



V-LRN

VIRTUAL LEARNING NETWORK

International Business Environment

Block-3

Unit – 9

World trade

Virtual Learning Network



Topics to be Covered

- Introduction
- Overview of World Trade
- Trade in Services
- Export Basket of Developing Countries
- Problems of Developing Countries
- Summary

Introduction

To understand the attempts made by government in promoting and regulating world trade growth

To attendant policies formulated by government

To understanding of commodity structured and country composition of global trade.

Special emphasis will be on problem faced by developing countries in promoting exports.



Overview of World Trade

- World merchandise trade has been consistently growing at rates higher than rates of growth in global output in the nineties.
- The world merchandise trade grew by an average rate of 6% during the period 1990-95.
- The volume of world merchandise exports grew by 3.5% in the year 1998 after an outstanding growth rate of 10.5% in 1997.
- All major regions experienced a marked slowdown of their trade growth in 1998.



Overview of World Trade (Contd.)

- **Commodity Composition**
- **Region-wise Trade**
- **Major Trading Nations**
- **Direction of Trade**

International Trade in Services

- Category broadly consists of
 - Commercial Services,
 - Investment Income, and
 - Government Services.
- The nature is that it is extremely difficult to obtain accurate estimates of the value of these transactions.

World Trade in Services



The trade in services is increasing rapidly.

The share of service production in GDP of many industrialized countries is increasing.

Export Basket of Developing Countries



The share of primary commodities in the export trade of the developing Asian countries is significant



The Latin American, African and East European countries depend significantly on primary commodities for earning foreign exchange, manufactured items.



Problems of Developing Countries

- Demand Elasticity
- Competition from Substitutes
- Technological Developments
- Growth of Services Sector
- Inelasticity of Supply
- Price fluctuations



Problems of Developing Countries

- Protectionism
- Subsidies
- Tariff and non-tariff barriers
- Managed Trade
- Non-trade issues
- MNCs Influence

Summary

- Global trade has, in recent years, been growing at rates higher than the rates of growth in global output.
- Many developing countries are known to depend rather heavily on primary goods for their export earnings; in a number of cases, on a limited number of items.
- It can be easily understood as to why the export trade of many developing countries generally lags behind that of the developed countries and why the former trade more with countries outside their group than they do among themselves

Thank
You