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INTERNATIONAL TRADE & INSTITUTIONAL ENVIRONMENT

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ABSTRACT

In this article, I am going to discuss about International business, Trade and Institutional environment. International business takes place within the framework and network of international trade environment. Each institution has its rules and regulations to control the flow of merchandise, services and the

payments that are generated by these flows. There are many barriers into this world trade. Today, the World is arguably more complex and more inter-related than ever before. There are number of International Institutions which facilitate international business governance. Without their presence, global business would have become difficult, if not impossible. This study is an attempt to test the hypothesis "international trade contributes to economic growth through its effects on human capital accumulation.

KEYWORDS :International Trade ,Institutional Environment , International business.

INTRODUCTION

Trade has always been one of the main vehicles of human progress. trade is not harmful to the interests



of the poorest of the poor. Rather trade join all our destinies. International trade is usually referred to the exchange of Goods and Services between countries, which could involve the activities of Government and individual. In most countries, such trade represents a significant share of Gross Domestic Product(GDP). An international organization is an organization with an international membership, scope, or presence. International organizations have developed in the past as a response to specific needs. there is large number of Organizations, each one having responsibility for a certain economic aspect. Thus, the study of institutional environment will enable us to know which organization is responsible for what function.

ROLE OF INTERNATIONAL TRADE IN ECONOMIC DEVELOPMENT

• Specialization in production:

Foreign trade leads to specialization in the production of those goods which a country can produce at lower cost. This situation improves the overall welfare of the people.

• Increase in national income:

In the presence of international trade the resources are properly utilized which increase exports of the country and as a result per capital income and national income increase.

• Flow of capital goods and technical know-how:

In the presence of foreign trade flow of capital goods and technical know-how take place which increase the rate of economic growth and development of the country.

Services

Some 80 percent of welfare gains accruing to the United States stem from liberalization of key service sectors such as telecommunication, financial services, energy services, and professional services.

INTERNATIONAL TRADE THEORIES

• MERCANTILISM

1500-1800

• ABSOLUTE ADVANTAGE

1776: Adam Smith's The Wealth of Nations

• COMPARATIVE ADVANTAGE

1817: David Ricardo's On the Principles of Political Economy and Taxation

• FACTOR PROPORTIONS

1935: Bertil Ohlin's Interregional and International Trade, based on earlier work by Eli Heckscher

• PRODUCT LIFE CYCLE

• Raymond Vernon, 1966, "International trade and investment in the product life cycle"

Barriers to International Trade

1. Tariff Barriers

• Specific Tariffs

A fixed fee levied on one unit of an imported good is referred to as a specific tariff. This tariff can vary according to the type of good imported. For example, a country could levy a \$15 tariff on each pair of shoes imported, but levy a \$300 tariff on each computer imported.

• Ad Valorem Tariffs

The phrase ad valorem is Latin for "according to value", and this type of tariff is levied on a good based on a percentage of that good's value.

2. Non Tariff Barriers

• Licenses

A license is granted to a business by the government, and allows the business to import a certain type of good into the country.

• Import Quotas

An import quota is a restriction placed on the amount of a particular good that can be imported. This sort of barrier is often associated with the issuance of licenses.

• Voluntary Export Restraints (VER)

This type of trade barrier is "voluntary" in that it is created by the exporting country rather than the importing one. A voluntary export restraint is usually levied at the behest of the importing country, and could be accompanied by a reciprocal VER.

INTERNATIONAL ORGANIZATION

An international organizations can be defined as 'an institutional agreement between members of an international system in order to achieve objectives according to systemic conditions, reflecting attributes, aspirations and concerns of its members. These three main elements of the system will remain important pillars of international relations for a long period of time. But many scholars consider them to be exceeded in the whole series of economic, political, technological and social changes, which often led to debates on the legitimacy and efficiency in decision making process at international level.

Main Organizations Under International Institutions

WORLD TRADE ORGANISATION

The World Trade Organization (WTO) deals with the global rules of trade between nations. Its main function is to ensure that trade flows as smoothly, predictably and freely as possible. The WTO was born out of the General Agreement on Tariffs and Trade (GATT), which was established in 1947. A series of trade negotiations, GATT rounds began at the end of World War II and were aimed at reducing tariffs for the facilitation of global trade on goods.

Objectives:

The important objectives of WTO are:

1. To improve the standard of living of people in the member countries.
2. To ensure full employment and broad increase in effective demand.
3. To enlarge production and trade of goods.
4. To increase the trade of services.
5. To ensure optimum utilization of world resources.
6. To protect the environment.

ROLE OF WTO IN INTERNATIONAL TRADE

1. It facilitating the implementation, administration and operation and the objective of the agreement establishing it and other multilateral trade agreement and providing the framework for the implementation, administration and operation of the plurality trade agreements.
2. Providing the forum for negotiations among its members concerning their multilateral trade relations in matters dealt with under the agreements in the annexes to the agreement setting it up and for the

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results of such negotiations as may be decided by the ministerial conference.

3. The success of WTO in its role of increasing world trade is measured in accordance with the growth of world trade and although this went up by 25% in the last 8 years.

INTERNATIONAL MONETARY FUND

The International Monetary Fund (IMF) is an organization of 188 countries, working to foster global monetary cooperation, secure financial stability, facilitate international trade, promote high employment and sustainable economic growth, and reduce poverty around the world.

Objectives Of IMF

The IMF's primary purpose is to ensure the stability of the international monetary system—the system of exchange rates and international payments that enables countries (and their citizens) to transact with one another. This system is essential for promoting sustainable economic growth, increasing living standards, and reducing poverty. The Fund's mandate has recently been clarified and updated to cover the full range of macroeconomic and financial sector issues that bear on global stability.

ROLE OF IMF IN INTERNATIONAL TRADE

- To Promote International monetary cooperation through a permanent institution which provides the machinery for consultation and collaboration on International monetary problems.
- To facilitate the expansion and balanced growth of International Trade.
- To contribute to the Promotion and maintenance of high level of employment and real income.
- To promote exchange stability in international trade.
- To assist in the establishment of a multilateral system of payments and eliminate foreign exchange restrictions which provide growth of world trade.

China, United States and Germany are top three merchandise traders

- China became the world's biggest merchandise trader in 2013, with imports and exports totalling US\$ 4,159 billion. It recorded a trade surplus of US\$ 259 billion, 2.8 per cent of its GDP.
- The United States is the second-biggest merchandise trader, with imports and exports totalling US\$ 3,909 billion in 2013. The US trade deficit was US\$ 750 billion (4.5 per cent of its GDP). Germany is in third place, with a trade surplus of US\$ 264 billion in 2013, 7.3 per cent of its GDP.
- Japan ranks fourth, with merchandise trade totalling US\$ 1,548 billion in 2013. It recorded a trade deficit of US\$ 118 billion, 2.4 per cent of its GDP.

CONCLUSION

In conclusion it can be said that, international trade leads to economic growth provided the policy measures and economic infrastructure are accommodative enough to cope with the changes in social and financial scenario that result from it. Today, matters are dramatically different. The United States is much more affected by international trade and investment disruptions. Exports and imports now represent about one-quarter of the total U.S. economy. International organizations have helped to transform the substantive content of international law and helped generate a 'participant revolution' in the making of international law. We also hope that an enhanced understanding and awareness of trade, environment and development linkages will inform implementation of existing, and negotiation of new, multilateral environmental agreements, enabling them better to respond to the needs and conditions in countries at differing levels of development. Achieving these objectives requires first a

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broader understanding of the linkages between the environment and trade, and the policies designed to foster both. The challenge of international organizations and their role in the global economy remains in the midst of global economic governance approach, although it seemed utopian at first and regarded as too ambitious in redefining the international system. So, we can conclude that international organizations, and study of environment is very helpful in the development of International Trade.

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