4. INTERNATIONAL TRADE

2-Mark Question and Answers (Book – Back)

1) What do mean by the term International Trade? Explain its need.

Trade between two or more nations is called international trade or foreign trade

Need:
To raise national income and standard of living:
To enable even distribution of natural resources
To enable even distribution of agricultural products:
To minimize hurdles in production

2) Explain the merits and demerits of international Trade.

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<thead>
<tr>
<th>Merit</th>
<th>Demerits:</th>
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<td>i. Leads to specialization</td>
<td>i. Complicated procedures</td>
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<td>ii. Enables to obtain all type of goods</td>
<td>ii. Economic dependence</td>
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<td>iii. Stabilize prices</td>
<td>iii. Adverse effect on home industries</td>
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<td>iv. Increases quality</td>
<td>iv. Import of harmful goods</td>
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3) What are the differences between the home Trade and Foreign Trade?

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<thead>
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<th>Home trade</th>
<th>Foreign trade</th>
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<td>it refers to the trade within a country</td>
<td>It refers to trade between two or more countries.</td>
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<td>In home trade there is no exchange of currencies</td>
<td>In foreign trade exchange of currencies of different countries takes place.</td>
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<td>It involves exchange of goods and services within the country</td>
<td>This involves exchange of goods and services between two or more countries.</td>
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4) What are Intermediaries involved in Export Trade / Import Trade?

**Intermediaries in Export Trade**
- Clearing and Forwarding Agents
- Commission Agents
- Export & Trading houses
Intermediaries in Import Trade:

- Indent house:
- Clearing Agents

5) What do you mean by the term “Entrepot Trade? What is the need for it?
If goods are imported from one country with the purpose of re-exporting to another, it is called Entrepot trade.

Need:
- When adequate banking facilities are not available in the importing country
- When the volume of trade does not justify to have regular foreign trade
- When it is difficult to establish direct link between the exporting country and the consuming country.

6) Explain the meaning of the term “Globalization”
- Globalization is the integration of international markets for goods and services, technology, finance and to some extent labour.
- It is the integration of the country with the world economy.
- It implies that the linkage of a nation’s market with the global market.

7) Briefly explain the effects of globalization.
- It has also increased the importance of project management and strategic management and other managerial skills.
- It increased the importance of new product development to meet the competition as the very survival is challenged.

8) What do you mean by MNC’s?
- A Multinational Company is one whose ownership is accommodated in more than one country.
- Products are manufactured in many countries and sold in many countries.
- For example Toyota of Japan , General Motors of U.S.A

9) Explain the merits and demerits of MNC’s?

Merits
- They support the domestic enterprise operations and assist the domestic suppliers.
- They help in increasing the competition and remove the domestic monopolies.
- They try to equalize the cost of factors of production around the world.

Demerit
- They may retard growth of employment in the home country.
- They may destroy competition and acquire monopoly powers.
- MNC’s avoid taxes by manipulating the transfer price.

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