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NCERT Class 12 Geography Part 1 Chapter 9: International Trade

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Trade 2 Parties – one sell; other purchase Exchange of Goods & Services National or International Barter Money Introduced

Every January after the harvest season Jom Beel Mela takes place in Jagerod, 35 km away from Guwahati and it is possibly the only fair in India, where barter system is still alive. A big market is organised during this fair and people from various tribes and communities exchange their products

Paper & coin currency - rare objects with very high intrinsic value served as money, like, flintstones, obsidian, cowrie shells, tiger's paws, whale's teeth, dogs teeth, skins, furs, cattle, rice, peppercorns, salt, small tools, copper, silver and gold.

The word salary comes from the Latin word *Salarium* which means payment by salt.

History of Trade Most spent on basic necessities Silk Route (Rome to China) After Roman Empire – European commerce with Asia grew & Americas got discovered 15th C – Colonialism + Slave trade After Industrial Revolution – demand expanded, monetary value declined Industrialized nations – imported raw material & exported finished product

Silk Route is an early example of long distance trade connecting Rome to China – along the 6,000 km route. The traders

transported Chinese silk, Roman wool and precious metals and many other high value commodities from intermediate points in India, Persia and Central Asia.

The Portuguese, Dutch, Spaniards, and British captured African natives and forcefully transported them to the newly discovered Americas for their labour in the plantations. Slave trade was a lucrative business for more than two hundred years till it was abolished in Denmark in 1792, Great Britain in 1807 and United States in 1808.

During the World Wars I and II, countries imposed trade taxes and quantitative restrictions for the first time. During the postwar period, organisations like General Agreement for Tariffs and Trade (which later became the World Trade Organisation), helped in reducing tariff.

Why International Trade Exist? Specialization in production Division of labor Principle of comparative advantage, complementarity and transferability of goods and services

Basis of International Trade Difference in natural resources Population Factors Stage of economic development Extent of foreign trade Transport

Difference in natural resources – geological structure, mineral and climate

Lowlands have greater agricultural potential.

The availability of mineral resources provides the basis for industrial development.

Wool production can take place in cold regions, bananas, rubber and cocoa can grow in tropical regions

Population factors – cultural and size of population

China produces the finest porcelains and brocades. Carpets of Iran are famous while North African leather work and Indonesian batik cloth are prized handicrafts

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

Aspects of International Trade Volume of Trade Composition of Trade Direction of Trade Balance of Trade

Total value of goods and services traded is considered to be the volume of trade.

Trade of primary products was dominant in the beginning of the last century. Later manufactured goods gained prominence and currently, though the manufacturing sector commands the bulk of the global trade, service sector which includes travel, transportation and other commercial services have been showing an upward trend.

Trade in the service sector is quite different from trade in the products of primary and manufacturing sectors as the services can be expanded infinitely, consumed by many, are weightless and once produced, can be easily replicated and thus, are capable of generating more profit than producing goods

19th C – Europe and U. S. A. emerged as major trade partners in the world and were leaders in the trade of manufactured goods. Japan at that time was also the third important trading country

Balance of trade records the volume of goods and services imported as well as exported by a country to other countries.

Types of International Trade Bilateral Trade Multi-lateral Trade Free Trade Check Dumping

Bilateral trade: Bilateral trade is done by two countries with each other

Multi-lateral trade: conducted with many trading countries. The same country can trade with a number of other countries. The country may also grant the status of the “Most Favoured Nation” (MFN) on some of the trading partners.

Free Trade – open economy for trading & bring down the barriers

Trade liberalisation allows goods and services from everywhere to compete with domestic products and services. Globalisation along with free trade can adversely affect the

economies of developing countries by not giving equal playing field by imposing conditions which are unfavourable

Dumping implies export at a price that is lower in the foreign market than the price in domestic market. WTO decides whether dumping is unfair competition

WTO Deals with global rules for trade Resolves dispute b/w member nations Cover trade in services, telecom, banking & intellectual rights HQ – Geneva, Switzerland

In 1948, to liberalise the world from high customs tariffs and various other types of restrictions, General Agreement for Tariffs and Trade (GATT) was formed by some countries.

1994- decided to set permanent institution for free and fair trade

GATT transformed to WTO from 1st Jan 1995

WTO has however been criticised and opposed by those who are worried about the effects of free trade and economic globalisation

The **WTO** has 164 **members** and 23 observer governments. Liberia became the 163rd **member** on 14 July 2016, and Afghanistan became the 164th **member** on 29 July 2016. In addition to states, the European Union, and each EU country in its own right, is a **member**. India is one of the founding members

Regional Trade Blocs Remove trade and tariff between member nations Encourage free trade Market Access Economies of scale Job and protection

Regional Trade Blocs have come up in order to encourage trade between countries with geographical proximity, similarity and

complementarities in trading items and to curb restrictions on trade of the developing world. Today, 120 regional trade blocs generate 52 per cent of the world trade.

Disadvantages – loss of benefits, distortion of trade and trade diversions

ASEAN (Association of South East Asian Nations) HQ - Jakarta, Indonesia

CIS (Commonwealth of Independent States) HQ – Minsk, Belarus

EU (European Union) – HQ Brussels, Belgium

LAIA (Latin American Integration Association) HQ - Montevideo, Uruguay

NAFTA (North American Free Trade Association)

OPEC (Organization of Petroleum Exporting Countries) HQ – Vienna, Austria

SAFTA (South Asian Free Trade Agreement) in 2006

Undertaking international trade is mutually beneficial to nations if it leads to regional specialisation, higher level of production, better standard of living, worldwide availability of goods and services, equalisation of prices and wages and diffusion of knowledge and culture.

International trade can prove to be detrimental to nations if it leads to dependence on other countries, uneven levels of

development, exploitation, and commercial rivalry leading to wars.

Gateways of International Trade

Ports – harbors and ports

Based on Cargo – Industrial, Commercial and Comprehensive

Based on Location – Inland and Outport

Based on Specialization – oil port, port of call, packet station, entrepot port, naval port

The ports provide facilities of docking, loading, unloading and the storage facilities for cargo.

Size of cargo and number of ships are important

The quantity of cargo handled by a port is an indicator of the level of development of its hinterland.

Industrial Ports: These ports specialise in bulk cargo-like grain, sugar, ore, oil, chemicals and similar materials.

Commercial Ports: These ports handle general cargo-packaged products and manufactured good. These ports also handle passenger traffic.

Comprehensive Ports: Such ports handle bulk and general cargo in large volumes.

Types of port on the basis of location:

(i) *Inland Ports:* These ports are located away from the sea coast. They are linked to the sea through a river or a canal. Such ports are accessible to flat bottom ships or barges. For example, Manchester is linked with a canal; Memphis is located on the river Mississippi; Rhine has several ports like Mannheim and Duisburg; and Kolkata is located on the river Hoogli, a branch of the river Ganga.

(ii) *Out Ports:* These are deep water ports built away from the actual ports. These serve the parent ports by receiving those ships which are unable to approach them due to their large size. Classic combination, for example, is Athens and its out port

Piraeus in Greece.

Types of port on the basis of specialized functions:

(i) *Oil Ports:* These ports deal in the processing and shipping of oil. Some of these are tanker ports and some are refinery ports. Maracaibo in Venezuela, Esskhira in Tunisia, Tripoli in Lebanon are tanker ports. Abadan on the Gulf of Persia is a refinery port.

(ii) *Ports of Call:* These are the ports which originally developed as calling points on main sea routes where ships used to

anchor for refuelling, watering and taking food items. Later on, they developed into commercial ports. Aden, Honolulu and

Singapore are good examples.

(iii) *Packet Station:* These are also known as *ferry ports*. These packet stations are exclusively concerned with the transportation of passengers and mail across water bodies covering short distances. These stations occur in pairs located in such a way that they face each other

across the water body, e. g. Dover in England and Calais in France across the English Channel.

(iv) *Entrepot Ports*: These are collection centres where the goods are brought from different countries for export. Singapore is an entrepot for Asia. Rotterdam for Europe, and Copenhagen for the Baltic region.

(v) *Naval Ports*: These are ports which have only strategic importance. These ports serve warships and have repair workshops

for them. Kochi and Karwar are examples of such ports in India.

 Manishika