Suite 102

WHAT IS TRADE?

102.01 WHAT IS TRADE?

Trade is commerce; it is the voluntary exchange of goods and/or services, or perhaps both. In the beginning it was "to barter".

Today traders negotiate through various forms of credit, mostly paper money or perhaps bank paper, such as 'Letters of Credit'. The result is that buying can be separated from selling, or earning. With the creation of paper money trade took on a new dimension as it was much safer for the merchant. It was used as a means of credit as it represented non-physical money and greatly simplified trade. When two traders enter negotiations it is referred to as bilateral trade, but when more than two traders enter negotiations it is called multilateral trading.

Trade is the backbone of nations, regions and economies. This is mostly due to the advancement of technology and specialization techniques as well as the variances between regional labor in areas offering a high concentration in the production of tradable goods or services. This results in trade forming 'market prices' between locations which benefits both locations and/or regions.

102.02 INTERNATIONAL TRADE

International trade is the exchange of goods and services across national borders.

In most of the world it represents a significant part of the countries GDP. While international trade has been present throughout much of history, its economic, social, and political importance have increased in recent centuries, mainly because of industrialization, advanced transportation, globalization, multinational corporations, and outsourcing. In fact, it is probably the increasing prevalence of international trade that is usually meant by the term "globalization".

Evidence for the success of trade can be seen in the contrast between countries such as South Korea, which adopted a policy of export-oriented industrialization, and India, which historically had a more closed policy (although it has begun to open its economy, as of 2005). South Korea has done much better by economic criteria than India over the past fifty years, though its success also has to do with effective state institutions.

102.03 TRADE RESTRICTIONS

Trade sanctions against specific countries are sometimes imposed, in order to punish that country for some action. An embargo, a severe form of externally imposed isolation, is a blockade of all trade by one country on another.

For example, the United States has had an embargo against Cuba for about 40 years.

There are usually few trade restrictions within countries, international trade is usually regulated by governmental quotas and restrictions, and are often taxed by tariffs. Tariffs are usually on imports, but sometimes countries may impose export tariffs or subsidies. All of these are called trade barriers.

When a government removes all trade barriers, a condition of free trade exists. A government that implements a protectionist policy establishes trade barriers.

102.04 FAIR TRADE MOVEMENT

The fair trade movement - also known as the trade justice movement - promotes the use of environmental, labor and social standards for the production of commodities, particularly those exported from the Third and Second World's to the First World.

Standards may be enforced by governments through a combination of employment and commercial law or voluntarily adhered to by importing firms. Practiced fair trade policies vary widely, ranging from price support schemes to the prohibition of goods made using child or slave labour. Non-governmental organizations play a key role in promoting fair trade standards by serving as independent monitors of compliance with fair trade labelling requirements.

If you add up the Trade Balance of all nations, in theory they should zero out, but in reality they do not add up. The reasons put forth are: money laundering, drug smuggling, and other illegal activities, that are off the books.