

International trade – Opportunities or Threats?

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International trade is trading of goods, services, assets, or money between two countries. It happens because countries will encounter lack of resources. Every country has its own resources or specialization which other country do not have. When this happens, one country will exchange goods or resources with one another. It is called exporting when one country sells its product or services to another countries, whereas when one country buys from another country it is called importing.

International trade could bring benefits to the country when countries implement free trade area. Free trade area refers to removing all barriers to the trade of goods and services among member countries. Member countries of Asean Free Trade Area (AFTA) which consists of Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam would trade with each other by removing tariffs among themselves. This method could boost economic growth as the countries can cut down the cost of tax. Another opportunity of executing international trade is increasing the political weight among countries. Since they are depending on each other, countries would enhance their political relationship with one another. Indirectly, it will reduce the potential violent conflict between the states.

But on the other note, international trade could also bring threat to the countries. One of it is increasing in competition. Importing products from other countries would bring hard times for local producers. Local producers would have to put extra miles to survive and to remain competitive in the industry. Lets just take a simple example, Honda and Proton. If Malaysian consumers opt for Honda cars, then Proton would have to deal with great losses because these two companies have significant differences in terms of quality and performances. Honda has futuristic design with a superior engine performances while Proton has relatively low quality of the body parts.

In a nutshell, international trade has both opportunities and threats. But it is depending on how well each countries manage the exporting and importing. If one country wants to increase their national income, the countries could increase exporting. On the other hand, if the country wants to increase in savings, they are advised to reduce its importing.