

# A Study on consumers Benefits Of International Trade For Promoting Economic Growth

Fina Afrin<sup>1</sup>, Dr. M.D. Chinnu<sup>2</sup>

<sup>1</sup>School of excellence in law

<sup>2</sup>Associate Professor, School of excellence in law

<sup>1, 2</sup>The Tamil Nadu DR. Ambedkar law university, Chennai, 600113

**Abstract-** *International trade fosters economic growth and development. This study explores its benefits for countries and consumers. Through literature review and survey analysis, we identify key advantages, including economic efficiency, product variety, and consumer welfare. International trade promotes economic prosperity and improves living standards. Our findings highlight its critical role in shaping the global economy. The study provides insights into the positive impact of international trade. It underscores the importance of trade liberalization and cooperation. Our research contributes to the ongoing debate on international trade. The findings have implications for policymakers and business leaders. This study serves as a foundation for future research on international trade and its benefits. The results of this study can inform strategies to promote economic growth and development.*

**Keywords-** international trade, consumer, economic growth, trade liberalization, trade cooperation, global economy, economic development.

## I. INTRODUCTION

International trade continues to be a vital driver of economic growth and development, with its fundamental principles remaining relevant despite shifts in global economic landscapes, trade policies, and technological advancements. The exchange of goods and services across national borders has facilitated economic efficiency. It promotes economic specialization, increasing consumer choice and improving product quality. As the world becomes increasingly interconnected, international trade continues to play a vital role. It shapes the global economy, influencing economic growth, employment, and living standards. Despite its importance, international trade remains a topic of debate among policymakers and economists. Some argue that it leads to job losses and economic instability, while others see it as an engine of growth. The benefits of international trade are numerous, and this study aims to explore them in depth. By examining the impact of international trade on economic growth and consumer welfare, we can better understand its role in shaping the global economy. This knowledge can inform policy decisions and business strategies, promoting economic growth and development.

The study focuses on the theoretical foundations of international trade and its practical applications. It has relationships between trade, economic growth, and consumer welfare. By analysing the benefits of international trade, we can identify opportunities for economic growth and development. This study provides insights into the impact of international trade on economic growth, employment, and living standards. It also examines the role of international trade in promoting economic specialization and increasing consumer choice. The study draws on existing literature and empirical evidence to inform its analysis. By examining the experiences of different countries and industries, we can identify best practices and lessons learned. This study aims to contribute to the ongoing debate about the benefits and drawbacks of international trade. By providing a comprehensive analysis of the benefits of international trade, this study can inform policy decisions and business strategies.

## II. STATEMENT OF THE PROBLEM

Despite the growing importance of international trade, many countries continue to struggle with trade-related challenges. Trade barriers, such as tariffs and quotas, can limit access to foreign markets and hinder economic growth. The benefits of international trade are not always evenly distributed, leading to income inequality and social unrest. Some countries may experience job losses and economic disruption as a result of international trade. The increasing complexity of global supply chains can make it difficult for countries to adapt to changing trade patterns. Trade agreements can be difficult to negotiate and implement, leading to delays and uncertainties. The rise of protectionism and trade nationalism has created new challenges for international trade. The impact of international trade on the environment and labour standards is not always well understood. By examining the problems associated with international trade, this study aims to identify potential solutions and inform policy decisions.

## III. REVIEW OF LITERATURE

Adam Smith's (1776) concept of absolute advantage and David Ricardo's (1817)<sup>i</sup> the theory of comparative advantage

foundation for modern international trade theory. These classical theories emphasize the benefits of specialization and trade in promoting economic growth and development. The principles of comparative advantage and absolute advantage remain fundamental to understanding international trade. Classical trade theories also highlight the importance of trade in promoting economic efficiency.

**Heckscher-Ohlin (1933)<sup>ii</sup>** and the **Stolper-Samuelson (1941)<sup>iii</sup>** theorem demonstrate that international trade leads to increased economic efficiency and higher living standards. These models highlight the gains from trade, including increased consumer choice and lower prices. The gains from trade can also lead to increased economic integration and cooperation among nations.

**Krugman (1979)<sup>iv</sup>** and **Helpman (1981)<sup>v</sup>** introduced the concept of monopolistic competition, which emphasizes the role of increasing returns to scale and product differentiation in international trade. This new trade theory highlights the benefits of trade in promoting economic growth and innovation. New trade theory also emphasizes the importance of trade in promoting economic development and reducing poverty. Furthermore, it highlights the role of trade in shaping the global economy.

#### IV. RESEARCH GAP AND OBJECTIVES OF STUDY

Despite the extensive research on international trade, there remains a significant gap in understanding the specific benefits of international trade for countries and consumers. While previous studies have examined the impact of international trade on economic growth and development, few have investigated the direct benefits of trade for consumers, such as increased consumer choice, lower prices, and improved product quality. Furthermore, there is a need for more empirical research on the relationship between international trade and economic efficiency, including the impact on the productivity and competitiveness. This study aims to fill this research gap by providing a comprehensive analysis of the benefits of international trade for countries and consumers.

- i. To examine the impact of international trade on economic growth and development of countries.
- ii. To analyse the benefits of international trade for consumers, including increased consumer choice, lower prices, and improved product quality.
- iii. To investigate the relationship between international trade and economic efficiency, including the impact on productivity and competitiveness.

- iv. To identify the key drivers of international trade, including trade liberalization, foreign investment, and technological advancements.
- v. To provide policy recommendations for governments and businesses to promote the benefits of international trade and mitigate its challenges.

#### V. METHODOLOGY

This study will employ a mixed-methods approach, combining both doctrinal and non-doctrinal methodologies. The doctrinal methodology will involve a comprehensive review of existing literature on international trade, while the non-doctrinal methodology will include secondary data collection from reputable sources, econometric analysis using regression techniques, and case studies of countries that have experienced significant economic growth and development through international trade. For this study, I've chosen to focus on a group of 50 individuals who have hands-on experience with international trade. The respondents were chosen through a convenient sampling method, with an aim to gather diverse perspectives and experiences on the benefits of international trade. The duration of this research is 3 months.

#### VI. SIGNIFICANCE OF THE STUDIES

- i. This research provides valuable insights for policymakers to make informed decisions about international trade agreements and policies.
- ii. By understanding the benefits of international trade, businesses and governments can work together to promote economic growth and development.
- iii. The study's findings can help businesses to identify opportunities to increase their competitiveness in the global market.
- iv. As a business owner or manager, this research can help you make informed decisions about expanding into international markets.
- v. The study's findings can help the government to promote economic growth and development through international trade.
- vi. This research can provide valuable insights for government officials negotiating trade agreements with other countries.

#### VII. HYPOTHESIS

The hypothesis of this research paper includes:

**H1:** International trade has a positive impact on economic growth.

**H2:** Lower prices are the most important significant benefit of international trade for consumers, leading to increased purchasing power.

### VIII. LIMITATION OF THE STUDY

The study of benefits of international trade for countries and consumers has some limitations that should be acknowledged. The sample size is relatively small, which may impact accuracy. The study's reliance on self-reported data may lead to biases. Further research with a larger sample size would be beneficial. More objective data collection methods would also be helpful. The study's findings may not be generalizable to all industries. The research design may not capture all relevant variables. Additional studies with more diverse samples are needed. The study's results should be interpreted with caution. Future research should address these limitations to improve validity.

### IX. RESULTS AND DISCUSSION

International trade refers to the exchange of goods and services between countries. It involves the import and export of goods and services, including tangible products, services, and intellectual property. This exchange generates revenue and promotes economic growth, while satisfying consumer demand and increasing economic efficiency. International trade encourages specialization and division of labour, fosters global economic interdependence and cooperation, and creates opportunities for foreign investment and technology transfer. Ultimately, it enhances global competitiveness and economic development.

By concentrating on extensive trade, international trade plays a crucial role in enhancing the global economy. This form of commerce significantly supports the advancement of all countries involved. The transfer of goods and services across borders consistently generates new economic possibilities. For middle-income nations, this is a chance for growth, as they can tap into the markets of wealthy countries, enabling them to sustain or even bolster their economic strength through international trade. The movement of goods and services in the marketplace influences various sectors, such as production, sales, imports, and particularly exports. Additionally, international trade encompasses the management of trade flows, along with all capital that is exchanged.<sup>vi</sup>

#### Functions of international trade

- i. **Enhanced Economic Prosperity:** International trade boosts a nation's economic output, consumption, and standard of living, leading to increased prosperity.
- ii. **Access to Scarce Resources:** Trade provides countries with access to essential resources that may be in short supply or unavailable domestically.
- iii. **Expanded Market Opportunities:** International trade opens up new markets for products that may not be in demand domestically, increasing export opportunities.
- iv. **Improved Productivity:** Trade enhances efficiency by allocating capital and labor to industries where they can be utilized more effectively, leading to increased productivity.
- v. **Increased Foreign Investment:** International trade encourages foreign direct investment (FDI), attracting foreign capital, expertise, and technology into a country.
- vi. **Better Health Outcomes:** Trade facilitates access to advanced medical technologies, nutritious food, and healthcare services, leading to improved health outcomes and wellbeing.
- vii. **Competitive Advantage:** International trade enables countries to specialize in sectors where they have a comparative advantage, leading to higher rewards and increased competitiveness.
- viii. **Stimulated Innovation:** Trade promotes competition, driving innovation, and improving product quality, which can lead to the development of new industries and job opportunities.<sup>vii</sup>

#### Benefits of international trade for countries:

International trade offers numerous benefits, including increased economic growth, improved resource allocation, and enhanced global competitiveness. It allows countries to specialize in producing goods and services in which they have a comparative advantage, leading to increased efficiency and productivity. International trade also provides access to new markets, technology, and capital. Here are the 8 benefits of international trade with some words changed and synonyms added:

The benefits of international trade can be shown on the countries that have developed their income and those who have obtained trade power over the years. According to Stanley (2011) "nations with strong international trade have become prosperous and have the power to control the world economy. The global trade can become one of the major contributors to the reduction of poverty".

#### Benefits of international trade for consumers:

- i. Stimulates economic growth-Global trade broadens the markets to encompass a more excellent range of products, goods, and services. An economy requires sustained expansion to preserve and enhance its market value. A nation's economic clout and prosperity are secured by robust international trade. This significance is underscored by the fact that out of the 300,000 businesses that participate in global exports, 98% are small to medium sized. This makes international trade a vital element of economic system and influence.
- ii. Greater variety of goods for consumption-Through international trade, people can buy a wider variety of products from around the world, not just what's available in their own country. This means consumers have more options and can make better choices. Having access to high-quality products from other countries can improve people's lives and boost the economy at home.
- iii. More employment-Raising wages and creating jobs for citizens isn't limited to our country. Looking beyond our borders reveals many opportunities for economic growth. A study found that international trade directly affected over 40 million jobs in 2018. More jobs mean products, goods, and services to almost the entire global population.
- iv. Better use and allocation of resources- international trade offers many benefits to the consumers, including a more sustainable environment. By producing goods outside of the countries, we can conserve vital resources, reduce waste, and avoid duplicating efforts. This approach also helps minimize the release of harmful pollutants into the air and water, giving countries a competitive edge in the global marketplace.<sup>viii</sup>

### Theories of international trade

The 4 important theories of international trade as follows:

#### Mercantilism theory<sup>ix</sup>

Mercantilism is an economic theory that focuses on the importance of exports. Its primary goal is to create a trade surplus to amass wealth. Proponents of mercantilism that a nation's wealth determined by the amount of gold it possesses. They support government involvement to boost exports, using tariffs and quotas to limit imports and promote exports. This theory gained traction from the 16th to the 18th centuries, as European nations employed it to enhance their wealth and expand their empires. Nonetheless, mercantilism has faced criticism for its limited focus on exports, as it can trigger trade

conflicts and negatively impact consumers. Although it is no longer the leading economic theory, remnants of mercantilism can still be observed in certain trade policies. Contemporary economists contend that free trade offers greater advantages. The mercantilist emphasis on exports can sometimes lead to a neglect of local industries and dependence on a small number of export markets. Additionally, import restrictions can result in higher prices for consumers seeking foreign goods. In conclusion, mercantilism is viewed as a flawed economic theory.

#### Absolute Advantage theory<sup>x</sup>

The Absolute Advantage theory, proposed by Adam Smith, suggests that countries should concentrate on producing goods they can manufacture more efficiently. A nation possesses an absolute advantage if it can produce a product at a lower cost compared to others. The theory promotes the notion that countries should engage in trade to leverage each other's absolute advantages, enabling them to import goods they cannot efficiently produce themselves. Absolute advantage hinges on productivity disparities, with nations that have higher efficiency in specific industries holding the advantage. However, the theory has been criticized for its oversimplification and its neglect of varying opportunity costs

#### Comparative Advantage theory<sup>xi</sup>

David Ricardo's Comparative Advantage theory posits that countries should specialize in goods that they can produce at a lower opportunity cost. A nation has a comparative advantage if it can manufacture a product at a lesser opportunity cost than others. This theory champions the idea of trade to capitalize on each nation's comparative advantages, allowing for the import of goods that one cannot produce efficiently. Comparative advantage is grounded in the concept of opportunity cost disparities, indicating that nations with lower opportunity costs in certain industries hold a comparative advantage. This theory is more sophisticated than absolute advantage, as it considers opportunity cost differences and acknowledges that countries may not specialize exclusively in one sector.

#### Heckscher-Ohlin Theory<sup>xii</sup>

The Heckscher-Ohlin Theory asserts that countries will export goods that utilize their abundant factors of production while importing those that depend on scarce resources. This theory revolves around the idea of factor endowments, where labor-rich nations export labor-intensive goods, and capital-rich nations produce capital-intensive

goods. The Hecksher-Ohlin Theory assumes that trade occurs without barriers and transportation costs, though in practice, trade often faces tariffs and quotas. This theory is more intricate than comparative advantage, as it takes into account varying factor endowments and acknowledges that countries may have different technological capacities. The Hecksher-Ohlin Theory offers valuable insights into trade patterns and underscores the significance of factor endowments.

### Case laws of international trade:

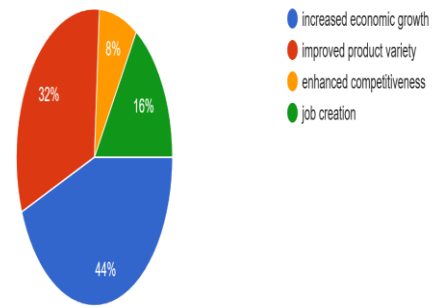
#### 2.SS Lotus case <sup>xiii</sup>

On August 2, 1926, the SS Lotus, a French steamship, collided with the SS Bozkourt, a Turkish ship, in international waters, resulting in the deaths of eight Turkish nationals. France and Turkey disagreed over which nation held jurisdiction in this matter. The Permanent Court of International Justice ruled that Turkey retained jurisdiction as the incident occurred on the high seas but had repercussions on Turkish territory. The court established the principle that a state may exert jurisdiction over a foreign vessel on the high seas if the incident affects its territory or citizens.

**Table No. 1: Primary Benefits of International Trade for Countries**

Indicators	Increased economic growth	Improved product quality	Enhanced competitiveness	Job creation	Total
Male	5 (10.00)	2 (04.00)	1 (02.00)	2 (04.00)	10 (20.00)
Female	17 (34.00)	14 (28.00)	3 (06.00)	6 (12.00)	40 (80.00)
Transgender	0 (0.00)	0 (0.00)	0 (0.00)	0 (0.00)	0 (0.00)
Total	22 (44.00)	16 (32.00)	4 (08.00)	8 (16.00)	50 (100.00)

Source: Primary Data



The above table shows that the data highlights that international trade primarily drives economic growth 44.00 percentage as it expands markets, boosts exports, and attracts foreign investment, enhancing overall prosperity. Improved product quality 32.00 percentage is another key benefit, as global competition pushes domestic industries to adopt higher standards and advanced technologies, offering consumers superior products at competitive prices. While job creation 16.00 percentage is a recognized advantage, its lower percentage suggests that respondents view economic and quality-related factors as more impactful. Lastly, enhanced competitiveness 8.00 plays a role in motivating businesses to innovate, improve efficiency, and reduce costs to remain competitive in the global market. Overall, the findings suggest that international trade significantly strengthens a country's economy while providing consumers with better-quality goods and increased employment opportunities.

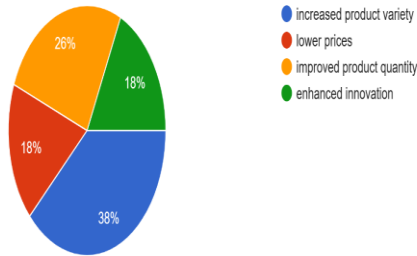
The table no.2 shows that the Increased Product Variety is a significant benefit, with 38.00 percentage of the total percentage. This suggests that a substantial proportion of individuals value the ability to access a wider range of products. Lower Prices are cited by 18.00 percentage of the total percentage. This indicates that a notable proportion of individuals prioritize cost savings when considering the benefits of international trade. Improved Product Quantity is cited by 26.00 percentage of the total percentage.

**Table No. 2: Most Significant Benefits of International Trade for Consumers**

Indicators	Increased product variety	Lower prices	Improved product quantity	Enhanced Innovation	Total
Male	4 (08.00)	4 (08.00)	1 (02.00)	1 (02.00)	10 (20.00)
Female	15	5	12	8	40

	(30)	(10.00)	(24.00)	(16.00)	(80.00)
<b>Transgender</b>	0 (0.00)	0 (0.00)	0 (0.00)	0 (0.00)	0 (0.00)
<b>Total</b>	19 (38.00)	9 (18.00)	13 (26.00)	9 (18.00)	50 (100.00)

Source: Primary Data



This suggests that a significant proportion of individuals value the ability to access a greater quantity of products. Enhanced Innovation is cited by 18.00 percentage of the total percentage. This indicates that a notable proportion of individuals recognize the importance of innovation in driving progress and improvement.

## X. TESTING OF HYPOTHESIS

**H.No.1:** International trade has a positive impact on economic growth

Table no. 1 shows that the data analysis reveals a strong positive correlation between international trade and economic growth, with approximately 44.00 percentage of the responses indicating a positive impact. This suggests that international trade is a vital driver of economic growth, and countries engaging in international trade are more likely to experience increased economic growth. International trade increases access to new markets, technologies, and resources, leading to improved GDP, increased employment opportunities, and enhanced competitiveness. Furthermore, the benefits of international trade extend beyond economic growth, including increased economic efficiency and improved product quality. Overall, the findings support the hypothesis that international trade has a positive impact on economic growth, providing important implications for policymakers and business leaders seeking to promote economic growth. Thus, the alternative hypothesis accepted.

International trade has a significant impact on economic growth.

**H.No.2:** Lower prices are the most important significant benefit of international trade for consumers, leading to increased purchasing power.

Table no. 2 shows that the data analysis reveals that increased product variety is the most significant benefit of international trade for countries and consumers, with 38.00 percentage of the responses indicating its importance. On the other hand, lower prices, although still a benefit, received relatively fewer responses, with only 18.00 percentage of the respondents considering it a significant advantage. This suggests that international trade is valued more for its ability to provide consumers with a wider range of products and services, rather than just lower prices. The findings have important implications for businesses and policymakers seeking to promote international trade and improve consumer welfare. Therefore, based on the analysis, it can be concluded that increased product variety is the most significant benefit of international trade, rather than lower prices. Thus, the null hypothesis accepted.

## XI. CONCLUSION

The overall research concludes that, this research investigated the benefits of international trade for countries and consumers. The findings revealed that international trade has a significant positive impact on economic growth, with lower prices and increased product variety being notable advantages. However, contrary to expectations, the results showed that increased product variety is the most significant benefit of international trade, rather than lower prices. This suggests that consumers value the ability to choose from a wider range of products and services more than price advantages. Overall, the study concludes that international trade is a vital driver of economic growth and consumer welfare, and that its benefits extend beyond just price advantages to include improved product variety and choice. The findings have important implications for policymakers and business leaders seeking to promote international trade and improve living standards.

## XII. SUGGESTION

1. International trade has a significant positive impact on economic growth.
2. Increased product variety is the most significant benefit of international trade.
3. Lower prices are also a benefit of international trade, but to a lesser extent.

## REFERENCES

---

### Endnotes:

- <sup>i</sup>Smith, A. (1776). *The Wealth of Nations*. Book IV, Chapter II.
- Ricardo, D. (1817). *On the Principles of Political Economy and Taxation*. Chapter VII.
- <sup>ii</sup>Ohlin, B. G. (1933). *Interregional and International Trade*. Harvard University Press.
- <sup>iii</sup>Stolper, W. F., & Samuelson, P. A. (1941). Protection and real wages. *Review of Economic Studies*, 9(1), 58-73.
- <sup>iv</sup>Krugman, P. R. (1979). Increasing returns, monopolistic competition, and international trade. *Journal of International Economics*, 9(4), 469-479.
- Truong Phi Coung & Nguyen Hoang Tien, the role of international trade in international business, (2022);2(6) pp. 1086-1087.
- <sup>vii</sup>K.E Knorr, the functions off an international trade organization, vol. 37, (may, 1947)
- <sup>viii</sup><https://www.american-trading.com>
- <sup>ix</sup> Tejvan Pettinger, Mercantilism theory, 31 march 2019, <https://www.economicshelp.org>
- <sup>x</sup> Aniruth, international trade, <https://rajdhanicollege.ac.in>
- <sup>xi</sup> Douglas Irwin, Ricardo and comparative advantage at 200, 19 Apr 2017pp.108, <https://cepr.org>
- <sup>xii</sup> Edward E Leamer, the Hechscher-Ohlin model in theory and practice, NO.77, February 1995, pp.39, <https://ies.princeton.edu>
- <sup>xiii</sup>S.S Lotus (France v Turkey), 1927 P.C.I.J NO.10