

Business Environment

Learning out come will see students being able to :

- A. C. .4.1- Discuss the significants of international trade to UK business organisations.

The UK and international trade

- Many of the goods and services produced in the UK will not be consumed by the domestic market. They will be exported to satisfy the wants of consumers in foreign countries. Similarly many UK consumers wants will be satisfied by goods and services that are not produced in the UK and are imported from different economies around the world.
- The Buying and selling of goods, and services across national frontiers is called “**International Trade**”. It is based upon international specialization and has led to tremendous growth in the world standard of living.
- Lets just imagine life without international trade. Brits would have to live without Jamaica’s famous Blue Mountain Coffee, which is only grown in Jamaica { specialization}. We here in jamaica would have to do without Cadbury Chocolate.

Foreign Exchange Markets

- Because goods and services are traded across international borders that uses different currency .The trade takes place in what is known as the foreign exchange market. The flows of currencies to pay for imports and exports are recorded in a country's " balance of payment account".
- Its easy to see why the UK played such a pivotal role in early international trade. As colonizers and empire builders UK was able to use and facilitate trade of goods and services needed by Brits that were not available in Britain, but were available in far held colonies, i.e sugar, tobacco and cotton from the west indies, herbs, spices and medicines from the pacific islands. These items added to the overall standard of living of UK citizens. On the other hand this allowed far held colonies to develop industries and wealth by its expatriated colonizers.

Causes of the changing pattern of UK trade.

- 1. The entry of the UK into the European Union
- 2. The decline in the competitiveness of the UK manufacturing sector.

Gains from international trade

- We agreed earlier that international trade is based upon specialization and exchange, that leads towards increased standard of living and economic welfare. The guiding principles in international trade between nations is that trade should be based upon co-operation and any barriers to trade removed. Organizations such as the World trade organization (WTO) exist to support free trade between nations.

■ **FREE TRADE AND PROTECTION**

- Since free trade leads to a rise in world economic welfare , why should any country adopt policies which prevent free trade? Sometimes policies are adopted in order to give a competitive advantage to the domestic industry of an economy. Such policies are called protectionist and include but not limited to
 - Tariffs
 - Quotas
 - Subsidies
 - Anti-dumping policies

Benefits to international trade to organization

- **Increased market share**
- **Increased earnings and revenue generations**
- **Better access to technology**
- Access to rare or unavailable goods and services
- Increased and improved communication
- Easier movement of labour
- Improved business and standardized practises

Reading Material

Cambridge- Advanced Economics, Economics for AS {Colin Bamford, 2000}