Advantages of International Trade

The fundamental reason for international trade is to sell something that we don’t need and to buy something we do need. Trade creates jobs, attracts investments, attracts new technology and materials, and offers Canadians a wider choice in products and services.

People spend, save, or pay taxes with the money they earn in their jobs. The government uses taxes to provide services, which creates more jobs. When people save, the capital markets lend money to others, who will spend it on consumer goods, or open or expand a business, therefore creating new jobs. When people spend money, it creates demand, which creates new jobs.

If something occurs to slow this expansion, the cycle reverses. Ex. higher taxes, higher interest rates.

Meeting our needs

Trade is always balanced if it is fair. If 2 people trade baseball cards and one gives another 6 cards, they should get 6 back.

Many businesses can create a surplus inventory of goods and services. Canadian farms produce more food than Canadians can eat, Canadian manufacturers make more products than Canadians use, and Canadian service providers can provide service to other countries.

Canadians cannot produce fruits like bananas and oranges, and some products we cannot make. These products are imported. Both trading partners get something they need by trading something they don’t need.

Job Creation

Unlike the battering that used to go on between trading partners, now businesses receive money from selling their products or services to foreign businesses. When foreign businesses buy Canadian products it creates jobs for Canadians. Exports are very important to Canadians they create one out of three Canadian jobs. 40 percent of what Canadians produce is exported. 1 billion exports means 6000 jobs for Canadians. When trade is balanced businesses remain profitable and may grow.

Attracting Investment

Investment follows trade. Many foreign companies will invest in an office, factory, or distribution warehouse to simplify their trade and reduce cost. This investment also creates more jobs. It also attracts international investors.
New Technology & Materials
New technology promotes competitiveness and profitability. If a business could create a machine that works better, faster, or cheaper (or all three), then the business will have produced a more competitive product for national and international markets. The biotechnology industry in Canada is second only to the U.S.

Diverse Products and Services
A century ago, Oranges were considered a rare treat; parents put them in stockings for children. Now, we can buy oranges by the crate at local grocery stores thanks to better preservation and trading technologies. Foreign trade turns the world into a giant market, delivering food, fashions, etc.

New services such as banking, travel, and consultation are also available now. Business competition is no longer on a city scale; instead, businesses compete against worldwide businesses. The result is better quality goods, lower prices, and functional design.

Disadvantages of International Trade
The Global market has made it easy to buy and sell international goods. While this has benefits, it also presents a problem. Such trade can cause countries to be prosperous for a short time, but leads to economic exploitation, loss of cultural identity, and even physical harm.

Support of Non-Democratic Systems
Great hardship can be caused when people make poor decisions about land use or surplus production for export and do not take the general population’s welfare into consideration. For example: Landowners in Nicaragua and El Salvador want farmers to grow coffee beans because it is a very profitable cash crop, however, the farmers would like to use the land to grow more food for their families. The farmer’s wishes are ignored because they do not actually own the land.

Cultural Identity Issues
Culture is a major export in the world. It displays and promotes values and lifestyles worldwide. The "culture consumer" in other countries is sometimes overwhelmed by American ideas. Products also carry cultural ideas and messages. There are values of the culture the make the product.
For example: Coca-Cola, McDonalds, Nike, and Microsoft all sell products that symbolize American values and symbolize and reflect American corporate culture.

Social Welfare Issues:
Maintaining safety standards, minimum wages, worker’s compensation and Health benefits are all social welfare issues that cost business money. If a running shoe is made in a country where these issues are not met than the shoe can be sold for less in Canada. The down side to this is that substandard safety conditions cause death and injury in the workplace.
Environmental Issues:
In Canada, businesses are urged by the government and environmental groups through laws and regulations to keep our air, land and water clean. This is a costly process so businesses decide to move their operations to countries; i.e. Mexico, where it is less regulated.

Political Issues:
Precious commodities such as gold, diamond, oil or farmland are so important for countries to have control that wars have been started and as a result people are killed. Trade of these items has caused political alliances that do not help the people in the trading nation but only the powerful corporations that control the commodity.