

11th Standard -Business Studies

International Business-I

Meaning, Need and Problems of International Trade

Quick Review—

-> Concept And Characteristics Of International Trade.

-> **Concept**

International business refers to buying and selling of goods or services beyond the geographical limits of a country. It is also called trade between two countries.

—> **Characteristics of international trade.**

1. Based on territorial specialisation.
2. Intense competition.
3. Separation of buyers and sellers on country basis.
4. Use of mutually acceptable currency.
5. Large number of middlemen.
6. Large number of documents.
7. Adherence to international laws.
8. Adherence to local laws.
9. Higher risk.
10. Government control.

—> **Types of international trade**

1. Export.
2. Import.
3. Entrepot (Re-export).

—> **Scope of international business**

1. Merchandize exports and imports.
2. Service exports and imports.
3. Licensing and franchising.
4. Foreign investments.

—> **Importance of international trade Importance to nation:**

1. Earning of foreign exchange.
2. Efficient utilisation.
3. Improving growth prospects and employment potential.
4. Increased standard of living.

—> **Importance to firms:**

1. Increased capacity utilisation.
2. Prospects for higher profits.
3. Prospects for growth.
4. Way out to intense competition in the domestic market.
5. Improved business vision.

—> **Disadvantages of international trade**

1. Adverse effect on weak economies
2. Economic dependence
3. Restricted growth of home economy
4. Dumping of goods
5. Misuse of natural resources
6. Political interference
7. Rivalry among countries
8. Cultural invasion
9. Colonialism

—> **Problems related to international business**

1. Distance barrier.
2. Differences in language.
3. Cultural differences.
4. Economic differences.
5. Trade restrictions.
6. Excessive documents.
7. Political and legal differences.
8. Difference in currency.

Know the Terms—

-> **International Trade** : Exchange of goods or services across international borders.

-> **Foreign exchange**: The currency of foreign countries.