Victoria University

of Bangladesh

Assessment Topic:

Final Assessment

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Submitted To:

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Ans: to the question no-01

★ Ans:- Factors Proportionate trade theory:- The increasing level of theoretical complexity of the factor proportions theory, as compared with the classical trade theory, increased the number of assumptions necessary for the theory to "hold." It is important to take a last look at the assumptions before proceeding further.

// The theory assumes two countries, two products, and two factors of production, the so called 2x2x2 assumption. Note that if both countries were producing all of the output they could and trading only between themselves, both countries would have to have balances in trade.

// The markets for the inputs and the ~~countries~~ outputs are perfectly competitive. The factors of production, Labour and Capital were exchanged in markets that paid them only what they were worth. ~~Simp~~ Similarly, the trade of the outputs was competitive so that one country had no market power over the other.

// Increasing production of the product experiences diminishing returns. This meant that as a country increasingly specialized in the production of one of the two outputs, it eventually would require more and more inputs per unit of output.

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production possibilities frontiers would ~~n~~ no longer be straight lines but concave. The ~~a~~ result was that complete specialization would no longer occur under factor proportions theory.

// Both countries were using identical technologies. Each product was produced in the same way in both countries. This meant the only way that a good could be produced more cheaply in one country than in the other was if the factors of production used were cheaper.

Although a number of additional technical assumptions were necessary, these four highlight the very specialized set of conditions needed to explain international trade with factor proportions theory.

~~Most Much be~~
Much of the trade theory developed since has focused on how trade changes when one or more of these assumptions is not found in the real world.

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Ans: to the question no- 02

★ Ans:- Classical Trade Theory:- Classical trade theory Contributed much to the understanding of how Production and trade operates in the world economy. Although like all economic theories they are often criticized for being unrealistic or out of date, the purpose of a theory is to simplify reality so that the basic elements of the logic Can be seen. Several of these simplifications have Continued to provide insigh in understanding international business. There are three classical trade theory ~~of~~ Concluding points-

→ ① Division of Labor
② Comparative advantage
③ Gains from trade.

Division of Labor:- Adam smith's explanation of how industrial so ci societes Can increse output using the same labor-hours as in Preindustrial society is fundamental to our thinking even today. Smith extended this specialization of the effort of a worker to specialization of a nation.

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Comparative advantage:- David Ricardo's extension of Smith's work explained for the first how countries that seemingly had no obvious reason for trade could individually specialize in producing what they did best and trade for products they did not produce.

Gains from trade:- The theory of comparative advantage argued that nations could improve the welfare of their populations through international trade. A nation could actually achieve consumption levels beyond what it could produce by itself. To this day, this is one of the fundamental principles underlying the arguments for all countries to strive to expand and "free" world trade.

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Ans: to the question no- 04

* Ans:- Accounts of the Blance of Payments:- The balance of Payments is composed of two primary subaccounts, The Current Account and The financial / Capital Account. In addition the official Reserves Account tracks government currency transactions, and a fourth statistical subaccount, the Net Errors and Omissions Account is produced to preserve the blance in the Blance of Payment.

* The Current Account:- The current Account includes all international economic transaction with income or payment flows occurring within the year, the current period. The current accounts consists of four subcategories:-

(I) Goods trade
(II) Service trade
(III) Income
(IV) Current transfers.

Goods trade:- This is the export and import of goods. Merchandise trade is the oldest and most traditional from of international economic activity. Although many countries depend on imports of many goods they also normally work to preserve either a blance of goods trade or even a surplus.

Services trade:- This is the export and import of service. Some common international services are financial service provided by banks to foreign importers and exporters travel services of ~~air~~ airlines and construction services of domestic firms in other countries.

Income:- This category is predominantly current income associated with investments that were made in previous periods. If a U.S firm created a subsidiary in south korea to produce metal parts in a previous year, the proportion of net income that is paid back to the parent company in the current year constitutes current investment income.

Current transfers:- Transfers are the financial settlements associated with the change in ownership of real resources of financial items. Any transfer between countries that is one-way, a gift, or a grant, is termed a current transfer.

* The Capital and Financial Accounts:- The capital and Financial Accounts of the blance of payments measures all international economic transactions of financial assets.
It is divided into two major components -

(i) The Capital Accounts.
(ii) The Financial Accounts.

The Capital Account:- The Capital Account is made up of transferes of financial assets and the acquisition

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and disposal of nonproduced/nonfinancial assets. The magnitude of capital transactions covered is of a relatively minor amount and will be included in principles in all of the following discussions of the financial account.

The Financial Account:- The financial account

Consists of three components -
① Direct investment.
(ii) portfolio investment.
(iii) other asset investment

Financial assets can be classified in a number of different ways, including the length of the life of the asset and by the nature of the ownership. The Financial Account, however uses a third ways, It is classified by the degree of control over the assets or operations the claim represents portfolio investment, where the investor has no control or direct investment, where the investor exects some explicit degree of control over the assets.

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Ans: to the question no-07

* Ans:- Globalization and its Drivers explain there are below:—

Globalization:- The transformations in the world marketplace have been extensive and in many cases, rapid. Local indutries operating in protected national economies are challenged by integrated global markets contested by global players. National borders are becoming increasingly irrelevant as liberalization and privatization take place. This has then led to such phenomena as the growing scale and mobility of the world's capital markets and many companies ability to leverage knowledge and talent across borders. even the biggest companies in the biggest home markets cannot survive by taking their situation as a given if they are in global industries such as automobiles, banking, consumer electronics, entertainment, pharmaceuticals, publishing, travel services, home appliances, the food and beverage industry.

Globalization reflects a business orientation based on the belief that ~~that~~ the world's is becoming more homogeneous and that distinctions between national

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markets are not only fading but, for some products, will eventually disappear. As a result, companies need to globalize their international strategy by formulating it across markets to take advantage of underlying market, cost, environmental and competitive factors.

* Globalization Drivers:- Both external and internal factors will create the favorable conditions for development of strategy and resource allocation on a global basis. These factors can be divided into market, cost, ~~environmente~~ environmental and competitive factors.

Market ~~factors~~:- ~~The~~ Market factors are elements of consumer behavior and economic trend that can affect a particular sales market. Market factors can also change over time, especially as the demographic makeup of a particular location or consumer base fluctuates in response to external events. Market factors can be ~~ph~~ primarily physical or they can occupy a digital space such social media and the internet.

Cost Factors:- Avoiding cost inefficiencies and duplication of effort are two of the most powerful globalization drivers. A single country approach may not be large enough for the local business to achieve all possible economic of

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scale as well as synergies, especially given the dramatic Changes in the marketplace. Take for example - pharmaceuticals. In the 1970 developing a new drugs Cost about $16 million and took four years.

Environmental Factors:- As shown earlier in the text, government barriers have fallen dramatically in the last years to further facilitate the globalization of markets and the activities of Companies within them. For example - the forces pushing toward a pan European market are very powerful, the increasing wealth and mobility of European Consumers, the introduction of new products where local preferences are not well established and the publicity surrounding the integration process itself all promote globalization.

Competitive Factors:- Many industries are already dominated by global competitors that are trying to take advantage of the three sets of factors mentioned earlier. To remain Competitive, a Company may have to be the first to do something or to be able to match or preempt Competitors moves. Products are now introduced, upgraded, and distributed at rates unimaginable a decade ago. Without a global network, carefully researched ideas may be picked off by other global players.

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