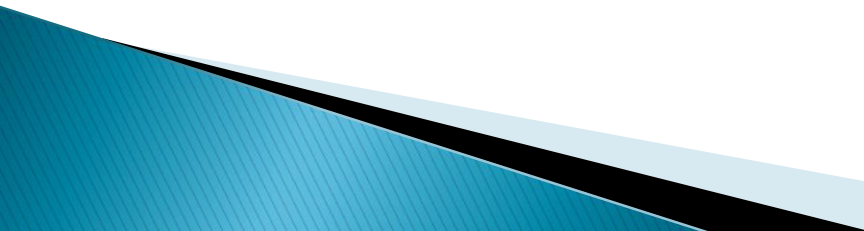


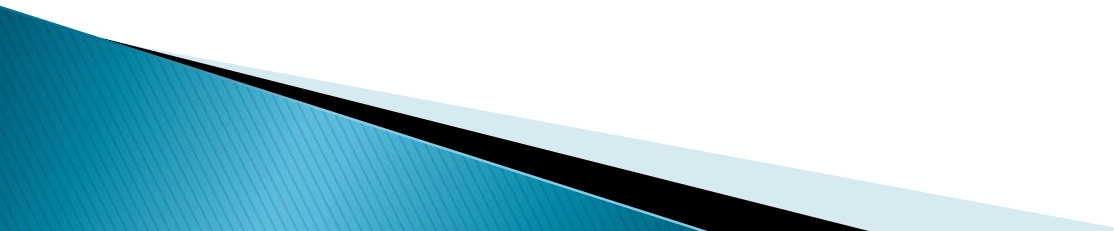
**SOS POLITICAL SCIENCE AND  
PUBLIC ADMINISTRATION  
MBA FA 406(A)  
SUBJECT NAME:  
INTERNATIONAL FINANCIAL  
MANAGEMENT**

**TOPIC NAME: FOREIGN TRADE**



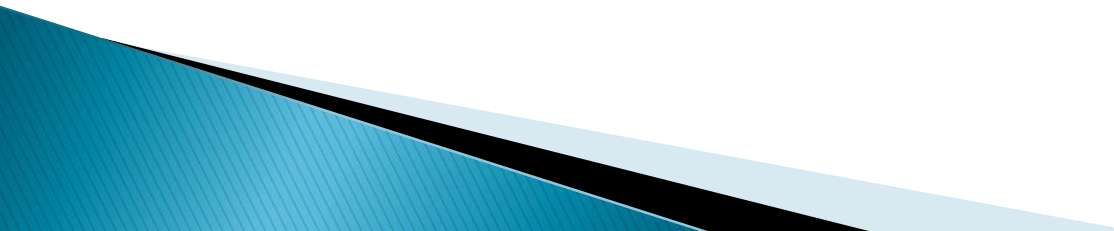
# FOREIGN TRADE:

- ▶ Foreign trade is the exchange of goods across national boundaries.
  - ▶ Prof. J.L. Hanson said; “An exchange of various specialized commodities and services rendered among the corresponding countries is known as foreign trade.”
  - ▶ Foreign trade is in principle not different from domestic trade as the motivation and the behavior of parties involved in a trade does not change fundamentally depending on whether a trade is across a border or not.
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- ▶ Foreign trade is all about imports and exports. The backbone of any foreign trade between nations is those products and services which are being traded to some other location outside a particular country's borders.
  - ▶ In most countries, it represents a significant share of gross domestic product (GDP). Industrialization, advanced transportation, globalization, multinational corporations, and outsourcing are all having a major impact on the international trade system.
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# FEATURES OF FOREIGN TRADE:

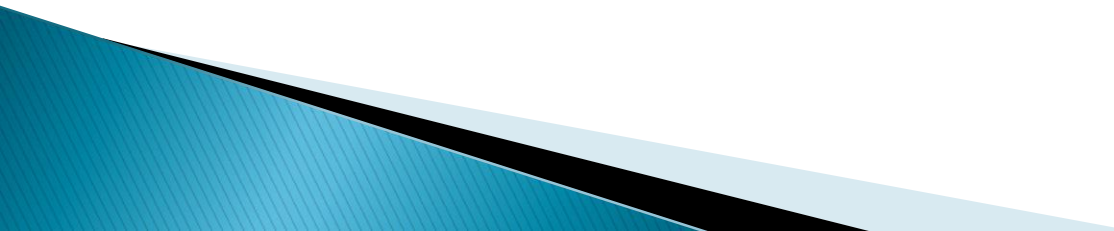
- ▶ Import dependency ( our country foreign trade depend on import because of high demand and low supply),
  - ▶ Import capital goods and industrial goods,
  - ▶ Export of readymade garments (RMG), RMG and Knitwear 74% export,
  - ▶ Export of agricultural raw materials and products,
  - ▶ Unfavorable balance of payment ( More import but less Export),
  - ▶ Operate most business by sea/ocean,
  - ▶ More import from Asia (China, Singapore, India ) and export in Western countries (USA, England),
- 

- ▶ Government initiation and control ( By TCB and EPB govt. control foreign trade and operate helpful initiative ),
  - ▶ Export of jute and jute goods,
  - ▶ Export of manpower,
  - ▶ Private initiative,
  - ▶ Diversity of import goods ( necessary goods and unnecessary luxurious goods ).
  - ▶ Effect of free trade economy ( for open market economy unnecessary luxurious goods are imported in our country, and our country's money went to another country )
  - ▶ Business with all countries.
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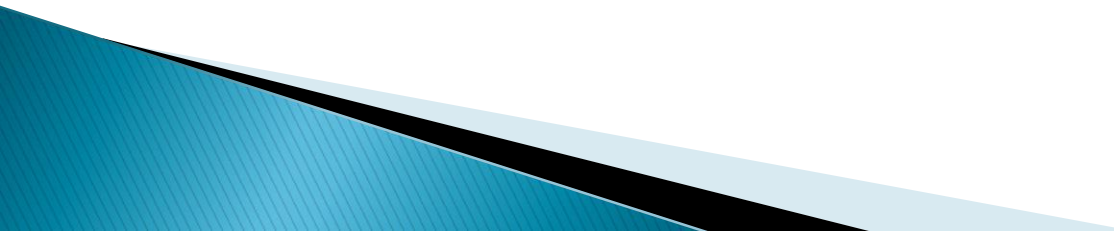
# TYPES OF FOREIGN TRADE:

- ▶ Import
  - ▶ Export
  - ▶ Re-export
- 

# IMPORT:

- ▶ Importing is the purchasing of goods or services made in another country.
  - ▶ For example, importing edible oil from Chinese producers to sell in Africa.
- 

# EXPORT:

- ▶ Exporting is selling domestic-made goods in another country.
  - ▶ For example, Hameem Garments exports Readymade Garments (RMG) products to Western Countries.
- 



# RE-EXPORT:


- ▶ When goods are imported from a foreign country and are re-exported to buyers in some other foreign countries, it is called re-export.
  - ▶ For example, Firm/ Readymade Garments located at EPZs imports raw materials (cotton) from Korea and produces Readymade Garments products by Thai cotton and then those products to Canada.
- 

# NEED AND IMPORTANCE OF FOREIGN TRADE TO A NATION:

## **1.Division of Labor and Specialization**

- ▶ Foreign trade leads to the division of labor and specialization at the world level. Some countries have abundant natural resources.
- ▶ They should export raw materials and import finished goods from countries which are advanced in skilled manpower.


## **2.Optimum Allocation and Utilization of Resources**

- ▶ Due to specialization, unproductive lines can be eliminated and wastage of resources avoided.
  - ▶ In other words, resources are canalized for the production of only those goods which would give the highest returns.
- 

### **3.Equality of Prices**

- ▶ Prices can be stabilized by foreign trade.
- ▶ It helps to keep the demand and supply position stable, which in turn stabilizes the prices, making allowances for transport and other marketing expenses.

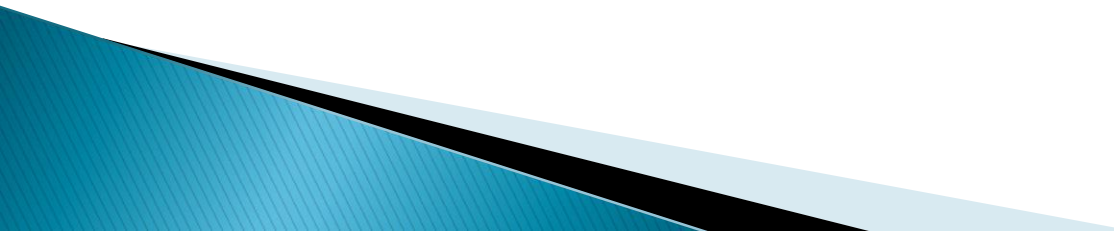
### **4.Availability of Multiple Choices**

- ▶ Foreign trade helps in providing a better choice to the consumers.
  - ▶ It helps in making available new varieties to consumers all over the world.
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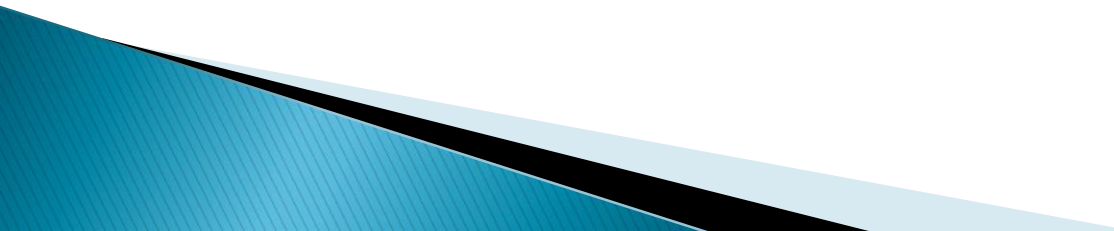
## **5.Ensures Quality and Standard Goods**

- ▶ Foreign trade is highly competitive. To maintain and increase the demand for goods, the exporting countries have to keep up the quality of goods.
- ▶ Thus quality and standardized goods are produced.

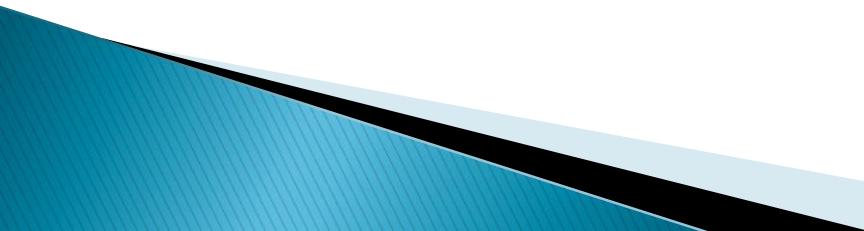
## **6.Raises Standard of Living of the People**

- ▶ Imports can facilitate the standard of living of the people. This is because people can have a choice of new and better varieties of goods and services.
  - ▶ By consuming new and better varieties of goods, people can improve their standard of living.
- 

# **SOME OTHER NEED & IMPORTANCE ARE:**

7. Generate Employment Opportunities
  8. Facilitate Economic Development
  9. Assistance During Natural Calamities
  10. Maintains Balance of Payment Position
  11. Brings Reputation and Helps Earning Goodwill
  12. Promotes World Peace
- 

# ADVANTAGES OF FOREIGN TRADE:

- ▶ Maximum Use of Natural Resources
  - ▶ Availability of Goods
  - ▶ Economics of Large Scale
  - ▶ Stability in Prices
  - ▶ Benefits to Consumers
  - ▶ Development of the means of Communication and Transport
  - ▶ Discouragement to Monopolies
- 

# DISADVANTAGES OF FOREIGN TRADE:

- ▶ Threat to infant industries
  - ▶ Economic exploitation
  - ▶ Endangers independence
  - ▶ Misuse of natural resources
  - ▶ Import of harmful goods
  - ▶ World wars
  - ▶ Trade and tariff agreements
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