



# TEORI EKONOMI

## EKONOMI GLOBAL

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# WHAT IS INTERNATIONAL TRADE?

THE EXCHANGE  
OF GOODS &  
SERVICES  
BETWEEN  
COUNTRIES.



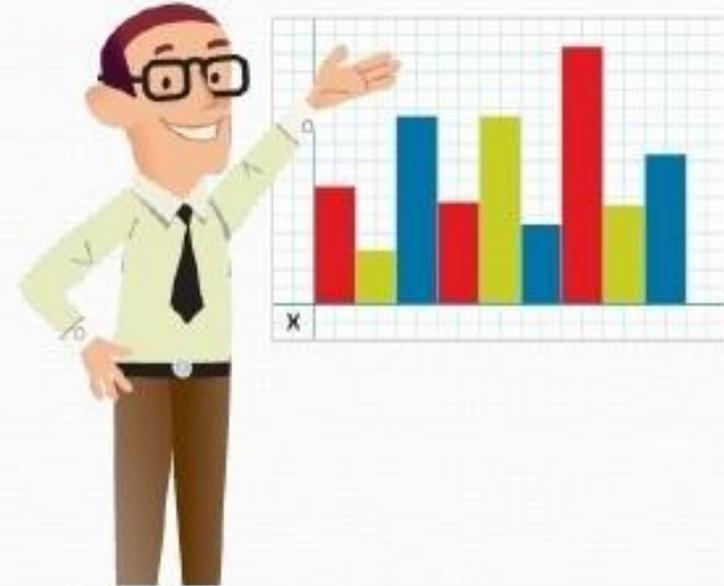
# STATISTICS

- Exports as Percent of GDP:

31.7% of GDP (2009)

- Current account balance  
by percentage of GDP

4.1% of GDP (2010)





**INVOLVES A LOT OF THINGS LIKE:**

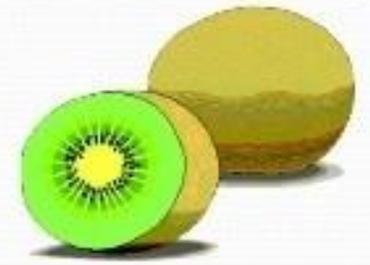
+ JOBS + CONSUMPTION

+ THE FIGHT AGAINST  
POVERTY



+ ENVIRONMENTAL ISSUES

+ NATURAL RESOURCES



+ FASHION





# Some terms...

EXPORTS – goods or merchandise that are sold to other countries in order to earn dollars

IMPORTS – goods or merchandise bought from foreign countries



## Some terms...



TRADE DEFICIT – occurs when a value of a nation's export is less than the value of its imports

$$\text{Exports} < \text{Imports}$$

TRADE SURPLUS – occurs when a value of nation's export is greater than the value of its imports

$$\text{Exports} > \text{Imports}$$



# Top Trading Partners of the Philippines



- ✓ United States
- ✓ Japan
- ✓ Hong Kong
- ✓ China
- ✓ Germany
- ✓ Holland
- ✓ Singapore
- ✓ South Korea



**P&G**



# Major Export Commodities of the Philippines

- ✓ Transport Equipment
- ✓ Garments
- ✓ Fruits
- ✓ Coconut Oil
- ✓ Petroleum Products
- ✓ Copper Products
- ✓ Electronic Products



**IMPORTANCE**

# Provides goods and services

- Some of the goods and services we are provided of come from outside the country.



# Provides employment

- Create jobs
- International trade also motivates workers to produce the goods or services better



# Dictates the cost of goods / services

- Supply and demand affects global events



\*EXAMPLES

- Oil
- Political conditions



# Paves the way for GLOBALIZATION

“**Globalization** is the integration of economies and cultures through a global network of political ideas through communication, transportation and trade.”



# DOMESTIC TRADE

# TRADE

✓ INTERNATIONAL

✓ DOMESTIC

# DOMESTIC TRADE...

deals with the exchange  
and distribution of  
**goods and services made**  
for local consumption

includes the marketing of different  
goods and services to  
*various parts of the country*



# Movement

“MIDDLEMEN  
”

Rounding up and movement

of PRODUCTS within the country are  
made possible by them.



# CONNECTS THE PRODUCERS AND THE CONSUMERS



W  
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S

→ include **brokers** and **jobbers**  
who buy products  
→ **IN BULK** or **large quantities**  
which **they sell afterwards**

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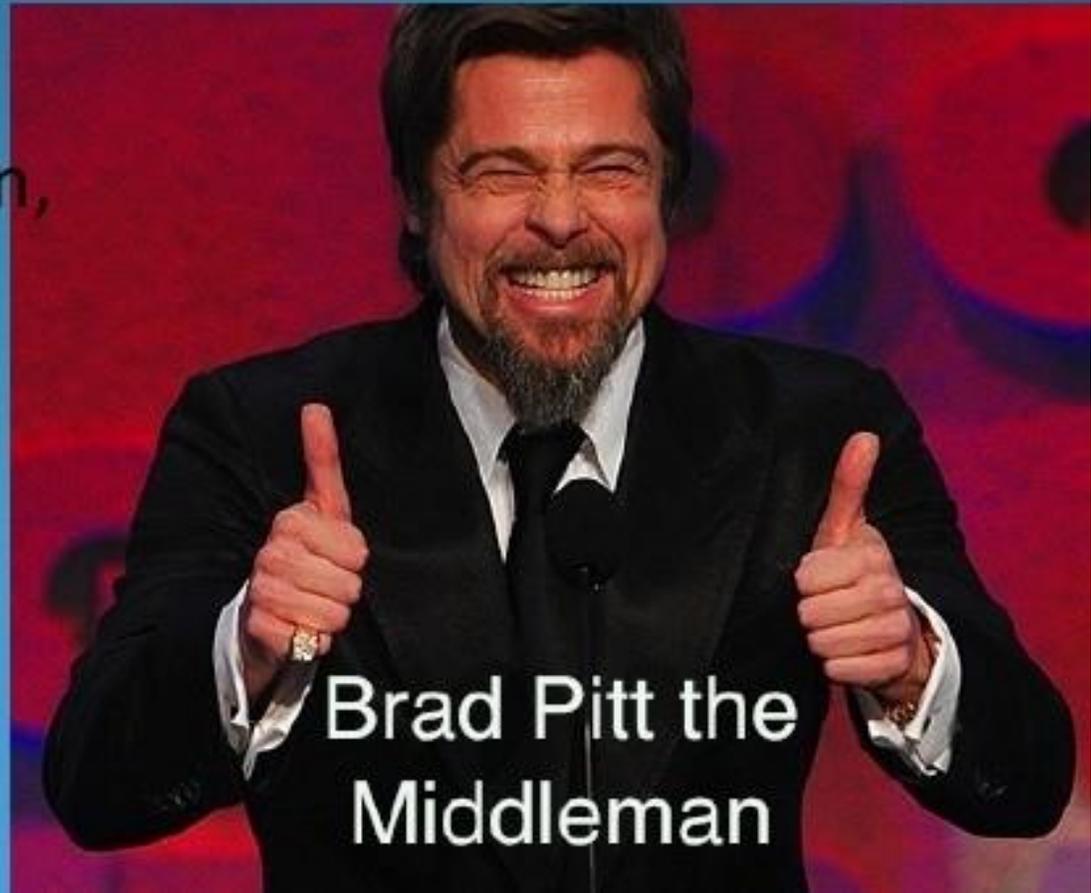


product  
**directly to the consumers**  
\*retailers have **great influence**  
on them

# “MIDDLEMEN”

☹️ The prices of products **GO HIGHER** because of the **PROFIT** they need.

😊 Without middlemen, it would be HARD to get goods and services **easier and quicker.**



Brad Pitt the Middleman

# Domestic vs. International

<b>FACTOR</b>	<b>DOMESTIC TRADE</b>	<b>INTERNATIONAL TRADE</b>
<b>1. <u>Mobility in factors of production (land, labor, capital and entrepreneur)</u></b>	Free to move from one state to another within the same country	<b>Quite restricted</b>

# Dotic vs. International

<b>FACTOR</b>	<b>DOMESTIC TRADE</b>	<b>INTERNATIONAL TRADE</b>
<u>2. Movement of goods</u>	Easier to move goods without much restrictions	Restricted due to complicated custom procedures and trade buyers like tariffs, quotas, or embargo

# Domestic vs. International

<b>FACTORS</b>	<b>DOMESTIC TRADE</b>	<b>INTERNATIONAL TRADE</b>
<u>3. Currency</u>	Same	Different
<u>4. Markets</u>	Limited market due to limit in population	Broader markets
<u>5. Language and Culture Barriers</u>	Speaks and practice same culture	Communication challenges due to language and cultural barriers



# BASES

# Reasons for International Trade

## **Specialization**

- ✓ separation of tasks within a system (definition)
- ✓ means a nation produces a certain product with cheaper cost
- ✓ excess production can be used to export to other countries

❖ The trading of different foods and services is directly affected by these two basic principles:

**Principle of Comparative Advantage**

**Principle of Absolute Advantage**

# Principle of Comparative Advantage

“countries will benefit by concentrating on the production of those goods in which they have a **\*relative advantage**”

*\* When the product is more advantageous to the customers than the competing brands*

# Principle of Absolute Advantage

Sometimes, a country finds it cheaper to acquire imports than produce it. The cost of production might be cheaper in other countries that may be due to their difference in climate, labor force or capital.



# PROBLEMS

## 1) Buyer Insolvency

The purchaser cannot pay the goods and services that they avail.



## 2) Non-Acceptable



The buyer rejects goods and services as different from the agreed upon specifications.

### 3) Credit Risk

Because of the trust given by a country to its buyer, it allows to take of possession of goods prior to payment.

### 4) Regulatory Risk

A change in rules within a country that may cause problems during transaction.

## 5) Intervention

Intervention is a governmental action to prevent a transaction being completed. It is done in order to block goods coming from other places that must not enter the country's territory.

## 6) Political Risk

When a country changes its leader(s), it can result to change in transactions and prices due to the interference of the new government system.

## 4) War and Uncontrollable Events

In addition, the risk of unfavourable exchange rate movements can also happen due to the international trade.



# PROGRAMS / SOLUTIONS

# PROTECTIONISM

is an economic policy of controlling or restraining trade between nations through methods such as *tariffs and quotas*

also through government regulations and laws designed to discourage imports and to prevent foreign domination of domestic markets and companies

# Tariffs

- charges imposed on the price of imports
- causes an increase in the revenue of the government
- encourages demand for domestic products
- demand for imports decrease

# Kinds of Tariffs

## 1) Revenue Tariffs

a set of rates designed primarily to raise money for the government

## 3) Protective Tariffs

intended to artificially inflate prices of imports and protect domestic industries from foreign competition

# Quotas

- a restriction on the quantity of imports a country is allowed to have
- increase in the price of imports
- encourage demand for domestic products



# REFLEKSI



- 1. Informasi penting hari ini**
- 2. Manfaat penting dari informasi penting hari ini**
- 3. Tindak lanjut yang dapat saudara lakukan**



**Thank you!**  
**Any questions?**