Chapter 8: International Trade

Exercises — Exercises

Q1 Choose the right answer: Most of the world's great ports are classified as: (a) Oil Ports (b) Naval Ports (c) Comprehensive Ports (d) Industrial Ports

(c) Comprehensive Ports. These ports handle bulk as well as general cargo in large volumes, and the chapter states that most of the world's great ports fall in this category.

Q2 Choose the right answer: Which one of the following continents has the maximum flow of global trade? (a) Asia (b) North America (c) Europe (d) Africa

(c) Europe. Europe has the largest flow of global trade, helped by its long history of ocean-going commerce and industrialisation, and by trading blocs that boost trade among neighbouring countries.

Q3 What is the basic function of the World Trade Organisation?

The WTO is the only international organisation dealing with the global rules of trade between nations. It promotes free and fair trade, sets the rules of the global trading system, and resolves disputes between its member nations. It also covers services and intellectual rights.

Q4 Why is it detrimental for a nation to have negative balance of payments?

A negative balance means a country's imports are worth more than its exports, so it spends more on buying goods than it earns by selling them. Continued deficits drain its financial reserves and ultimately exhaust them, weakening the whole economy.

Q5 What benefits do nations get by forming trading blocs?

Trading blocs encourage trade among countries that are geographically close and have similar or complementary trading items. They remove tariffs among member nations, promote free trade within the group, and help curb trade restrictions faced by the developing world. Today about 120 regional blocs generate 52 per cent of world trade.

Q6 How are ports helpful for trade? Give a classification of ports on the basis of their location.

Ports are the chief gateways of international trade; cargo and travellers pass from one part of the world to another through them. They provide docking, loading, unloading and storage facilities, and port authorities maintain navigable channels, arrange tugs and barges, and supply labour and managerial services. A port's importance is judged by the size of cargo and the number of ships handled, and the cargo it handles indicates the development level of its hinterland. On the basis of location, ports are of two types. Inland ports lie away from the sea coast and are linked to it by a river or canal, accessible to flat-bottom ships or barges; examples are Manchester, Memphis, Mannheim, Duisburg and Kolkata. Out ports are deep-water ports built away from the parent port to receive ships too large to approach it, such as Piraeus, the out port of Athens.

Q7 How do nations gain from International Trade?

International trade lets countries obtain commodities they cannot produce or can buy elsewhere more cheaply. Based on specialisation, comparative advantage and division of labour, it is mutually beneficial. Its gains include regional specialisation, a higher level of production, a better standard of living, worldwide availability of goods and services, equalisation of prices and wages, and diffusion of knowledge and culture. It also helps developing countries get capital and markets through foreign investment, and is central to a nation's economic organisation and foreign policy. However, benefits are not automatic: dependence on other countries, uneven development, exploitation, environmental damage and commercial rivalry can arise, so trade must be fair and sustainable.