International Trade and Economic Development

*Presented by*

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**Introduction**

**Who am I?**  
My name is Steve. I live in Jacksonville Florida. I am a management consultant with PowerHouse Anchor Management Consulting Group. My job is to guide and advise business owners on how to build and grow their business entities, maintain good cash flow; structure and organize their businesses and operate in the most efficient and profitable manner. I help them to stay compliant to rules and regulations in the businesses they do.

My job involves a lot of research, strategic planning and tactical interventions aimed at tracking, preventing and resolving operational problems involving numbers, business processes and organizational structures. I am a business counselor and a mentor that loves nothing more than seeing you build capital, build confidence and thrive in your chosen venture. I solve complex operational and compliance problems for companies, individuals and nonprofits. I help them to get started as well as guide them on where to go whence they are started. I am a great team player; a Boardroom Thinker and a comic at the same time. I love to make people like and love what they do. I am a father of two teenagers, a daughter (18) and a son (15).

**What does PowerHouse Anchor do?**  
Our company is a firm of accountants, tax and management consultants. We serve and represent hundreds of business owners and their companies on several fronts with the government, banks and other agencies.

**Why do you like this line or work?**  
I love to teach and to solve problems. I also like to build and see things have form and beauty. So, drawing up operational plans and business models for companies and individuals on what they must do to be profitable and compliant with business rules and regulations is what makes my job fun.

**What do you need to do this job?**  
A college degree in Accounting, Economics; Finance & Banking, etc.

**Definitions**

1. **Economics:** - The *study (or science)* of how nations of the world *make* their *wealth* and how this wealth is *developed, preserved* and/or *distributed* for the *wellbeing* of their *citizens and others*. It helps us to understand the principles of production, capital *formation*), money; ownership, exchange; market, price and economy, as well as the theory of scarcity and choice.

2. **Production:** - Production is the process of converting scarce resources into goods and materials to satisfy human wants. Here we study factors of production, the theory of
demand and supply, scale of production, labor matters - quality, quantity and value, and so forth.

3. **Trade**: *Buying and selling, support services or aids to trade.* This takes us to the different types of trade, why they matter and why not, role of government, education; the banks, the community and environment. We also study balanced and imbalanced trade as well as barriers to trade and factors which promote trade.

4. **Development**: - The word development means growth, strong; transformation; stability and permanent (or near-permanent). When associated with business, trade and economics, it refers to those human activities in terms of industry, trade and commerce, which help to bring about growth, strength, stability and continuity in our countries’ economies, businesses and living communities.

5. **Economic development**: - *Economic development* can therefore be said to refer to that state of growth and economic progress where a nation or community has experienced a level of growth and economic progress where it is able to stay strong, successful and stable in many ways to provide most of what it needs for her citizens and for others who might need their support.

**Career Choice**: -

Finally, we will survey the amazing career paths and career choices that the field of Economics and international trade present to high school students and everyone else.

**Our Drill:**

**Economics**

As I pointed out in the definitions segment, the study and careful grasp of the theory of Economics helps us to understand how nations of the world *make* their *wealth* and how this wealth is utilized to build and grow the life and society we all live in.

In your books of Economics, you must have come across the definitions and contributions from great minds like:

**Adam Smith**: “*an inquiry into the nature and causes of the wealth of nations*”

**Alfred Marshall**: “… *the study of human behavior in the ordinary business of life*”

**Lionel Robbin**: “*Economics is the science which studies human behaviour as a relationship between ends and scarce means which have alternative uses*”
Factors of production

We are introduced to the 5-Ms of industry: Man (labor), money (capital); machines (capital/technology), materials (inventory/supplies) and methods (technique/process). Under the concept of production, Economics also teaches us the idea and importance of price, pricing (techniques of merchandising and standardization) and COST (price of producing/providing goods/services). Finally, inventory, scarcity (scarce resources...) and choice.

Pricing deals with the idea of value (money/equivalent) and standard of measure (number/quantity/volume/currency). The Dollar is the only measure of monetary value in the United States.

Factors of production come into play in our study of Economics and development. The question in every mind is, how do we...

- Gather (build/accumulate) – capital formation, etc.
- Store (save)
- Develop (research/planning/advancement)
- Distribute – (assign/delegate/trade/exchange)
- Research and planning – (identify, record, analyze; distribute, information tech)
- Others

Trade - Buying and selling:

- What do we buy or sell?
- Where do we buy or sell?
- From whom and to whom do we sell?
- With whom do we buy or sell?
- Through whom do we buy or sell?
- What if? (what are the what-ifs in international trade?)
- Barriers - possible roadblocks and solutions
- Aids to trade (support services)
- Agencies (USTC, ITO, WTO), who/what they represent and why they matter

There are two common types, home trade (or domestic trade) and international trade (or foreign trade). We sell goods, services; tangible and intangible resources, skills; intellect and technology. We sell/buy to/from other nations, businesses, individuals and families – the case for collaboration and international relations.
Home trade:
All buying and selling activities within the United States and her territories – governed by the laws and trade policies of the United States government and the Congress. The Department of Trade and Commerce, through the US Trade Commission (global trade agencies, WTO, ITO) is the agency charged with the administration and oversight of all trade, trade-related laws and activities within the United States. The Dollar is the official measure of value for trade. States also exercise various levels of control and oversight through their local trade commissions.

International trade:
Simply put, international trade is the free and fair exchange of goods and service between one nation and the other. This exchange can be between individuals, companies; governments or other organizations. Regulations, duties, tariffs; currency and exchange are some major terms which you will meet during your study of international trade.

What are support and ancillary services? Banking, insurance; transportation, shipping and airfreight services; trucking, warehousing, storage and handling (these days better known as logistics).

International trade can be divided into three different types:

Import: Buying from other countries to sell within the US.
Export: Making or buying in the US to sell in other countries.
Entre-port: Buying from one country with the sole purpose of selling to a third.

Economic development
Developed economies:
A country is said to be developed when the following factors are present and prevalent in a visible and sustainable manner:

1. High per capita income.
2. Low incidence of poverty.
3. High standard of living.
4. Narrow income inequalities.
5. Low growth rate of population.
6. Low level of unemployment.
7. Infrastructural capabilities are present.
Examples of developed economies:

Developing and less-developed economies:

Less-developed countries (LDCs), also referred to as developing or underdeveloped countries are a reverse case of what we with developed economies. These are countries with low-income per capita, usually way below $1,400. These countries are extremely vulnerable to all kinds of economic and environmental troubles and have very limited human assets. Another name for LDCs is, "emerging markets." About 47 countries of the world fall in this category according to United Nations (UNO) statistics.

The good thing is that the United States and the UN maintain and promote policies that help these countries to receive a lot of help and assistance from the United States government and different world organizations to help them in their development and trade. The following are examples of developed and undeveloped countries and economies of the world:
### DAC List of ODA Recipients

**Effective for reporting on 2014, 2015, 2016 and 2017 flows**

<table>
<thead>
<tr>
<th>Least Developed Countries</th>
<th>Other Low Income Countries (per capita GNI ≤ $1,045 in 2013)</th>
<th>Lower Middle Income Countries and Territories (per capita GNI $1,046-$4,125 in 2013)</th>
<th>Upper Middle Income Countries and Territories (per capita GNI $4,126-$12,745 in 2013)</th>
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<tr>
<td>Afghanistan</td>
<td>Democratic People's Republic of Korea</td>
<td>Armenia</td>
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<td>Angola</td>
<td>Kenya</td>
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1. The United Nations General Assembly resolution A/RES/70/253 adopted on 12 February 2016 decided that Angola will graduate five years after the adoption of the resolution, i.e. on 12 February 2021. General Assembly resolution 68/20 adopted on 4 December 2013 decided that Equatorial Guinea will graduate from the least developed country category three and a half years after the adoption of the resolution. General Assembly resolution A/RES/68/18 adopted on 4 December 2013, decided that Vanuatu will graduate four years after the adoption of the resolution on 4 December 2017. General Assembly resolution A/RES/70/78 adopted on 9 December 2015, decided to extend the preparatory period before graduation for Vanuatu by three years, until 4 December 2026, due to the unique disruption caused to the economic and social progress of Vanuatu by Cyclone Pam.

2. At the time of the 2017 review of this List, the DAC agreed on the graduation of Chile. Seychelles and Uruguay as from 1 January 2018.

3. Antigua and Barbuda exceeded the high-income threshold in 2015 and 2016, and Palau exceeded the high-income threshold in 2016. In accordance with the DAC rules for revision of this List, if they remain high income countries until 2019, they will be proposed for graduation from the List in the 2020 review.

4. The DAC agreed to defer decision on graduation of Cook Islands until more accurate GNI estimations are available. A review of Cook Islands will take place in the first quarter of 2019.
**Trade Blocks**

A trade block is a group or family of nations in a common trade pact or treaty that binds them and their governments to a relatively common trade goal or pattern. Members of a trade block tend to behave, legislate and vote in one direction that may or may not be favorable to other nations around them. Another way to explain international trade is by organisational blocks, as follows:

**Unilateral:** The trade activity of one nation or state (solo, one-sided) in favor/support of the growth and operation of another or a group of others. The US, Britain and Japan have a lot of unilateral trade outreaches involving one and multiple nations all over the world. Give examples.

**Bi-lateral:** US & Canada (USMC), US & EU; US & Britain, etc.

**Multilateral:** US/Canada/Mexico (USMC), North Atlantic Treaty Organization (NATO);

**International:** Across different national platforms.

**Regional:** Northern Pacific, Southern Pacific, SE Asia, West African; North African, US/Canada/Mexico, North Atlantic Treaty Organization (NATO), etc.

**Purpose of international trade**

The most logical and most beneficial reason for international trade is to help one another towards the growth, development, preservation and stability of our human resources, natural resources, capital formation; infrastructure and the environment.

This last categorization brings to fore a very crucial aspect of international trade that we all must familiarize ourselves with and be proud of the beautiful lands and states we all are in, *Collaboration*, development and growth.

These three elements help to summarize the whole idea of international trade as a great tool to bring all the wealth creation efforts and opportunities together at all levels to achieve that one goal of *growth* and *development*. You might as well add, *stability*. There comes the use of terms like agencies, entities, organizing Bodies, pacts, treaties; global trade, globalization; trade relations, regional understanding, etc. *(not in that order).*

**Trade barriers**

- What is a trade barrier?
- Types of trade barriers – tariffs, cultural; environmental, government policies, political instability; *extreme* globalization ideas.

**Removing trade barriers**

- Removing trade barriers – the role of govt., communities, businesses; students, colleges.
- The leadership role of the United States in fighting hunger, disease; childhood obesity and extreme global economic woes.
Career Choice

I want to tell every high school senior and all the rest of us that there is a wide range of lucrative and prestigious career paths in the fields of Economics and international trade. Of course, much depends on the skill and educational levels you and I are prepared to pursue in our chosen fields. The playfield is open and welcoming for business owner, managers and supervisors; technical skills, engineering, IT; marketing, HR and a host of others. Let’s briefly check through the career choices:

- Academics and research
- Entrepreneurship - business owner, business developer
- Retail business - business owner, manager; business developer
- Banking, actuary science; insurance and brokerage services - owner, manager; developer.
- Transport and logistic services - owner, manager; developer
- Tech and IT services - business owner, manager; business developer
- Business law and advocacy services - owner, manager; developer
- Tourism and hospitality - owner, manager; developer
- Healthcare - owner, manager; developer

Conclusion

Economics is one huge subject which prepares you for a dozen other crucial subjects and careers. Think of that huge oak tree in the center of town. Then, you’d understand the importance of this subject and study in your career goals, moving forward. It takes us from the mere academic and theoretical understanding of our environment to the larger goal of making us more responsible, more accountable; more productive and more prosperous as individuals and communities. The study of Economics, international trade and economic development arms us with so much knowledge and marketable skills for entrepreneurship and leadership in almost every industry sector and the communities they serve.

Questions:

In your own words,

a) Explain the meaning of trade
b) What agency governs trade in the United States?
c) What is capital?
d) What is the difference between bilateral and multilateral trade?
e) What three major factors would you want to research well if before you trade with another country or business entity in another country?
f) What would you say is your fun take away from this topic?
g) What would I say to the teacher and the organization that chose this topic for this event?