental part of development. The structural changes that move countries through the development process are often viewd in terms of shifts from primary, to secondary and finally, to tertiary production. Technical progress is seen as crucial in the process of structural change as it involves the obsolescence (obsolete) of skills, vocations, and permanent change in spending and production resulting in structural unemployment. Moreover, structural changes of a country include culvert, bridges, gas, electricity, road communication, education, mills & factories, manpower, garments, school, college, university, export & import, economy, trade & commerce, transportation, industrialization, urbanization, science & technology, games & sports, credit and as on.

For structural changes, a developing country like Bangladesh has to depend n foreign aid. When she is unable to meet the investment for her structural changes, then international relation is must. For international relation, a country has to relay on the help of World Bank, Asian Development Bank, World Trade Organization and so on.

Export & import of a country depends on international relation. For this. She nedds helps from World Trade Oraganization. Due to IR, a country takes credit (loan) from any foreign country. Ideas, cultural trends like food, clothing, manner, and so on are dealt with IR. People can share their views & opinions with another country, and they can establish international brotherhood, and friendship, then, it becomes possible for them due ot IR. There is a need for a strategic approach to export opportunities arising from trade preference, viewing them not as abasis for long term strategy, but rather as a stepping stone. Moreover, structural transformation is dependent on international trade rules, particularly to facilitate the development of new economy activities and non-traditional export. This can be done through international relation. International relation plays a significant role in engineering sectors including EEE, CSE, Ce, IT and so on. Engineers can participate in international conference, seminar, and symposium to acquire engineering knowledge, thus they can be able to develop a country economically. Due to IR, a country can take loan from any foreign country when she falls in economic, constraints, and she cannot be able to meet the minimum necessity of her people.

Poverty alleviation of a country may be lessened immediately if she enables to maintain IR with the developed countries of the universe. As we know, ours is a poverty affected country, in this regards, IR functions importantly. The prosperity of a country largely relies on garments sector, many poor and common people work in a garments factory. And they lead their livelihood based on these working places. So a country must be trying to keep a good international relation with the capitalist countries. Again, when country falls in natural calamity like flood, storm and diseases, IR plays an important role in this regards. Medical science also depends upon IR. A developing country like India has a poor medical science system, the doctors are not well trained up,they urgently needs foreign course and how to behave and treat patients. But doctors of our country are selfish and money-minded, they do not try to de research course on medical science,they should participate in international seminat, symposium and conference. Thus a country has to cope with IR for her development.

Global English is a must in this regard, sinve English has achieved the prestige of international recognition. So, people have acquire the basic knowledge of English. Thus, a nation of a country may keep international relation. Scholarship for meritorious students is available around the universe. But a developing country lags behind, and most of the students ca not get scholarship around the developed world. But the govt. should inspire them to get scholarship, and at the same time he ought to offer proper opportunities for them. This can be done through copying with international relation with foreign countries. Without maintaining international relation, a country has to face economic crisis and hurdles. As a result, it fails to receive foreign aid.

Conclusion :

International trade and international relations are correlated. Both affects each other, if international trade among countries is to be increased there is need of good relations among these countries. Free international trade promotes coheshion among countries and all countries get the benefits of international trade. Globalization has enhanced free trand at world level and international relations are developing among countries. Every country is depend on other. So good international relations promotes international trade. Thus all countries should focus on developing good international relations in pursuit of welfare of world.

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