

GLOBAL TRADE AND FINANCE: SOME ISSUES

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ABSTRACT

International trade shifted in the forty years to 'new trade' theories to scale economies and product differentiation which have placed on the role of firm heterogeneity and renewed interest on the credit constraints to hamper its export activities. Emerging market economies of major producing and consuming countries strengthened by young workforces and rising middle-class population, play a greater role in the global trade of commodities. Barriers to external financing activity play a key role to the undertaking exporting activities of firms especially younger and small of them. As result, every need raised to reinforce of global finance crisis. The political and technological developments in the recent period have put up trading relationships between countries and companies around the globe in the spotlight again.

Trade is a basic economic concept, involving the buying and selling of goods and services with compensation paid by a buyer to a seller or exchange of goods or services between parties. Network allowing trade is a market. Barter, an early form of trade saw direct exchange of goods and services for other goods and services. The purpose of trade is to enable to specialise; the purpose of specialisation is to enable to produce more; the purpose of producing more is to enable to consumer more. Therefore, the benefits of trade deliver more competition, greater variety, lower price, better quality and innovation.

A Nation's prosperity squarely lies in fuelling economic growth, supporting good number of jobs at home, raising living standards and helping citizens provide for their families with affordable goods and services. Global trade gives consumers and countries an opportunity to be exposed to the goods and services not available in their own countries or which would be more expensive domestically. The importance of international trade was recognised early by political economics like Adam Smith and David Ricardo.

International trade is the exchange of capital, goods, and services across international borders or territories¹ because there is a need or want of goods or services². Such trade, in most countries, represents a significant share of gross domestic product. International trade has existed throughout history; its economic, social and political importance has been on the rise in recent centuries. Carrying out trade at an international level is a complex process when compared to domestic trade. Trade influence on the factors like currency, government policies, economy, judicial system, laws and markets between two or more nations. To smoothen and justify the process of trade between the countries of different economic standing, some international economic organisations like the IMF and WTO were formed. Such organisations work towards facilitation and growth of global trade.