

55. Trade – composition and volume

Import > Export = passive balance of a region/country → disadvantage

Export > Import = active balance of a region/country → advantage

Trade control

The reasons for trade protection

- to improve trade balance
- to protect new home industries against old, established foreign industries
- to reduce imports
- to enable industries to restructure or decline
- to increase self-sufficiency
- to improve political ties (relations) with members of trading blocs
- to maintain employment levels

The reasons against trade protection

- it prevents countries from specializing
- it maintains inefficiency
- it reduces the total volume and value of trade
- they raise inflation

GATT (WTO) and trading blocs

= the *General Agreement on Tariffs and Trade*, main aim = to remove trade barriers and to increase global trading

1996: replaced by the *World Trade Organisation* – WTO

Trading bloc = tries to defend its own industries and markets and sometimes imposes protectionist measures on non-member states.

Do you think trading blocs increase trade and competitiveness?

Composition and volume of trade

The composition and volume of trade depends upon several factors:

- presence of natural resources
- world position or location
- the degree of development
- government influence
- trade agreements
- availability of transport
- historical links
- economic and political links

Composition of trade = balance between raw materials, fuel, foodstuffs and manufactured goods

Volume of trade = measured by value, tonnage, units (barrels of oil) or numbers (number of vehicles)

Information flow = diffusion of facts, figures or opinions by word-of-mouth, letter, telephone, fax or e-mail.

The volume and composition of trade between 2 countries is influenced by 2 main factors:

- *levels of economic development*
- *international trading blocs*

Keywords

passive/active balance of trade, trade control, GATT/WTO, trading bloc, composition and volume of trade, information flow

Export Composition, Israel 1950-2000

