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TOPIC — Inter-regional and International Trade

As we all know inter-regional or domestic trade deals with the transactions take place within the regional or national boundaries. On the other hand, international trade is trade among different countries or trade across political frontiers. Therefore, both types of trades have some distinct differences which can be analysed in following manner :-

(1) Specific Terms used as Exports and Imports :-

Inter-regional trade is the exchange of domestic output within the political boundaries of a nation, while international trade is the trade between two or more nations. Therefore, the term 'export' and 'import' are used under the transactions of international trade. To export means to sell goods or services to a foreign country and to import means to buy goods and services from a foreign country.

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These terms are not used in inter-regional or domestic trade.

(2) Heterogeneous Group :–
An important difference between domestic trade and foreign trade is that trade within a country is trade among the same group of people, whereas trade between countries takes place between differently cohered groups. The socio-economic environment makes differences widely between nations while it is more or less similar within a country. Prof. Frederich List aptly remarks that "Domestic trade is among us, international trade is between us and them."

(3) Political Differences :–
International trade occurs between different political units, while domestic trade occurs within the same political unit. The government in each country is keen about the welfare of its own nationals against that of the people of other countries. So, under the international trade policy, it government tries to save its own interest at the cost of the other country.

(4) Different Rules :–
For running the

domestic or inter-regional trade, the rules regarding trade, commerce, industry taxation etc. are made uniform within the country but differ widely between countries. Tariff policy, import quota system, subsidies and other controls adopted by a government, interfere with the course of normal trade between it and other countries. Hence, state interference causes different problems in international trade while the value of theory, in its pure form which is laissez-faire, cannot be applied in toto to the international trade theory.

(5) Different Currencies:-

The principal difference between domestic and international trade is that the latter involves the use of different types of currencies and each country follows different foreign exchange policies. That is why, there is the problem of exchange rates and foreign exchange. Therefore, one has to study not only the factors which determine the value of each country's monetary unit, but also the divergent practices and each types of exchange resorted to.

(6) Factor Immobility:-

The major difference between inter-regional and international trade is the degree of immobility of factors of production like labour and capital

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which is generally greater between countries than within the country. Immigration laws, citizenship qualifications, etc. often restrict international mobility of labour. International capital flows are ~~...~~ prohibited or severely limited by different governments.