What is international trade? Definition and meaning

International Trade refers to the exchange of products and services from one country to another. In other words, imports and exports. International trade consists of goods and services moving in two directions: 1. *Imports* – flowing into a country from abroad. 2. *Exports* – flowing out of a country and sold overseas.
Visible trade refers to the buying and selling of goods – solid, tangible things – between countries. Invisible trade, on the other hand, refers to services.

Most economists globally agree that international trade helps boost nations' wealth.

When a person or company purchases a cheaper product or service from another country, living standards in both nations rise.

There are several reasons why we buy things from foreign suppliers. Perhaps, the imported options are cheaper. Their quality may also be better, as well as their availability.

The exporter also benefits from sales that would not be possible if it solely sold to its own market. The exporter may also earn foreign currency. It can subsequently use that foreign currency to import things.
The term 'commerce' is often (not always) used when referring to the buying and selling of goods and services internationally.

Advantages of international trade

– **Comparative Advantage:** trade encourages a nation to specialize in producing or supplying only those goods and services which it can deliver more effectively and at the best price, after taking into account opportunity cost.
– **Economies of Scale:** if you sell your goods globally, you will have to produce more than if you sold just domestically. Producing in higher volumes provides greater economies of scale. In other words, the cost of producing each item is lower.
– **Competition:** international trade boosts competition. This, in turn, is good for prices and quality. If suppliers have to compete more, they will work harder

to sell at the lowest price and best quality possible. Consumers benefit by having more choice, more money left over, and top-quality goods.
– **Transfer of Technology:** increases thanks to international trade. Transfer of technology goes from the originator to a secondary user. In fact, that secondary user is often a developing nation.
– **Jobs:** great trading nations such as Japan, Germany, the UK, the USA, and South Korea have one thing in common. They have much lower levels of unemployment than protectionist countries.

Disadvantages of International Trade

– **Over-Specialization:** employees might lose their jobs in large numbers if global demand for a product declines.
– **New Companies:** find it much harder to grow if they have to compete against giant foreign firms.
– **National Security:** if a country is totally dependent on imports for strategic industries, it is at risk of being held to ransom by the exporter(s). Strategic industries include food, energy and military equipment.