

# 8 International Trade

## Fastrack Revision

### ► History of International Trade

- Trade was limited to local markets in ancient times. Long-distance trade gradually emerged, with the Silk Route as one example. The 6000-kilometer road connecting Rome and China was used by traders to deliver Chinese silk, Roman wool, metals and other goods. Sea and ocean routes were later discovered and trade increased.

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*In the 15th century, the Portuguese, Dutch, Spaniards, and British captured African natives and sold them to plantation owners in America, resulting in the Slave Trade.*

### ► Basis of International Trade

- **National Resource Disparities:** The world's resources are unevenly allocated. Geology, mineral resources and climate are the key variations.
- **Geological Structure:** This refers to the relief features, as well as the types of land that support agriculture, tourism and other activities, such as fertile, mountainous and lowland.
- **Mineral Resources:** Mineral-rich areas will encourage industrial development, which will lead to trade.
- **Climate:** It has an impact on the types of flora and animals found in a certain area, such as wool production in cold climates. Bananas, cocoa and rubber may all be grown in tropical climates.
- **Population Factors:** The size, dispersion and diversity of a country's population have an impact on commerce in terms of goods kind and volume. Due to consumption in local markets, highly populated locations have a higher volume of internal trade than external trade.
- **Cultural Factors:** Certain cultures generate distinct forms of art and craft, which lead to trade, such as China's porcelain and brocades, Iran's carpets, Indonesia's Batik textiles and so on.
- **Stage of Economic Development:** Industrialised nations export machinery and finished goods while importing food grains and raw materials at this stage of economic development. In agriculturally significant countries, the situation is the polar opposite.
- **Foreign Investment:** Because developing countries lack capital, foreign investment can help to improve trade by developing plantation agriculture.
- **Transport:** Due to a lack of transportation in the past, trade was limited to mainly local locations. The increase of rail, water and air transportation, as well as improved refrigeration and preservation methods, has resulted in a spatial expansion of trade.

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*International trade is the result of manufacturing specialisation and labour division. It is founded on the comparative advantage theory, which benefits both trading partners.*

### ► Aspects of International Trade

- **The Trade Volume:** The total value of products and services traded is used to calculate it. However, the volume is determined by the actual tonnage of traded products, not by the tonnage of services traded.
- **Composition of Trade:** Previously, primary goods accounted for the majority of total traded goods, followed by manufactured goods, and now the service sector, which includes transportation and other commercial services, has taken over.
- **Direction of Trade:** Previously, developing countries traded precious items and antiquities to European nations. European manufactured commodities were swapped for foodstuffs and raw resources from their colonies later in the nineteenth century.
- **Balance of Trade:** It refers to the amount of products and services that a country imports and exports to other countries. A positive trade balance means that the value of exports exceeds the value of imports. An unfavourable trade balance means that imports exceed exports.
- **Types of International Trade**
  - **Bilateral Trade:** Bilateral trade occurs when two countries enter into an agreement to trade specific goods in which they are experts.
  - **Multilateral Trade:** Multilateral trade is undertaken simultaneously with numerous trading countries on goods in which the countries specialise.
- **Dumping:** The practice of selling a commodity in two countries at a price that differs for reasons not related to costs is called dumping. Countries need to be cautious about dumped goods; as along with free trade dumped goods of cheaper prices can harm the domestic producers.
- **Trade Liberalisation:** The act of opening up economies for trading is known as free trade or trade liberalisation. This is done by bringing down trade barriers like tariffs. Trade liberalisation allows goods and services from everywhere to compete with domestic products and services.
- **Globalisation:** Globalisation is a term used to describe how trade and technology have made the world into a more connected and interdependent place. Globalisation along with free trade can adversely affect the economies of developing countries by imposing conditions which are unfavourable.



► **World Trade Organisation (WTO)**

- The General Agreement on Tariffs and Trade (GATT) was established in 1948 with the goal of eliminating tariffs and non-tariff barriers around the world.
- The GATT was renamed the World Trade Organisation (WTO) on January 1, 1995, in order to create an entity dedicated to promoting free and fair trade among nations.
- The World Trade Organisation (WTO) establishes the laws that govern the global commercial system. The World Trade Organisation (WTO) is headquartered in Geneva, Switzerland.
- Those concerned about the impacts of free trade and economic globalisation have criticised and opposed the WTO. They said that free trade is harmful to ordinary people because it widens the wealth gap between affluent and poor.
- They further claimed that health, workers' rights, child labour and the environment are all overlooked.

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164 countries were members of WTO as on December 2016.

- **Concerns Related to International Trade:** International trade is advantageous if it encourages regional specialisation, higher levels of production, a higher standard of life, global availability of goods and services, price and wage equality, and knowledge and culture dissemination. The disadvantages of international trade include reliance on other countries, unequal levels of development, exploitation and commercial competition.

► **Gateways of International Trade**

Ports and harbours are the main entry points for international trade. These ports make it easier for cargo and passengers to move around, as well as providing docking, loading, unloading and storage facilities.

- **Types of Ports:** Ports are classed in general according to the sorts of traffic they handle. The following are the different types of ports based on the cargo they handle:

- **Industrial Ports:** These are ports that handle bulk goods such as grain, ores, oil and chemicals.
- **Commercial Ports:** Commercial ports are those that handle packaged commodities, manufactured goods, and passengers.
- **Comprehensive Ports:** Comprehensive ports are those that handle huge volumes of bulk and general cargo. Comprehensive ports account for the majority of the world's major ports.

► **Types of Ports on the Basis of Location**

- **Inland Ports:** Inland ports, such as **Mannheim** on the **Rhine** River, are positioned away from the sea beaches and connected to the sea by a river or canal.
- **Out Ports:** Out Ports are deep-water ports built out from actual ports to serve large ships, such as Athens and its out port Piraeus in Greece.

► **Types of Ports on the Basis of Specialised Function**

- **Oil Ports:** Oil ports are ports that deal with the processing and shipment of oil. Tanker ports, such as Tripoli in Lebanon and refinery ports, such as Abadan on the Persian Gulf, are some examples.
- **Ports of Call:** Ports of call, such as Honolulu and Aden, were initially constructed as stopping spots on major sea routes where ships could anchor for refuelling, watering and food supplies.
- **Packet Stations:** Sometimes known as ferry ports, are only responsible for the conveyance of passengers and mail across short distances across water bodies, such as **Dover in England** and Calais in France.
- **Entrepot Ports:** These are collection centres where items from many countries are brought for export; for example, Singapore is an entrepot for Asia.
- **Naval Ports:** These ports, such as **Kochi and Karwar** in India, serve warships and have maintenance workshops for them.



## Practice Exercise



### Multiple Choice Questions

Q 1. The majority of the world's major ports are:

- a. Naval Ports
- b. Oil Ports
- c. Comprehensive Ports
- d. Industrial Ports

Q 2. Which of the following continents has the most global commerce flow?

- a. Asia
- b. North America
- c. Europe
- d. Africa

Q 3. Which of the following South American countries is a member of the Organisation of Petroleum Exporting Countries (OPEC)?

- a. Brazil
- b. Chile
- c. Venezuela
- d. Peru

Q 4. India is an associate member of which of the following trade blocs?

- a. SAFTA
- b. OECD
- c. NATO
- d. OPEC

Q 5. Which organisation has the world's largest single market?

- a. EU
- b. OPEC
- c. SAFTA
- d. ASEAN

Q 6. The headquarters of the World Trade Organisation (WTO) is located in:

- a. Belgium
- b. Indonesia
- c. Switzerland
- d. Austria

Q 7. Which of the following is a Oil Port?

- a. Tripoli
- b. Mumbai
- c. London
- d. New York



Q 8. What does 'Salarium' imply in Latin?

- a. Non-payment of salary
- b. Payment by salt
- c. Trade in salt by sea
- d. Barter of salt for silver

Q 9. Maracaibo, Esskhira and Tripoli ports are classified as: (CBSE SQP 2023-24)

- a. Ports of Call
- b. Naval Ports
- c. Oil Ports
- d. Entrepot Ports

Q 10. When was the GATT transformed into World Trade Organisation (WTO)? (CBSE SQP 2023-24)

- a. 1st January, 1994
- b. 1st July, 1994
- c. 1st January, 1995
- d. 1st July, 1995

Q 11. Match the following:

Column I	Column II
A. Multinational Corporation in India	1. 1947
B. MNC	2. Enforce international trade
C. GATT	3. Minimise cost of production
D. WTO	4. Infosys

Codes:

- |      |   |   |   |      |   |   |   |
|------|---|---|---|------|---|---|---|
| A    | B | C | D | A    | B | C | D |
| a. 1 | 2 | 3 | 4 | b. 3 | 4 | 1 | 2 |
| c. 4 | 3 | 2 | 1 | d. 2 | 1 | 4 | 3 |

Q 12. Consider the following statements and choose the correct answer with the help of given option:

**Statement I:** International trade leads to the division of labour and specialisation.

**Statement II:** India's national trade is not increasing.

- a. Both the statements are true, statement II does not explain statement I correctly.
- b. Both the statements are true and statement II correctly explains the statement I.
- c. Both statements I and II are false.
- d. Statement I is true and statement II is false.

### Assertion & Reason Type Questions

**Directions (Q. Nos. 13-17):** In the following questions given below there are two statements marked as Assertion (A) and Reason (R). Read the statements and choose the correct option:

- a. Both (A) and (R) are true and (R) is the correct explanation of (A).
- b. Both (A) and (R) are true, but (R) is not the correct explanation of (A).
- c. (A) is true, but (R) is false.
- d. (A) is false, but (R) is true.

Q 13. Assertion (A): The initial form of trade in primitive societies was the barter system, where direct exchange of goods took place.

Reason (R): The difficulties of the barter system were overcome by the introduction of money.

Q 14. Assertion (A): In ancient times, trade was restricted to local markets.

Reason (R): Back in those days, transporting goods over long distances was risky.

Q 15. Assertion (A): International trade is based on the principle of comparative advantage, complementarity and transferability of goods and services and in principle, should be mutually beneficial to the trading partners.

Reason (R): It benefits the world economy if different countries practice specialisation and division of labour in the production of commodities or provision of services.

Q 16. Assertion (A): At different stages of economic development of countries, the nature of items traded undergo changes.

Reason (R): By developing capital intensive industries in developing countries, the industrial nations ensure import of foodstuffs, minerals and create markets for their finished products.

Q 17. Assertion (A): During the nineteenth century there was a reversal in the direction of trade.

Reason (R): European countries started exporting manufactured goods for exchange of foodstuffs and raw materials from their colonies.

### Answers

- 1. (c)    2. (a)    3. (c)    4. (a)    5. (a)
- 6. (c)    7. (a)    8. (b)    9. (c)    10. (c)
- 11. (b)    12. (d)    13. (b)    14. (a)    15. (b)
- 16. (b)    17. (a)

### Passage Based Questions

#### Passage 1

Read the passage given below and answer the questions that follow:

The act of opening up economies for trading is known as free trade or trade liberalisation. This is done by bringing down trade barriers like tariffs. 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. With the development of transport and communication systems goods and services can travel faster and farther than ever before. But free trade should not only let rich countries enter the markets, but allow the developed countries to keep their own markets protected from foreign products. Countries also need to be cautious about dumped goods; as along with free trade, dumped goods of cheaper prices can harm the domestic producers.

**Q 1. What is free trade or trade liberalisation?**

**Ans.** The act of opening up economies for trading is known as free trade or trade liberalisation. Trade liberalisation allows goods and services from everywhere to compete with domestic products and services.

**Q 2. How can free trade affect negatively?**

**Ans.** 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.

**Q 3. What is dumping?**

**Ans.** The practice of selling a commodity in two countries at a price that differs for reasons not related to costs is called dumping.

## Passage 2

*Read the passage given below and answer the questions that follow:*

The chief gateways of the world of international trade are the harbours and ports. Cargoes and travellers pass from one part of the world to another through these ports. The ports provide facilities of docking, loading, unloading and the storage facilities for cargo. In order to provide these facilities, the port authorities make arrangements for maintaining navigable channels, arranging tugs and barges, and providing labour and managerial services. The importance of a port is judged by the size of cargo and the number of ships handled. The quantity of cargo handled by a port is an indicator of the level of development of its hinterland.

**Q 1. What is known as the gateways of international trade?**

**Ans.** The chief gateways of the world of international trade are the harbours and ports.

**Q 2. State any one function of ports.**

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

**Q 3. How is the importance of a port judged?**

**Ans.** The importance of a port is judged by the size of cargo and the number of ships handled.



## Very Short Answer Type Questions

**Q 1. Give two examples of different types of trade.**

**Ans.** International and national trade.

**Q 2. Make a list of three tropical products that are exported from India.**

**Ans.** Bananas, rubber and cocoa.

**Q 3. What are three aspects of international trade that you can think of?**

**Ans.** Volume, sectoral composition and trade direction.

**Q 4. What do you mean by trade liberalisation?**

**Ans.** The act of opening up economies for trading is known as free trade or trade liberalisation. This is done by bringing down trade barriers like tariffs. Trade liberalisation allows goods and services from everywhere to compete with domestic products and services.

**Q 5. What are the locations of the naval ports? Give an illustration of a naval port.**

**Ans.** Naval ports are strategically vital because they support warships and provide maintenance facilities for them. Kochi and Karwar are two examples of naval ports in India.

**Q 6. Indicate which regional trade bloc India is a member of.**

**Ans.** India is a participant of the South Asian Free Trade Agreement (SAFTA).



## Short Answer Type Questions

**Q 1. What is the definition of free trade? List two benefits of free trade.**

**Ans.** Free trade, often known as trade liberalisation, is the act of opening up economies for trading. The following are two advantages of free trade:

- (i) By lowering trade barriers, it makes the economy more open and commercially easier.
- (ii) Trade liberalisation, often known as free trade, provides a competitive atmosphere between global and domestic goods.

**Q 2. What are the advantages of sea ports for India?**

(CBSE SQP 2023-24)

**Ans.** Sea ports play a vital role in India's economic development and have several advantages for the country:

- (i) Sea ports serve as gateways for international trade, facilitating the import and export of goods.
- (ii) They provide crucial connectivity between land and sea routes, making it easier to transport goods across long distances.
- (iii) They contribute to the development of coastal areas, attracting tourists, creating employment in the hospitality sector, and boosting local economies.



- (iv) Sea ports facilitate connectivity and trade not only within India, but also with neighbouring countries.
- (v) Sea ports often serve as catalysts for the development of industrial and trade zones in their vicinity.

**Q 3. Why is sea port termed as gateway of international trade?** (CBSE SQP 2023-24)

**Ans.** Sea ports are often referred to as the "gateway of international trade" due to several reasons:

- (i) Sea ports are strategically located along coastlines, providing direct access to the sea.
- (ii) They provide access to international shipping routes, connecting various countries and continents.
- (iii) Sea ports have specialised facilities and equipment for efficiently loading and unloading containers and other types of cargo.
- (iv) Sea ports foster collaboration and coordination among various players in the global supply chain, supporting the efficient flow of trade.
- (v) They provide customs clearance and inspection services.

**Q 4. Give three factors of international trade.**

**Ans.** There are three crucial factors of international trade which are as follows:

- (i) **Volume of Trade:** The actual tonnage of products traded is referred to as volume. On the other hand, traded services cannot be quantified in tonnage. As a result, trade volume is simply defined as the total value of goods and services traded.
- (ii) **Composition of Trade:** The nature of commodities and services traded by countries has changed during the previous century, with the share of primary products in total traded goods reaching its peak at the turn of the century. Later, produced goods predominated and now the service sector is on the rise.
- (iii) **The Direction of Trade:** During the second part of the twentieth century, the global trade pattern witnessed significant shifts. Developing countries such as India and China have begun to compete with developed nations. The nature of the traded goods has also evolved.

**Q 5. What role does the disparity in natural resources have in international trade? Give three instances to illustrate your point.**

**Ans.** The distribution of the world's natural resources is uneven due to several physical characteristics such as:

- (i) **Structure of the Earth:** The variety of crops and animals cultivated is ensured by the distinct geological structure and geographical variances.

Mountains are ideal for tourists, etc., whereas agricultural activity is more concentrated in lowland areas.

- (ii) **Mineral Resources:** Varied parts of the world contain different proportions of mineral resources, which serve as the foundation for industry development.

- (iii) **Climate:** Climate has an impact on the flora and fauna of a certain region. It ensures a diverse range of products, such as wool production in colder climates and certain cash crops like cocoa and coffee in tropical climates.

**Q 6. Describe the various types of art and craft that have developed in various countries.**

**Ans.** The various types of art and craft are:

- (i) The best porcelains and brocades are made in China.
- (ii) Iran is well-known for its carpets.
- (iii) Leather work is well-known in North Africa.
- (iv) Indonesian batik fabric is quite valuable.

**Q 7. Name some of the most often traded goods in the world.**

**Ans.** The following are some of the most often traded goods in the world:

- (i) Machinery and equipment
- (ii) Fuel and minerals
- (iii) Office and telecom equipment
- (iv) Chemicals and automobiles
- (v) Iron and steel
- (vi) Clothing and utensils

**Q 8. What are oil ports? Give examples.**

**Ans.** Oil ports, are sea ports specifically designed to handle the import, export and storage of crude oil and petroleum products. These ports serve as key hubs for the transportation and distribution of oil and play a significant role in the global energy trade. Examples of prominent oil ports around the world:

- (i) Port of Ras Tanura (Saudi Arabia)
- (ii) Port of Rotterdam (Netherlands)
- (iii) Port of Houston (United States)
- (iv) Port of Singapore (Singapore)
- (v) Port of Fujairah (United Arab Emirates)
- (vi) Port of Basra (Iraq)
- (vii) Port of Es Sider (Libya)

**Q 9. What do you know about the Silk Route?**

**Ans.** Silk Route, was a network of ancient trade routes that connected the East and West, facilitating the exchange of goods, ideas and cultures between different civilisations. The silk route played a crucial role in shaping the economies, societies and history of regions spanning from East Asia to the Mediterranean.



The Silk route facilitated cultural and intellectual exchanges alongside commercial transactions. Buddhism, for example, spread from India to China along these routes and Islamic influences also made their way into Central Asia and beyond. The Silk route fostered the transmission of knowledge, technologies and philosophies, contributing to advancements in science, art, medicine and architecture.

**Q 10. What impact would increased global trade have on the environment?**

**Ans.** Many facets of life are influenced by global trade:

- (i) It has the potential to affect everything from the environment to people's health and well-being all across the world.
- (ii) As countries compete for increased commerce, output and usage of natural resources rise, depleting resources faster than they can be replenished.
- (iii) Marine life is rapidly dwindling, forests are being cleared and river basins are being sold to private drinking water businesses.
- (iv) Multinational corporations involved in the oil, gas, pharmaceutical and agribusiness industries continue to expand their activities at all costs, resulting in increased pollution.
- (v) Their working practices do not adhere to the principles of sustainable development. If businesses are solely focused on profit, environmental and health concerns will go unaddressed, which might have major consequences in the future.

**Q 11. Both exporting and importing countries benefit from international commerce. Discuss.**

**Ans.** International commerce refers to the exchange of surplus goods between countries. Countries with excess production export the items which are in surplus. These countries profit from foreign exchange earnings. To meet demand, certain densely populated countries must import commodities. For their economic and industrial development, many countries rely on raw material imports. Sri Lanka's economy is reliant on tea exports. Japan's industrial development is reliant on raw material imports.

**Q 12. "International commerce is regarded as a measure of a country's economic development." What is the reason for this?**

**Ans.** International commerce, is often regarded as a measure of a country's economic development due to following reasons:

- (i) International commerce is a measure of a country's economic development. Over the previous four decades, international trade has expanded dramatically. This growth can be

attributed to advancements in technology and the availability of quick transportation.

- (ii) The developed countries are now key commercial partners. Developing countries, on the other hand, have a low level of commerce. To earn foreign exchange, industrialised countries purchase resources and export manufactured products to the different nations to earn profits.
- (iii) International commerce enables countries to specialise in producing goods and services in which they have a comparative advantage.
- (iv) Engaging in international commerce allows countries to diversify their sources of revenue and reduce dependence on a single market or industry.
- (v) International commerce create larger economic blocs, fostering closer economic ties and driving regional economic development.



## Long Answer Type Questions

**Q 1. Explain the five basis of international trade.**

**Ans.** International trade is the exchange of surplus goods between countries. It is determined by a number of geographical and economic factors. These elements are referred to as the basis of international trade.

### Basis of International Trade

Basis of International Trade are :

- (i) **Natural Resource Differences:** Because of disparities in their physical make-up, such as geology, relief soil and climate, the world's natural resources are unevenly distributed.
  - (a) The mineral resource base is determined by geological structure and topographical distinctions ensure that the crops and animals raised are diverse. The agricultural potential of the lowlands is larger. Mountains are known for attracting tourists and promoting tourism.
  - (b) Mineral resources are dispersed unevenly throughout the world. The availability of mineral resources is the foundation for industrial growth.
  - (c) The sort of flora and fauna that can exist in a given place is influenced by the climate. It also ensures variety in the range of products available, such as wool production in cold climates and banana, rubber and cocoa production in tropical climates.
- (ii) **Population-related Considerations:** The type and number of items sold are influenced by the size, dispersion and diversity of people.





(a) **Cultural Factors:** Certain cultures generate distinct forms of art and craft that are admired around the world. For example, China produces the finest porcelains and brocades. Iran's carpets are well-known, while leather work from North Africa and Indonesian batik textiles are prized handicrafts.

(b) **Population Density:** Because most agricultural and industrial products are consumed in local markets, densely populated countries have a significant amount of internal commerce but limited exterior trade. The demand for higher-quality imported items is determined by the population's standard of living, because only a few people can afford to buy expensive imported goods when their standard of living is poor.

(iii) **Stage of Economic Development:** The kind of items traded changes as countries progress through various stages of economic development. Agro products are exchanged for manufactured items in agricultural economies, whereas industrialised countries export machinery and completed products and import foodgrains and other raw materials.

(iv) **Extent of Foreign Investment:** Foreign investment can help developing countries improve commerce by providing finance for mining, oil drilling, heavy engineering, logging, and plantation agriculture. The industrial nations ensure imports of food and minerals, as well as a market for finished goods, by creating such capital-intensive businesses in emerging countries. The volume of trade between nations increases as a result of this entire cycle.

(v) **Transport:** Due to a lack of appropriate and effective transportation in the past, trade was restricted to local areas. Over long distances, only high-value commodities such as diamonds and silk spices were traded. The trade has expanded spatially as a result of improvements in rail, maritime and air transportation, as well as improved refrigeration and preservation methods.

**Q 2. Classify ports into groups based on their functions. Give examples of each type of port.**

**Ans.** Ports come in a variety of shapes and sizes and they serve as international commercial hubs. Ports are often classed based on the sorts of traffic they handle.

Types of port according to cargo handled are:

(i) **Industrial Ports:** Industrial ports handle bulk goods such as grain, sugar, ore, oil, chemicals, and other comparable materials.

(ii) **Commercial Ports:** These ports handle a wide range of cargo, including packaged goods and manufactured goods. Passenger traffic is also handled by these ports.

(iii) **Comprehensive Ports:** These ports handle enormous volumes of bulk and general cargo. Comprehensive ports account for the majority of the world's major ports.

Types of port on the basis of location are:

(i) **Inland Ports:** These are ports that are not on the coast. They have a river or canal that connects them to the sea. Flat-bottomed ships and barges can approach these ports. Manchester, for example, is connected by a canal; Memphis is on the Mississippi River; the Rhine has multiple ports, including Mannheim and Duisburg; and Kolkata is on the Hooghly, a tributary of the Ganga.

(ii) **Out Ports:** These are deep-water ports located outside of the main ports. These assist the parent ports by receiving ships that are too large to reach the parent ports. For example, Athens and its port Piraeus in Greece.

Types of port on the basis of specialised functions are:

(i) **Oil Ports:** Oil is processed and shipped through these ports. Some are tanker ports, while others are refinery ports. Tanker ports include Maracaibo in Venezuela, Esskhira in Tunisia and Tripoli in Lebanon. Abadan is a refinery port in the Persian Gulf.

(ii) **Ports of Call:** These are ports that emerged as stopping spots on major sea routes where ships could refuel, water and get supplies. They eventually become commercial ports. Examples include Aden, Honolulu and Singapore.

(iii) **Packet Station:** Ferry ports are another name for these. These packet stations are only responsible for the delivery of passengers and mail across short distances of water. These stations are found in pairs, facing each other across a body of water, such as Dover in England and Calais in France across the English Channel.

(iv) **Entrepot Ports:** These are collection centres where items from various countries are brought to be exported. Singapore serves as a gateway to Asia. For Europe, Rotterdam and for the Baltic region, Copenhagen.



(v) **Naval Ports:** These are ports that are only important from a strategic standpoint. These ports cater to warships and provide maintenance facilities. In India, such ports include Kochi and Karwar.

**Q 3. "In today's world, international trade is the backbone of the economy." Give an example to back up your claim.**

**Ans.** In current times, international trade is the foundation of the global economy. International commerce refers to the exchange of surplus goods between countries. It is the foundation of the global economy for the following reasons:

- (i) The resources are dispersed inequitably. International trade aids in the eradication of these disparities.
- (ii) International trade has resulted in foreign investment in developing countries that lack the necessary money to develop.
- (iii) Countries benefit from export and import by gaining foreign exchange.
- (iv) Trade also contributes to the improvement of people's living standards in emerging countries.
- (v) International commerce is a measure of a country's economic development.

**Q 4. Why are ports referred to as "international trade gateways"? Explain any three characteristics of inland port.**

**Ans.** Ports are the main entry points for international trade. The following are the reasons:

- (i) These ports make it easier for cargo and travellers to move from one country to another.
- (ii) These ports offer docking, loading, unloading, and storage services for cargo that is intended for export or import. The port authorities make arrangements for maintaining navigable

channels, arranging tugs and barges, and supplying labour and managerial services in order to deliver these services.

(iii) Large ports are particularly appealing to lead industries and businesses that rely heavily on distribution.

The following are some of the most important characteristics of inland ports:

- (i) Inland ports are those that are not on the coast.
- (ii) They are connected to the sea by a river or a canal, such as Manchester, which is connected to the sea by a canal.
- (iii) Flat-bottomed ships and barges can approach these ports.

**Q 5. Describe the role of World Trade Organisation.**

**Ans.** The World Trade Organisation (WTO) was established on January 1, 1995, following the changeover of the General Agreement for Tariffs and Trade (GATT).

The WTO's two functions are as follows:

- (i) It establishes the global trading system's rules.
- (ii) It encourages free and fair trade between countries around the world.
- (iii) The WTO serves as a forum for negotiations among its member countries to establish agreements.
- (iv) The WTO provides a formal and impartial mechanism for resolving trade disputes between member countries.
- (v) The WTO provides technical assistance and capacity-building programmes to help developing and least developed countries participate effectively in international trade.
- (vi) The WTO engages in public outreach activities to promote awareness and understanding of its work.



## Chapter Test

### Multiple Choice Questions

- Q 1. Trade is defined as ..... when exports exceed imports.**
- a. favourable
  - b. unfavourable
  - c. opposite
  - d. unbalanced
- Q 2. Iceland belongs to which commercial bloc?**
- a. EU
  - b. EFTA
  - c. NAFTA
  - d. OPEC

### Assertion and Reason Type Question

**Q 3. In the question given below there are two statements marked as Assertion (A) and Reason (R). Read the statements and choose the correct option:**

**Assertion (A):** The initial form of trade in primitive societies was the barter system, where direct exchange of goods took place.

**Reason (R):** The difficulties of the barter system were overcome by the introduction of money.



- a. Both (A) and (R) are true and (R) is the correct explanation of (A).
- b. Both (A) and (R) are true. but (R) is not the correct explanation of (A).
- c. (A) is true, but (R) is false.
- d. (A) is false, but (R) is true.

### **Passage Based Question**

Q 4. Read the passage given below and answer the questions that follow:

The act of opening up economies for trading is known as free trade or trade liberalisation. This is done by bringing down trade barriers like tariffs. 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. With the development of transport and communication systems goods and services can travel faster and farther than ever before. But free trade should not only let rich countries enter

the markets, but allow the developed countries to keep their own markets protected from foreign products. Countries also need to be cautious about dumped goods; as along with free trade, dumped goods of cheaper prices can harm the domestic producers.

- (i) What is free trade or trade liberalisation?
- (ii) How can free trade affect negatively?
- (iii) What is dumping?

### **Very Short Answer Type Questions**

- Q 5. What do you mean by trade liberalisation?
- Q 6. What are the locations of the naval ports? Give an illustration of a naval port.

### **Short Answer Type Questions**

- Q 7. Give three factors of international trade.
- Q 8. What impact would increased global trade have on the environment?

### **Long Answer Type Question**

- Q 9. Classify ports into groups based on their functions. Give examples of each type of port.