

INTERNATIONAL TRADE AND TRADE RESTRICTIONS

by

Vaishnavi Nimje

ABSTRACT

The researcher in the article has tried to focus on the international trade which also include export and import. The researcher also tried to tell the reader that the financial system of the country majorly depends upon the export and import of the country with the other countries and also how trade is restricted. The research paper talks about how international trade have affected the global economy. The research paper also talks about how the international trade patterns or practices have changed over the years. The researcher through some significant points has focused that how WTO has played significant role in promoting international trade. At last, this research paper tries to explain the readers the role of international trade and certain trade restrictions.

Introduction

International trade is basically the exchange of capital, goods and services across international borders or territories. In simple words, governments keep track of the transactions among all nations to know what is happening in the course of international trade.

Earlier, trade was regulated through bilateral treaties between two nations. However, in the years since the Second World War, controversial multilateral treaties like the General Agreement on Tariffs and Trade (GATT) and World Trade Organization (WTO) have tried to promote free trade while creating a globally regulated trade structure. Industrialization, advanced infrastructure, technological advancement, globalization, multinational corporations, decrease level of regulations and outsourcing are all having a major impact on the international trade system. Increasing international trade is crucially important for continuation of globalization.

Globalization refers to the broadening set of interdependent relationships among people from different parts of the world that happens to be divided into nations. The term sometimes also refers to the integration of world economies through the reduction of barriers to the movement of trade, capital, technology, and

people. Throughout record history, human contacts over ever wider geographic areas have expanded the variety of resources, products, services, and markets available to consumers. We have altered the way we want and expect to live, and we have become more deeply affected (positively and negatively) by conditions outside of our immediate domains. The international trade and the growth of the economics may have given the importance of the substances which have the introduction of the liberalization of the trade policies in the nations that are developing all over the world. The international trade has its impact on the growth of the economics that crucially that directly depends on the globalization. And as the international trade is concerned on the growth of the economics, the makers of the policy and the economists have developed the economics into the main two groups; the first group of economists has the view that the trade of the international level may be able to bring the changes that are unfavourable in the scenarios of the economics and the financial in the countries that are developing. The second group of economists may have the view in the favour of the international trade and the globalization that they have come from the very brighter concept of international trade and they have the impacts on the growth of the economies in the countries that are developing.

The difference between domestic and international trade is that factors of production such as capital and labour are often more mobile within a country than across countries. Thus, international trade is mostly restricted to trade in goods and services, and only to a lesser extent to trade in capital, labour, or other factors of production. Trade in goods and services can serve as a substitute for trade in factors of production. Instead of importing a factor of production, a country can import goods that make intensive use of that factor of production and thus embody it.

In international trade, the transactions are made with the unknown persons through the medium of correspondence and communication. Direct and personal contract between the buyer and the seller does not exist. In the absence of direct contact, it becomes difficult to obtain information regarding the credit worthiness and financial position of the persons living in foreign countries.

Without international trade, nations would be limited to the goods and services produced within their own borders. Among the factors leading or contributing to the recent growth in international trade, trade facilitation is the critical issue debated under WTO and other multinational organizations. It is said to be the critical issue, because it includes all other factors contributing to the recent growth of international trade. It also involves harmonization, standardization, integration, synchronisation of international trade practices.

World Trade Organisation also known as WTO provides a global platform to the signatory countries to meet and discuss their issues and to come down with generally accepted solutions for smoother transition to greater free trade regimes.

The World Trade Organisation came into existence with effect from 1 January, 1995. The WTO replaced General Agreement on Tariffs and Trade (GATT). Its main function is:

To examine foreign trade policies of the member nations, and to see that such policies are in tune with WTO's guidelines, to lay down methods for arriving at a harmonious solution in case of trade conflicts, to provide necessary consultancy to the member nations on the development in the world economy and to provide a global platform where member nations continuously negotiate the exchange of trade concessions.

The resultant outcome is the assurance to the consumers and producers who know that they can enjoy greater choice of products and services. It implies both foreign and national companies are treated the same. Thus all nations should be treated equally in terms of trade.

World Trade Organisation has a crucial role in international trade. World Trade Organisation (WTO) facilitates implements, administration and smooth operation of trade agreements between the countries. It provides a forum for trade negotiations between its member countries. World trade organisation is the only international governing body that World Trade Organization replaces general agreement on tariffs and trade (GATT) which has created in the year 1948. The role of world trade organisation is to provide fair platform to its member country to help in service like exports, imports and conduct their business in a peaceful manner. The advantages to the country being members in World Trade Organisation (WTO) is that they lower trade related barriers among them. In contrary to this country which are not part of World Trade Organisation must negotiate trade related agreements independently with their trading partners. Settlements of dispute between the member countries through the established of rules and regulations. Overall world trade organisation (WTO) was set up to play a very important role in the world economics though settling trade related disputes through rules and regulations and consensus based on agreements mechanism that would prevent trade related wars between powerful countries. Though resolving trade related disputed World Trade Organisation has got the potential to maintain world peace and bilateral relation between its member countries through following negotiations, consultation and mediations.

The foreign or international trade policy of India relies solely on the Export Import simply known as the EXIM Policy of Govt. of India. This is being regulated and governed by the Act of Foreign Trade Development and Regulation Act, 1992. The key governing body which is directly associated with the EXIM Policy is the DGFT (Directorate General of Foreign Trade). The contemporary or recent act of Foreign Trade is under implementation after replacement of the earlier law which was Import and Exports (Control) Act, 1947. After independence, there were no specific or strict rules regarding the EXIM protocols.

The three major barriers to international trade are natural barriers, such as distance and language; tariff barriers, or taxes on imported goods; and nontariff barriers. The nontariff barriers to trade include import quotas, embargoes, buy-national regulations, and exchange controls. The main argument against tariffs is that they discourage free trade and keep the principle of comparative advantage from working efficiently. The main argument for using tariffs is that they help protect domestic companies, industries, and workers.

International trade is carried out by both businesses and governments—as long as no one puts up trade barriers. In general, trade barriers keep firms from selling to one another in foreign markets. The major obstacles to international trade are natural barriers, tariff barriers, and nontariff barriers. Natural barriers to trade can be either physical or cultural. Distance is thus one of the natural barriers to international trade. Language is another natural trade barrier. People who can't communicate effectively may not be able to negotiate trade agreements or may ship the wrong goods.

Protective tariffs make imported products less attractive to buyers than domestic products. The United States, for instance, has protective tariffs on imported poultry, textiles, sugar, and some types of steel and clothing, and in March of 2018 the Trump administration added tariffs on steel and aluminium from most countries.

One of the most common protectionist measures now in use is the antidumping proceeding. A domestic firm, faced with competition by a foreign competitor, files charges with its government that the foreign firm is dumping, or charging an “unfair” price.

A quota is a direct restriction on the total quantity of a good or service that may be imported during a specified period. Quotas restrict total supply and therefore increase the domestic price of the good or service on which they are imposed. Quotas generally specify that an exporting country's share of a domestic market may not exceed a certain limit. Voluntary export restrictions are a form of trade barrier by which foreign firms agree to limit the quantity of goods exported to a particular country. They became prominent in the United States in the 1980s, when the U.S. government persuaded foreign exporters of automobiles and steel to agree to limit their exports to the United States. Although such restrictions are called voluntary, they typically are agreed to only after pressure is applied by the country whose industries they protect. For example, The United State, has succeeded in pressuring many other countries to accept quotas limiting their exports of goods ranging from sweaters to steel. Many restrictions aimed at protecting consumers in the domestic market create barriers as a purely unintended, and probably desirable, side effect. For example, limitations on insecticide levels in foods are often more stringent in the United States than in other countries. These standards tend to discourage the import of foreign goods, but their primary purpose appears to be to protect consumers from harmful chemicals, not to restrict trade. But other nontariff barriers seem to serve no purpose other than to keep foreign goods out.

It must be valued that there are some dim sides of WTO. Many immature nations have criticised the working of WTO as a pointless and costly publicity for global exchange. Its working has been denounced on the ground that the WTO is a methods for created countries to take part in exchange wars and to have constrained section in immature nations.

Regardless of whether the WTO is in any capacity monetarily advantageous to the immature districts has dependably been a hostile issue, the reality remains that it is one association at the worldwide level that has given free or less limited exchanging products, administrations, and capital among different nations.

