

CUET · GEOGRAPHY · CLASS XII · CODE 313

International Trade

CUET unit: Transport, Communication and International Trade

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Snapshot

- International trade is the voluntary, mutually beneficial exchange of goods and services across national boundaries, evolving from barter to money.
- Its history runs from the Silk Route, through European colonial slave trade, the Industrial Revolution, the World Wars, and the GATT/WTO era.
- Trade exists because of specialisation, comparative advantage, complementarity and transferability, resting on five bases: resources, population, stage of development, foreign investment, transport.
- Key concepts are balance of trade, bilateral vs multi-lateral trade, free trade, dumping, the WTO, and Regional Trade Blocs (120 blocs generating 52% of world trade).
- Ports are the gateways of international trade, classified by cargo handled, location, and specialised function — heavily tested in CUET.

Detailed Notes

2.1 Core concepts

- Trade is the **voluntary exchange of goods and services** requiring two parties — one seller, one purchaser; trade is mutually beneficial to both, and in some places people still **barter** their goods (NCERT Ch. 8, p. 70). Trade operates at two levels — **international** (across national boundaries) and **national/internal**; countries trade to obtain commodities they cannot produce themselves or can purchase elsewhere at a lower price.
- The earliest form of trade in primitive societies was the **barter system** (direct exchange of goods); the NCERT's illustrative case is a potter looking for a plumber who needs pots. **Jon Beel Mela at Jagiroad (35 km from Guwahati)**, held every January after the harvest, is "possibly the only fair in India where barter system is still alive"; tribes and communities exchange products at this big market (NCERT Ch. 8, p. 70).
- The difficulties of barter were overcome by the introduction of money. Before paper and coin currency, rare objects with very high intrinsic value served as money — **flintstones, obsidian, cowrie shells, tiger's paws, whale's teeth, dogs teeth, skins, furs, cattle, rice, peppercorns, salt, small tools, copper, silver and gold** (NCERT Ch. 8, p. 71).

- **"Salary" comes from the Latin word Salarium meaning payment by salt**, because rock salt was the only known source (sea-salt extraction was unknown) and was rare and expensive (NCERT Do You Know box, p. 71).
- In ancient times transporting goods over long distances was risky, so trade was restricted to local markets; only the rich bought jewellery and costly dresses, producing a trade in luxury items.
- The **Silk Route** is an early example of long-distance trade — a **6,000 km route connecting Rome to China**, carrying **Chinese silk, Roman wool and precious metals** along with other high-value commodities from intermediate points in **India, Persia and Central Asia** (NCERT §History of International Trade, p. 71).
- After the disintegration of the Roman Empire, European commerce grew in the **12th–13th century** with the development of **ocean-going warships**; Europe-Asia trade expanded and the **Americas were discovered**.
- From the **15th century**, European colonialism began; alongside the trade in exotic commodities a new form of trade emerged — the **slave trade**, in which the **Portuguese, Dutch, Spaniards and British** captured African natives and forcefully transported them to the newly discovered Americas to work on plantations. Slave trade was a lucrative business for over two hundred years until it was abolished in **Denmark in 1792, Great Britain in 1807, and the United States in 1808** (NCERT §History, p. 71). An 1829 American slave auction advertisement (Fig. 8.2) shows that buyers paid up to **\$2,000 for a skilled, healthy slave**, often separating family members forever.
- After the **Industrial Revolution**, demand for raw materials (grains, meat, wool) expanded but their monetary value declined relative to manufactured goods; industrialised nations imported primary products and exported value-added finished products to non-industrialised nations. In the later half of the **19th century**, regions producing primary goods were no longer central — industrial nations became each other's principal customers.
- During **World Wars I and II**, countries imposed **trade taxes and quantitative restrictions for the first time**; in the post-war period **GATT** (later WTO) helped reduce tariffs (NCERT §History, p. 71).
- International trade is the result of **specialisation in production** and is based on the principles of **comparative advantage, complementarity and transferability** of goods and services and should, in principle, be mutually beneficial to trading partners (NCERT §Why Does International Trade Exist?, pp. 71-72). In modern times trade is the basis of the world's economic organisation and is linked to the foreign policy of nations.
- **Bases of international trade** (NCERT §Basis of International Trade, p. 72):
 - **(i) Difference in national resources** — uneven distribution of geology, relief, soil and climate. (a) **Geological structure** determines the mineral resource base and topographic diversity; lowlands have greater agricultural potential; mountains attract

tourists. (b) **Mineral resources** are unevenly distributed and provide the basis for industrial development. (c) **Climate** influences the type of flora and fauna and ensures diversity of products — wool in cold regions, bananas/rubber/cocoa in tropical regions.

- **(ii) Population factors** — size, distribution and diversity. (a) **Cultural factors** — distinctive arts and crafts are valued worldwide; **China** produces the finest **porcelains and brocades**, **Iran** is famous for **carpets**, **North Africa** for **leather work**, and **Indonesia** for **batik cloth**. (b) **Size of population** — densely populated countries have large internal trade but little external trade because output is consumed locally; standard of living determines demand for costly imported goods.
- **(iii) Stage of economic development** — agricultural countries exchange agro-products for manufactured goods, while industrialised nations export machinery/ finished products and import food grains and raw materials.
- **(iv) Extent of foreign investment** — boosts trade in developing countries that lack capital for mining, oil drilling, heavy engineering, lumbering and plantation agriculture; industrial nations secure imports of foodstuffs and minerals and create markets for their finished products.
- **(v) Transport** — in olden times poor transport restricted trade to local areas (only gems, silk and spices moved long distances); expansion of rail, ocean and air transport and better refrigeration and preservation has produced today's spatial expansion of trade.
- **Balance of trade** records imports vs exports — **positive/favourable** when exports > imports, **negative/unfavourable** when imports > exports; a negative balance means the country spends more on buying than it earns, ultimately exhausting financial reserves (NCERT §Balance of Trade, p. 73).
- **Types of international trade** (p. 73): **Bilateral trade** is between two countries by agreement on specified commodities; **multi-lateral trade** is conducted with many trading countries, and the country may grant the "**Most Favoured Nation**" (**MFN**) status to selected partners.
- **Free trade / trade liberalisation** means opening economies by bringing down barriers like **tariffs**, allowing goods and services from everywhere to compete with domestic products; globalisation along with free trade can adversely affect developing countries by imposing unfavourable conditions and not letting them protect their markets (NCERT §Case for Free Trade, p. 73).
- **Dumping** is "the practice of selling a commodity in two countries at a price that differs for reasons not related to costs" — countries must guard against dumped goods (NCERT box, p. 73). NCERT prints a newspaper clipping about a WTO panel constituted to study US anti-dumping duty on Indian shrimp exports (Fig., p. 73) to illustrate the concept in action.
- **WTO history:** In **1948** GATT was formed to liberalise the world from high customs tariffs; in **1994** member countries decided to set up a permanent institution and the

GATT was **transformed into the WTO from 1st January 1995** (NCERT §World Trade Organisation, p. 74). WTO is the only international organisation dealing with global rules of trade; it sets rules, resolves disputes, and covers trade in **services (telecommunication, banking) and intellectual rights**.

- **WTO criticism** — free trade does not make ordinary people's lives more prosperous; rather it widens the gulf between rich and poor by making rich countries richer because influential nations focus on their own commercial interests; many developed countries have not fully opened their markets to products from developing countries; issues of health, workers' rights, child labour and environment are ignored (NCERT p. 74).
- **WTO facts:** Headquartered at **Geneva, Switzerland; 166 countries were members as on December 2024; India is a founder member** (NCERT Do You Know, p. 74).
- **Regional Trade Blocs** have emerged to encourage trade between countries with geographical proximity, similarity and complementarity, and to curb restrictions on developing-world trade. **Today, 120 regional trade blocs generate 52% of world trade;** they arose as a response to the failure of global organisations to speed up intra-regional trade; while they remove tariffs within member nations and encourage free trade, they may in future make free trade between blocs increasingly difficult (NCERT §Regional Trade Blocs, p. 74).
- **Concerns related to international trade:** Trade is beneficial if it leads to regional specialisation, higher production, better standards of living, worldwide availability of goods, equalisation of prices and wages and diffusion of knowledge and culture. It is detrimental if it leads to dependence on other countries, uneven development, exploitation, and commercial rivalry that triggers wars; over-trading depletes marine life, deforests land, sells river basins to private water companies, and lets MNCs in oil, gas mining, pharmaceuticals and agri-business expand at the cost of pollution and sustainability (NCERT §Concerns, p. 74).
- **Ports** are the chief gateways of international trade — providing **docking, loading, unloading and storage** facilities; port authorities maintain navigable channels, arrange tugs and barges and provide labour/managerial services; the importance of a port is judged by **size of cargo and number of ships handled;** cargo handled indicates the level of development of the port's **hinterland** (NCERT §Gateways of International Trade — Ports, p. 75).
- **By cargo: Industrial Ports** (bulk cargo — grain, sugar, ore, oil, chemicals); **Commercial Ports** (general/packaged cargo and passengers); **Comprehensive Ports** (both bulk and general cargo in large volumes — "most of the world's great ports are classified as comprehensive ports") (NCERT §Types of Port, p. 75).
- **By location: Inland Ports** are located away from the sea coast, linked by river or canal, accessible to flat-bottomed ships or barges — examples **Manchester (canal), Memphis (Mississippi), Mannheim and Duisburg (Rhine), Kolkata (Hoogli — branch of Ganga); Out Ports** are deep-water ports built away from the parent port

to serve large ships that cannot approach the parent — "classic combination, for example, is Athens and its out port Piraeus in Greece" (NCERT §Location-based, p. 75).

- **By specialised function** (NCERT pp. 75-76):
- **Oil Ports** — tanker (**Maracaibo / Venezuela, Esskhira / Tunisia, Tripoli / Lebanon**) or refinery (**Abadan on the Gulf of Persia**).
- **Ports of Call** — originally calling points on main sea routes for refuelling, watering, food; later commercial ports. **Aden, Honolulu, Singapore**.
- **Packet Stations / Ferry Ports** — exclusively for passengers and mail across short water bodies; occur in pairs facing each other — **Dover (England) and Calais (France) across the English Channel**.
- **Entrepot Ports** — collection centres where goods are brought from different countries for re-export: **Singapore for Asia, Rotterdam for Europe, Copenhagen for the Baltic region**.
- **Naval Ports** — strategic importance, serving warships with repair workshops; **Kochi and Karwar** are Indian examples.

2.2 Definitions to memorise

Term	Definition	Page
Barter system	Direct exchange of goods without using money	70
Trade	Voluntary, mutually beneficial exchange of goods and services between two parties	70
International trade	Exchange of goods and services across national boundaries	70
Jon Beel Mela	Surviving barter fair at Jagiroad (35 km from Guwahati), held every January after harvest	70
Salary (etymology)	From Latin <i>Salarium</i> meaning payment by salt	71
Silk Route	6,000 km early long-distance trade route from Rome to China via India, Persia, Central Asia	71
Slave trade	Forcible transport of African natives to the Americas (15th c. onward) by Portuguese, Dutch, Spaniards, British	71
Comparative advantage	A foundational principle of international trade — countries produce what they make at relatively lower cost	72
Complementarity	Trade arises when one country's surplus matches another's deficit	72
Transferability	Goods/services must be physically and economically movable for trade	72
Balance of trade	Record of imports vs exports by a country	73
	When value of exports exceeds value of imports	73

Term	Definition	Page
Favourable balance of trade		
Unfavourable balance of trade	When value of imports exceeds value of exports	73
Bilateral trade	Trade between two countries on specified commodities by agreement	73
Multi-lateral trade	Trade conducted with many trading countries; involves MFN status	73
Most Favoured Nation (MFN)	Status granted to selected trading partners under multi-lateral trade	73
Free trade / trade liberalisation	Opening up economies by bringing down trade barriers like tariffs	73
Dumping	Selling a commodity in two countries at a price that differs for reasons unrelated to costs	73
GATT	General Agreement for Tariffs and Trade, formed 1948	74
WTO	Successor to GATT from 1 Jan 1995 — only international body dealing with global rules of trade	74
Regional Trade Bloc	Group of countries with geographical proximity & complementarity encouraging intra-regional trade	74
Hinterland	Area served by a port; its development is indicated by cargo handled	75
Industrial Port	Specialises in bulk cargo — grain, sugar, ore, oil, chemicals	75
Commercial Port	Handles general cargo and passenger traffic	75
Comprehensive Port	Handles bulk + general cargo; most great world ports	75
Inland Port	Located away from sea coast, linked by river/canal	75
Out Port	Deep-water port built away from parent port to serve large ships	75
Oil Port	Specialised port for processing/shipping oil (tanker or refinery type)	75
Ports of Call	Originally calling-points for refuelling on main sea routes	76
Packet Station / Ferry Port	Exclusively for passengers & mail across short water bodies, in pairs	76
Entrepot Port	Collection centre where goods are brought from different countries for re-export	76
Naval Port	Strategic port serving warships with repair workshops	76

2.3 Diagrams / processes to remember

- **Fig. 8.1 (p. 70):** Two women practising barter at **Jon Beel Mela** — illustrates surviving barter in India.
- **Fig. 8.2 (p. 71): Advertisement for Slave Auction, 1829** — American slave auction; buyers paid up to **\$2,000** for a skilled healthy slave; auctions often separated families forever.
- **News clipping (p. 73):** "Panel to study anti-dumping duty on shrimp" — WTO panel on US anti-dumping duty against Indian shrimp exports; the US was the second largest importer of marine products from India.
- **Fig. 8.3 (p. 75): San Francisco** — described in the caption as "the largest land-locked harbour in the world".
- **Fig. 8.4 (p. 75): Leningrad Commercial Port** — example of a commercial port handling general cargo.
- **Conceptual map of port classification (pp. 75-76):** three axes — **Cargo** (Industrial/Commercial/Comprehensive), **Location** (Inland/Out), **Specialised Function** (Oil/Ports of Call/Packet Station/Entrepot/Naval).
- **Process flow — evolution of trade:** barter → metal/object money → coin and paper currency → Silk Route luxury trade → European colonial/slave trade → Industrial-Revolution exchange of raw materials for manufactures → WW I & II tariffs/quotas → GATT 1948 → WTO 1995 → 120 regional trade blocs (52% of world trade).

2.5 Key data table (chapter facts at a glance)

#	Fact / figure	NCERT source
1	Silk Route length	~6,000 km (Rome–China), p. 71
2	Slave trade abolition — Denmark / GB / USA	1792 / 1807 / 1808, p. 71
3	Slave auction price (1829, USA)	Up to \$2,000 for a skilled healthy slave, Fig. 8.2 p. 71
4	GATT formed	1948, p. 74
5	WTO came into being	1 January 1995, p. 74
6	WTO membership (Dec 2024)	166 countries, p. 74
7	WTO headquarters	Geneva, Switzerland, p. 74
8	India's WTO status	Founder member, p. 74
9	Number of regional trade blocs	120, p. 74
10	Share of world trade by regional blocs	52%, p. 74

#	Fact / figure	NCERT source
11	Jon Beel Mela location	Jagiroad, 35 km from Guwahati, p. 70
12	Tanker oil ports — examples	Maracaibo (Venezuela), Esskhira (Tunisia), Tripoli (Lebanon), p. 75
13	Refinery oil port — example	Abadan (Gulf of Persia), p. 75
14	Entrepot ports — Asia / Europe / Baltic	Singapore / Rotterdam / Copenhagen, p. 76
15	Naval ports — India	Kochi, Karwar, p. 76
16	Largest land-locked harbour in the world	San Francisco, Fig. 8.3 p. 75
17	Out port for Athens	Piraeus (Greece), p. 75
18	Indian inland port (river-linked)	Kolkata on Hoogli (branch of Ganga), p. 75

2.4 Common confusions / NTA trap points

- **Slave trade abolition years** are easily mixed up — Denmark **1792**, Great Britain **1807**, USA **1808** (NCERT often tests the earliest country, which is **Denmark**).
- **GATT → WTO transition:** GATT was formed in **1948**; decision to create WTO was taken in **1994**; WTO came into being on **1 January 1995**. Students often confuse these dates.
- **Out Port vs Inland Port:** Out Ports are deep-water ports built away from parent ports (Piraeus–Athens), NOT ports located inland. Inland Ports are linked by river/canal (Kolkata, Manchester, Memphis, Mannheim, Duisburg).
- **Entrepot vs Comprehensive:** Entrepot is a re-export collection centre (Singapore, Rotterdam, Copenhagen); Comprehensive handles both bulk and general cargo in large volumes.
- **Comparative advantage, complementarity, transferability** — all three principles must be remembered together as the basis of international trade.
- **"Maracaibo, Esskhira, Tripoli" are tanker oil ports; Abadan is a refinery oil port** — the type (tanker vs refinery) is a frequent distractor.
- **Most of the world's great ports = Comprehensive**, not Naval, Oil or Industrial. This is the literal NCERT Exercise 1 (i) answer.
- **WTO covers services and intellectual rights**, not just goods — distractors often restrict WTO to "trade in goods only".
- **120 regional trade blocs generate 52% of world trade** — both numbers are testable; don't swap them.
- **Largest land-locked harbour in the world = San Francisco** per the NCERT caption — easy map-image item.

- **Salary etymology** — from Latin Salarium (payment by salt), not from "selling" or "sale".
- **Jon Beel Mela** is in **Assam (Jagiroad, 35 km from Guwahati)**, held every **January after the harvest** — not in Jaipur or Bhubaneswar.
- **MFN status** is granted only under **multi-lateral** trade, not bilateral.
- **Negative balance of trade vs negative growth** — distinct concepts; negative balance means imports > exports.

Practice MCQs

PYQ Alignment

This chapter is high-yield for CUET Geography (Domain 313), typically generating 6-8 MCQs per year, with recurring questions on port classification (especially Comprehensive, Entrepot, and Out Ports with their famous examples), the GATT-to-WTO transition (1948/1994/1995), the bases of international trade (five factors), and definitions of dumping, MFN, balance of trade, and bilateral vs multilateral trade. Map/example-based matching questions (Piraeus–Athens, Singapore–Asia, Abadan–refinery) and assertion–reason items on free trade and WTO criticism are also common. For year-wise CUET stems see </pyq/geography>.

CUET 2025 — Actual PYQs from this chapter

Q.14 (CUET 2025) Which of the following is NOT the basis of international trade?

- A) Difference in national resources B) Stage of economic development C) Extent of foreign investment D) Even distribution of resources Tests: Five bases of international trade Answer: Not in extracted key

CUET 2024 — Actual PYQs from this chapter

Q.3 (CUET 2024) Where is the headquarters of the 'Organisation of the Petroleum Exporting Countries' (OPEC)?

- A) Montevideo B) Vienna C) Minsk D) Aden Tests: OPEC headquarters — Vienna Answer: Not in extracted key

Q.4 (CUET 2024) The General Agreement on Tariffs and Trade (GATT) was transformed into the World Trade Organization in _____.

- A) 1995 B) 1991 C) 2005 D) 1976 Tests: GATT-to-WTO transition year Answer: Not in extracted key

CUET 2023 — Actual PYQs from this chapter

Q.11 (CUET 2023) By supporting developing countries in setting up capital-intensive industries, the developed nations ensure:

- A) Their monopoly B) Markets for their finished products C) Export of minerals from developing countries D) Human welfare and ecological balance Tests: Critique of free trade / WTO and developed-developing trade asymmetries Answer: Not in extracted key

Q.15 (CUET 2023) Which of the following statements about the history of international trade are correct? A. In ancient times trade was restricted to local markets; B. Silk route is an example of long-distance trade; C. Industrialised nations started importing raw materials and exporting finished products; D. Slave trade started after World War I.

- A) (A), (B), (D) only B) (A), (B), (C) only C) (A), (C), (D) only D) (B), (C), (D) only Tests: History of international trade — Silk Route, industrial era, slave trade chronology Answer: Not in extracted key