
CBSE Class 12 Geography
NCERT Solutions
Chapter 9
International Trade

1. Choose the right answer from the four alternatives given below.

(i) Most of the world's great ports are classified as

1. Naval ports
2. Oil Ports
3. Comprehensive Ports
4. Industrial Ports

Ans. (3) Comprehensive Ports

(ii) Which one of the following continents has the maximum flow of global trade?

1. Asia
2. North America
3. Europe
4. Africa

Ans. (2) North America

(iii) Which one of the following South American nation is a part of OPEC?

1. Brazil
2. Chile
3. Venezuela
4. Peru

Ans. (3) Venezuela

(iv) In Which of the following trade blocs, is Indian an associate member?

-
1. SAFTA
 2. OECD
 3. ASEAN
 4. OPEC

Ans. (1) SAFTA

2. Answer the following questions in about 30 words.

(i) What is the basic function of the World Trade Organisation?

Ans. The main functions of WTO are discussed below:

1. To implement rules and provisions related to trade policy review mechanism.
 2. To provide a platform to member countries to decide future strategies related to trade and tariff.
 3. To provide facilities for implementation, administration and operation of multilateral and bilateral agreements of the world trade.
 4. To administer the rules and processes related to dispute settlement.
 5. To ensure the optimum use of world resources.
 6. To assist international organizations such as, IMF and IBRD for establishing coherence in Universal Economic Policy determination.
-

(ii) Why is it detrimental for a nation to have negative balance of payments?

Ans. Balance of trade records the volume of goods and services imported as well as exported by a country to other countries. If the value of imports is more than the value of a country's exports, the country has negative or unfavourable balance of trade. If the value of exports is more than the value of imports, then the country has a positive or favourable balance of trade. Balance of trade and balance of payments have serious implications for a country's economy. A negative balance would mean that the country spends more on buying goods than it can earn by selling its goods. This would ultimately lead to exhaustion of its financial

services.

(iii) What benefits do nations get by forming trading blocs?

Ans. The benefits nations get by forming trading blocs are-

(a) An increase in foreign direct investment may result from the creation of trade blocs. This can benefit the economies of participating nations by creating jobs in new or expanded businesses.

(b) The larger markets created by trade blocs permit companies to take advantage of economies of scale. Since the average cost of each good produced tends to fall as production increases, this results in lower prices for consumers.

(c) Trade blocs force the manufacturers in participating countries to compete with each other. Increased competition creates pressures for greater efficiency within firms, which results in lower prices for consumers.

(d) Trade blocs eliminate tariffs, which drives down the cost of imports. As a result, consumers can save money by buying imported goods when cheaper than locally-produced ones—they can then spend those savings on other goods. Reducing the cost of imports also reduces the cost of locally-produced goods that use imported parts or components.

(e) increased competition and the removal of tariffs, which may act as a price floor, drive down prices and allow for increased consumption. This reduces dead weight loss and hence improves market efficiency.

3. Answer the following questions in not more than 150 words.

(i) How are ports helpful for trade? Give a classification of ports on the basis of their location.

Ans. The chief gateways of the world of international trade are the harbours and ports. Port development not only accelerates the rate of international trade but also acts as a catalyst to employment and revenue effects. The beehive of activities in seaports all over the world clearly shows that ports have a significant economic impact regionally, nationally as well as

internationally.

International trade is always interconnected with that of the transportation and port logistics is synonymous to the bulk and cheap transportation facilities. Thus, it can be safely concluded that if port efficiencies are taken care by that of the Nations, then it could lead to a booming economy.

Types of port on the basis of location:

(i) Inland Ports: These ports are located away from the sea coast. They are linked to the sea through a river or a canal. Such ports are accessible to flat bottom ships or barges. For example, Manchester is linked with a canal; Memphis is located on the river Mississippi; Rhine has several ports like Mannheim and Duisburg; and Kolkata is located on the river Hoogli, a branch of the river Ganga.

(ii) Out Ports: These are deep water ports built away from the actual ports. These serve the parent ports by receiving those ships which are unable to approach them due to their large size. Classic combination, for example, is Athens and its out port Piraeus in Greece.

(ii) How do nations gain from International Trade?

Ans. International trade has flourished over the years due to the many benefits it has offered to different countries across the globe. International trade is the exchange of services, goods, and capital among various countries and regions, without much hindrance. The international trade accounts for a good part of a country's gross domestic product. It is also one of important sources of revenue for a developing country.

The benefits of international trade have been the major drivers of growth for the last half of the 20th century. Nations with strong international trade have become prosperous and have the power to control the world economy. The global trade can become one of the major contributors to the reduction of poverty.

The gains from International Trade are-

1) Greater Variety of Goods Available for Consumption:

International trade brings in different varieties of a particular product from different destinations. This gives consumers a wider array of choices which will not only improve their quality of life but as a whole it will help the country grow.

2) Efficient Allocation and Better Utilization of Resources:

Efficient allocation and better utilization of resources since countries tend to produce goods in which they have a comparative advantage. When countries produce through comparative advantage, wasteful duplication of resources is prevented. It helps save the environment from harmful gases being leaked into the atmosphere and also provides countries with a better marketing power.

3) Promotes Efficiency in Production:

International trade promotes efficiency in production as countries will try to adopt better methods of production to keep costs down in order to remain competitive. Countries that can produce a product at the lowest possible cost will be able to gain larger share in the market.

Therefore an incentive to produce efficiently arises. This will help to increase the standards of the product and consumers will have a good quality product to consume.

4) More Employment:

More employment could be generated as the market for the countries' goods widens through trade. International trade helps generate more employment through the establishment of newer industries to cater to the demands of various countries. This will help countries to bring-down their unemployment rates.

5) Consumption at Cheaper Cost:

International trade enables a country to consume things which either cannot be produced within its borders or production may cost very high. Therefore it becomes cost cheaper to import from other countries through foreign trade.

6) Reduces Trade Fluctuations:

By making the size of the market large with large supplies and extensive demand international trade reduces trade fluctuations. The prices of goods tend to remain more

stable.

7) Utilization of Surplus Produce:

International trade enables different countries to sell their surplus products to other countries and earn foreign exchange.

8) Fosters Peace and Goodwill:

International trade fosters peace, goodwill, and mutual understanding among nations. Economic interdependence of countries often leads to close cultural relationship and thus avoid war between them.
