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## CHAPTER

## INTERNATIONAL TRADE

Q.1 What is international trade? Give its importance in modern economies.

Ans. International trade refers to the exchange of goods and services among countries across national boundaries.

### **Importance:**

- i. International trade bridges the gap between surplus regions and deficit regions through export and imports.
- ii. Countries need to trade to obtain commodities, they cannot produce themselves or they can purchase elsewhere at a lower price.
- iii. It helps countries in maintaining the specialization in the production of goods and services.
- iv. It increases international cooperation and understanding.
- v. In early times it played significant role in the cultural diffusion.

### **HISTORY OF INTERNATIONAL TRADE**

Q.2 Describe the changes that have occurred in international trade since ancient times to present century.

Ans. The history of international trade has been outline below:

- i. In ancient times, trade was restricted to local markets because transporting goods over long distances was risky. Trading commodities were of basic necessity – food and clothes. Only the rich people bought jewellery, costly dresses and this resulted in trade of luxury items.
- ii. During Roman Empire, trade was done through the Silk Route from Rome to China (6,000 km route). The traders transported Chinese silk, Roman wool and precious metals and many other high value commodities.
- iii. During 12<sup>th</sup> and 13<sup>th</sup> century, European traded goods through ocean ships.
- iv. 15<sup>th</sup> century onwards, a new form of trade emerged which was called **slave trade**. African natives were captured and forcefully transported to the newly discovered America for their labour in the plantations. Slave trade was a profitable business for more than two hundred years till it was abolished.
- v. After the Industrial Revolution, the industrialised nations imported primary products as raw materials and exported the value added finished products back to the non-industrialised nations.
- vi. In the later half of the 19<sup>th</sup> century, industrial nations traded finished goods between themselves and became each other's principle customers.
- vii. During the postwar period, organisations like the World Trade Organisation helped in promoting international trade.

### **BASIS OF INTERNATIONAL TRADE**

Q.3 Why does the international trade exists? **/OR/** Explain the factors on which the international trade depends. **/OR/** Describe the three basis of international trade.

Ans. The basis of international trade is:

1. Trade arises because of regional differences in production and productivity.
2. It also arises because of great variations in the location and distribution of natural resources.

- a. For e.g. countries differ in climate, mineral availability and geological structure therefore trade arises between them as no one country can produce everything needed by it.
3. Trade arises because some countries specialize in the production of certain goods and services and they are known by their skills.
  - a. For e.g. due to cultural diversity different products are famous such as Carpets of Iran, leather of Africa, Batik cloth of Indonesia.
4. Trade arises when the production of certain goods and services exceeds the local consumption levels and it is in short supply elsewhere.
  - a. For e.g. country having large size of population cannot trade goods outside the country due to high local demand.
5. Stage of economic development: In agriculturally important countries, agro products are exchanged for manufactured goods whereas industrialised nations export machinery and finished products and import food grains and other raw materials.
6. Extent of foreign investment: Foreign investment can boost trade in developing countries which lack in capital required for the development of industries and agriculture.
7. Transport: With expansions of rail, ocean and air transport, better means of refrigeration and preservation, trade has expanded.

#### **COMPONENTS OF INTERNATIONAL TRADE**

Q.4 Explain the three components/aspects of international trade and the changes that has occurred in them.

Ans. The three components/aspects are:

1. Volume of trade-
  - a. Volume of trade means the **total value** of goods and services traded.
  - b. Services traded cannot be measured in tonnage. Therefore, the **total value** of goods and services traded is considered to be the volume of trade.
  - c. The total volume of world trade has been steadily rising over the past decades.
2. Composition of trade-
  - a. Composition of trade refers to the nature/type of goods and services traded.
  - b. Trade of primary products was dominant in the beginning of the last century. Later manufactured goods gained prominence and currently, service sector which includes travel, transportation and other commercial services have been showing an upward trend.
  - c. Machinery and transport equipments are traded largest in the world.
  - d. Other merchandise are fuel (petroleum) and mining products, office and telecom equipment, chemicals, automobile parts, agricultural products, iron and steel, clothing and textiles.
3. Direction of trade-
  - a. Direction of trade refers to the movement of goods and services between countries.

- b. In earlier times, high value goods and artefacts were exported from present day developing countries to the European countries.
- c. In nineteenth century the direction of trade changed. European countries started exporting the manufactured goods and high value goods to the developing countries.
- d. Europe and U.S.A. emerged as major trading partners in the world and were leaders in the trade of manufactured goods.
- e. Now, the developing countries have also started to export manufactured goods to the developed countries.

Q.5 How is the trade of the services different from the trade of primary and secondary goods?

Ans. The trade in the service sector is quite different from trade in the products of primary and manufacturing sectors:

- a. The trade in services can be expanded infinitely.
- b. It can be consumed by many at a same time.
- c. It is weightless.
- d. And once produced it can be easily replicated.
- e. Thus service trade is capable of generating more profit than producing goods.

Q.6 Name four types of services trade in the world.

Ans. The four types of services are

- a. Commercial services
- b. Travel services
- c. Construction services
- d. Labour services.

### **TYPES OF INTERNATIONAL TRADE**

Q.7 What are the two Types of international trade? Explain characteristics of each.

Ans. The two type of international trade are:

#### **1. Bilateral trade-**

- a. In this type of trade the exchange of commodities is between two countries.
- b. If the two countries are complementary to each other the bilateral trade will occur.
- c. It occurs when one country exports raw material and energy sources to the other in exchange of manufacturing goods.

#### **2. Multilateral trade-**

- a. In this type of trade the commodities are exchanged between many countries.
- b. The countries may not be complementary to each other.
- c. The direction of trade is diversified which means that each country export a number of goods.

Q.8 What is balance of trade? Explain its two types.

Ans. The difference in value of imports and exports is called balance of trade.

It is of two types:

- a. If the value of exports exceeds the value of imports, a country is said to have a favorable balance of trade, while
- b. If the value of imports exceeds the value of exports it has unfavorable or adverse or negative balance of trade. A negative balance would mean that the country spends more on buying goods than it can earn by selling its goods. This would ultimately lead to exhaustion of its financial reserves.

Q.9 What is free trade? Explain its effects on economies of developing countries.

Ans. Free trade is the act of opening up economies for trading. This is done by bringing down trade barriers like tariffs. Free trade allows goods and services from everywhere to compete with domestic products and services.  
Its effects on developing economies are:

- a. It can adversely affect the economies by not giving equal playing field.
- b. Foreign products which are cheaper can destroy local production and thus may create unemployment.
- c. Imposing conditions which are unfavourable.
- d. **Dumped goods** of cheaper prices can harm the domestic producers.

Q.10 What are Regional trading blocs? State its objectives. Mention the three factors on which the membership of trading blocs depends?

Ans. DEFINATION

I. Trading blocs is the groups of countries which have formal systems of trading agreements. Most of the international trade has been taking place within these blocs.

OBJECTIVES AND IMPORTACE OF TRADING BLOCS

- Its main objective is to reduce tariffs and quotas on imports between the member countries.
- It regulates the trade within the bloc and with other trading blocs of the world.
- To encourage free trade between member countries.
- It helps in increasing economic relations among member's countries.

MEMBERSHIP OF TRADING BLOCS DEPEND ON

- Geographical distance of the member countries.
- Historical and cultural relationships.
- Geo-political reasons such as controlling trade in a particular commodity and retaining the power.
- Similarities and complementarities in trading items.

Q.11 Describe some of the concerns related to international trade.

Ans. International trade has many advantages but it can be damaging/harmful:

- i. It leads to more and more dependence on other countries,
- ii. It creates uneven levels of development between countries and regions,
- iii. It leads to exploitation and commercial rivalry between nations and which in turn leads to wars.
- iv. It affects the environment, health and well being of people.

Q.12 Explain how the global trade affects many aspects of life.

Ans. Global trade affects the environment, health and well-being of the people.

- i. Due to competition between countries to trade more, production and the use of natural resources has increased.
- ii. Resources are used faster than they can renew themselves. As a result, marine life and forests are depleting fast.
- iii. Multinational corporations trading in oil, gas mining, pharmaceuticals and agri-business are exploiting local resources and creating more pollution.
- iv. Health and well being of people is affected due to pollution and depletion of resources.

Q.13 What are sea ports?

Ans. Sea port is a place on sea coast where cargo is received from other countries as imports and sent out as exports. Port has facilities for loading and unloading cargo.

Q.14 Why sea ports and harbours are also known as 'Gateways of International Trade'?

Ans. Sea ports and harbours are the important gateways of international trade.

- i. It acts as a point of exit and entry for a country.
- ii. Cargoes and travellers pass from one part of the world to another through these ports.
- iii. These ports provide facilities of docking, loading, unloading and the storage facilities for cargo.
- iv. The quantity of cargo handled by a port is an indicator of the level of development.

### **TYPES OF PORTS**

Q.15 What are the different types of ports? Give examples of each port.

Ans. Types of port according to cargo handled:

- (i) **Industrial Ports:** These ports specialise in bulk cargo-like grain, sugar, ore, oil, chemicals and similar materials.
- (ii) **Commercial Ports:** These ports handle general cargo-packaged products and manufactured good. These ports also handle passenger traffic.
- (iii) **Comprehensive Ports:** Such ports handle bulk and general cargo in large volumes.

Types of ports classified on the basis of their location.

- (i) Inland port: these ports are located away from the sea coast. They are linked with the sea by river or a canal. Such ports are suitable for only flat bottom ships. Kolkata is located on river Hugli, Manchester.
- (ii) Out ports: these are deep water ports built away from the actual port. These act as a parent port. They receive ships which are large in size and thus are unable to dock at the actual port. Athens and Piraeus in Greece.

Types of ports classified on the basis of the specialized tasks:

- (i) Oil ports: these ports deals in processing and shipping of oil. Some of these are tanker ports and some refinery ports. E.g. Tripoli.
- (ii) Naval ports: these ports are of strategic importance. They serve only warships. E.g. Kochi.
- (iii) Entrepot ports: these ports act as a collection centres. Imported goods are collected and shipped to different countries as exports. E.g. Singapore.
- (iv) Packet stations: they are also known as ferry ports. They are concerned with passengers and mail across water bodies covering short distances. They occur in pairs across water body. E.g. Dover and Calais.
- (v) Ports of call: these ports provide facilities such as refueling, watering, taking food items to ships on route to other countries. E.g. Aden



**Overview of Planning in India.**

- i. India has centralised planning.
- ii. The Planning Commission makes plans for the economic development of India.
- iii. It is a statutory body headed by the Prime Minister and has a Deputy Chairman and members.
- iv. The planning in the country is largely carried out through Five Year Plans.

Q.2 What do you mean by the term planning? Which are the two approaches to planning? Explain each of them.

Ans. The word 'planning' means the process of thinking, formulation of a scheme or programme and implementation of a set of actions to achieve economic development.

There are two approaches to planning:

- i. **Sectoral planning:** means formulation and implementation of schemes or programmes aimed at development of various sectors of the economy such as agriculture, irrigation, manufacturing, power, construction, transport, communication, social infrastructure and services.
- ii. **Regional planning:** means formulation and implementation of schemes or programmes for the development of backward regions to reduce regional imbalance in development.

**Target Area Planning (Regional Planning)**

Q.3 Mention three requisites for an economic development of a region.

Ans. The economic development of a region depends upon its resource base. But sometimes resource-rich region also remain backward. Therefore the economic development requires: -

- i. Technology
- ii. Investment
- iii. The resources.

Q.4 What is target area planning? Why it is necessary in India? Give any four examples of target area planning in India.

Ans. Target area planning means making schemes for the development of backward regions of India. This type of planning is necessary in India because regional imbalances in economic development are getting serious. Examples of target area planning are

- i. Command Area Development Programme,
- ii. **Drought Prone Area Development Programme,**
- iii. Desert Development Programme,
- iv. **Hill Area Development Programme.**
- v. The Small Farmers Development Agency (SFDA)
- vi. Marginal Farmers Development Agency (MFDA).

**Hill Area Development Programme: Important features:**

- i. Hill Area Development Programmes were initiated during Fifth Five Year Plan.
- ii. It covered 15 districts comprising all the hilly districts of Uttaranchal, Assam, West Bengal and Tamil Nadu.
- iii. All the hill areas in the country having height above 600 m and not covered under tribal sub-plan are treated as backward hill areas.
- iv. The detailed plans for the development of hill areas were made.
- v. These programmes aimed at the development of horticulture, plantation agriculture, animal husbandry, poultry, forestry and small-scale and village industry in hilly areas.

**Drought Prone Area Programme: Important features:**

- i. This programme was initiated during the Fourth Five Year Plan.
- ii. Irrigation Commission (1972) introduced the criterion of 30 per cent irrigated area and demarcated the drought prone areas.
- iii. Its objectives were to provide employment to the people in drought-prone areas and creating productive assets.
- iv. This programme gave emphasis on the labour-intensive civil construction works, irrigation projects, land development programmes, afforestation, grassland development and creation of basic rural infrastructure such as electricity, roads, market, credit and services.
- v. The other strategies of development of these areas include adoption of integrated watershed development approach.
- vi. The restoration of ecological balance between water, soil, plants, and human and animal population.
- vii. 67 districts of the country are prone to drought in the states of Rajasthan, Gujarat, Western Madhya Pradesh, Maharashtra, Andhra Pradesh, Tamil Nadu.

Q.5 What are the social and economic benefits of **(Integrated Tribal Development Programme)** ITDP in the Bharmaur tribal region?

- Ans. The most significant contribution of tribal sub plan in Bharmaur region is
- i. The development of infrastructure in terms of schools, health care facilities, potable water, roads, communications and electricity.
  - ii. Tremendous increase in literacy rate: The female literary rate in the region increased from 1.88 per cent in 1971 to 42.83 per cent in 2001.
  - iii. Improvement in sex ratio
  - iv. Decline in child marriage.
  - v. The difference between males and females in literacy level i.e. gender inequality, has also declined.
  - vi. The cultivation of pulses and other cash crops has increased in Bharmaur region.
  - vii. The importance of pastoralism is declining in the economy of the region that at present only about one-tenth of the total households practise transhumance.

**Sustainable Development**

Q.6 Explain the concept of sustainable development.

- Ans. The sustainable development means "development that meets the needs of the present without compromising the ability of future generations to meet their own needs." Sustainable development means taking care of ecological, social and economic aspects of development. It includes conservation of resources for the future generations.

**Features of Indira Gandhi Canal:**

- i. It is one of the largest canal systems in India.
- ii. The canal originates at Harike barrage in Punjab and runs parallel to Pakistan border at an average distance of 40 km in Thar Desert (Marusthali) of Rajasthan.
- iii. The total planned length of the system is 9,060 km.

Q.7 What are the positive and negative influence of Indira Gandhi Canal irrigation on the ecology, economy and society of Rajasthan?

- Ans. The introduction of canal irrigation in this dry land has transformed its ecology, economy and society.
- Positive:



- i. The availability of soil moisture and various afforestation and pasture development programmes have resulted in greening the land.
- ii. Spread of canal irrigation has led to increase in cultivated area and intensity of cropping.
- iii. This has also helped in reducing wind erosion and siltation of canal systems.
- iv. The traditional crops sown in the area, gram, bajra and jowar have been replaced by wheat, cotton, groundnut and rice.

Negative:

- i. The intensive irrigation and excessive use of water has led to the emergence of twin environmental problems of water logging and soil salinity.
- ii. Thus, in the long run, it hampers the sustainability of agriculture.

### **Measures for Promotion of Sustainable Development**

Q.8 State any three measures proposed to promote sustainable development in the command area of Indira Gandhi Canal.

Ans. The important measures are:

- i. The first requirement is strict implementation of water management policy. The protective irrigation and extensive irrigation of crops.
- ii. The cropping pattern shall not include water intensive crops. People shall be encouraged to grow plantation crops such as citrus fruits.
- iii. The lining of water courses, land development and levelling and warabandi system (equal distribution of canal water in the command area of outlet) shall be effectively implemented to reduce the conveyance loss of water.
- iv. The areas affected by water logging and soil salinity shall be reclaimed.
- v. The eco-development through afforestation, shelterbelt plantation and pasture development is necessary.
- vi. Poor farmers are provided adequate financial and institutional support for cultivation of land.
- vii. The agricultural and allied activities have to develop along with other sectors of economy.