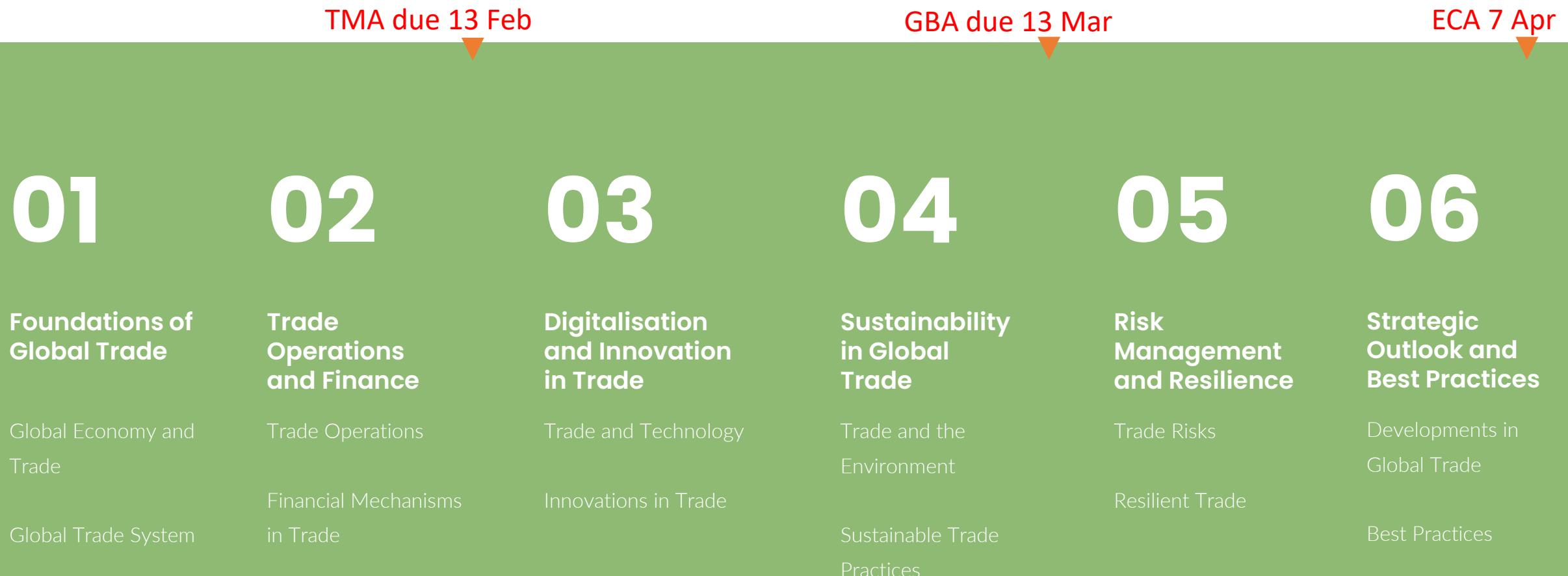


INT325

Global Trade Practices and Strategies



INT325

Global Trade Practices and Strategies

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Foundations of Global Trade

Global Economy and Trade

Global Trade System

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Trade Operations and Finance

Trade Operations

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Study Unit 1

Foundations of Global Trade

Learning Outcomes

1. Understand the impact of global economy and trade on countries and corporations.
2. Apply the fundamentals and theories of global trade.
3. Describe the principles of the trading system.
4. Recognise the key trade governing organisations in the world and how trade has evolved over time.

Chapter 1:

Understanding the

Global Economy and

Trade

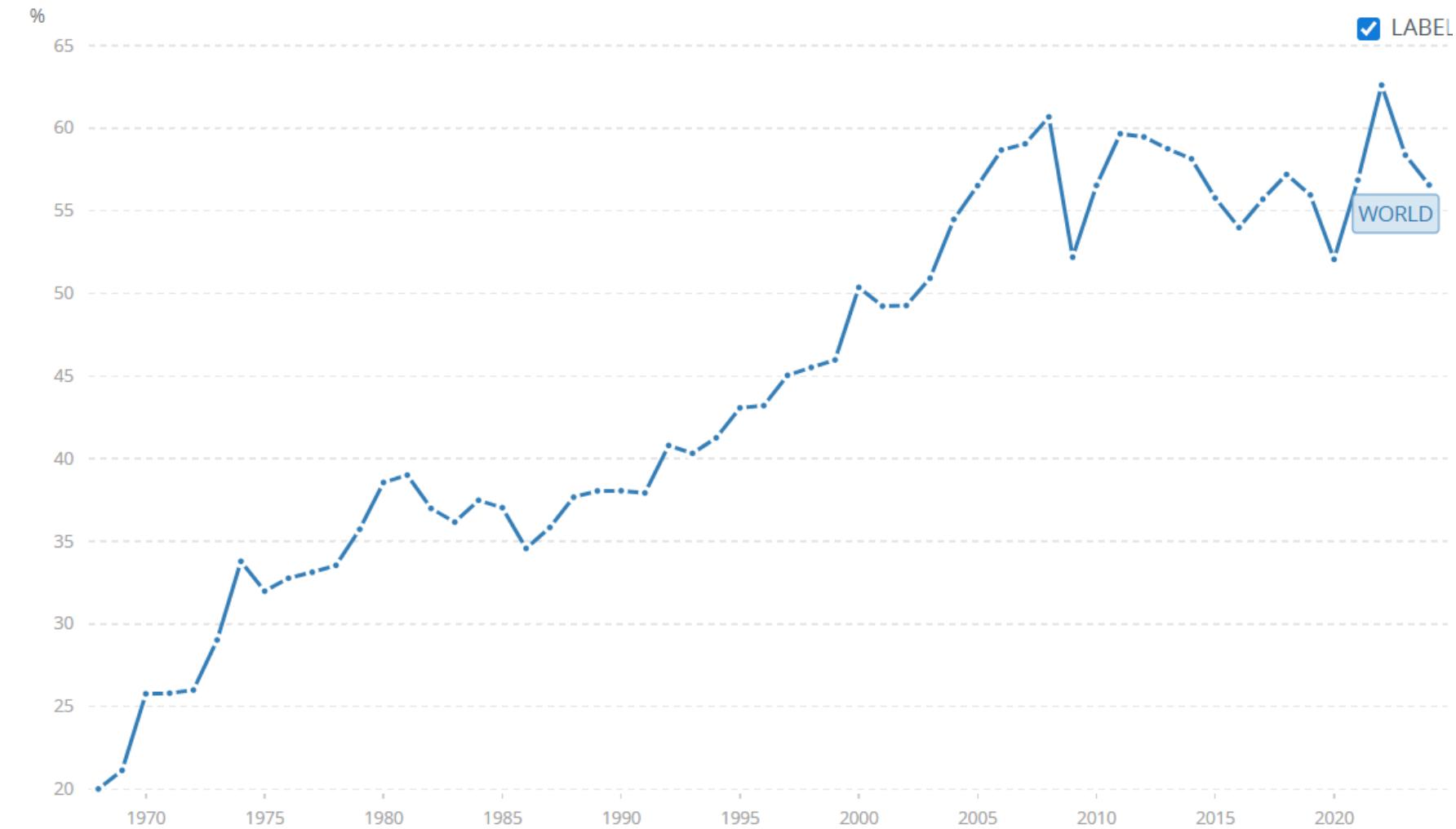
Why Study Trade?

- Global trade is a core engine of economic growth and a major driver of job creation and investment
 - Trade supports employment in manufacturing, logistics, shipping, finance, digital services, research. In ASEAN, nearly 1 in 4 jobs is linked to trade-related activities.
- Essential goods (food, energy, medical supplies, electronic components, etc) rely on international trade networks; disruptions in global trade directly affect national security and social stability
- Improves access and living standards, e.g. poverty reduction (Vietnam, Bangladesh textile sector)
- Enhances resilience and security through trade agreements and diversified supply chains reduce risk exposure

How Important is Global Trade?

Trade (% of GDP)

- Trade has risen from ~20% of world GDP in 1970 to over 50% today
- Sharp growth through the 90s
- Dips in 2008 crisis and COVID years
- Overall, long term trend shows high interdependence among economies



Source: World Bank Group (2025)

Available <https://data.worldbank.org/indicator/NE.TRD.GNFS.ZS>

What Drives Global Economy

Understanding economic drivers are important:

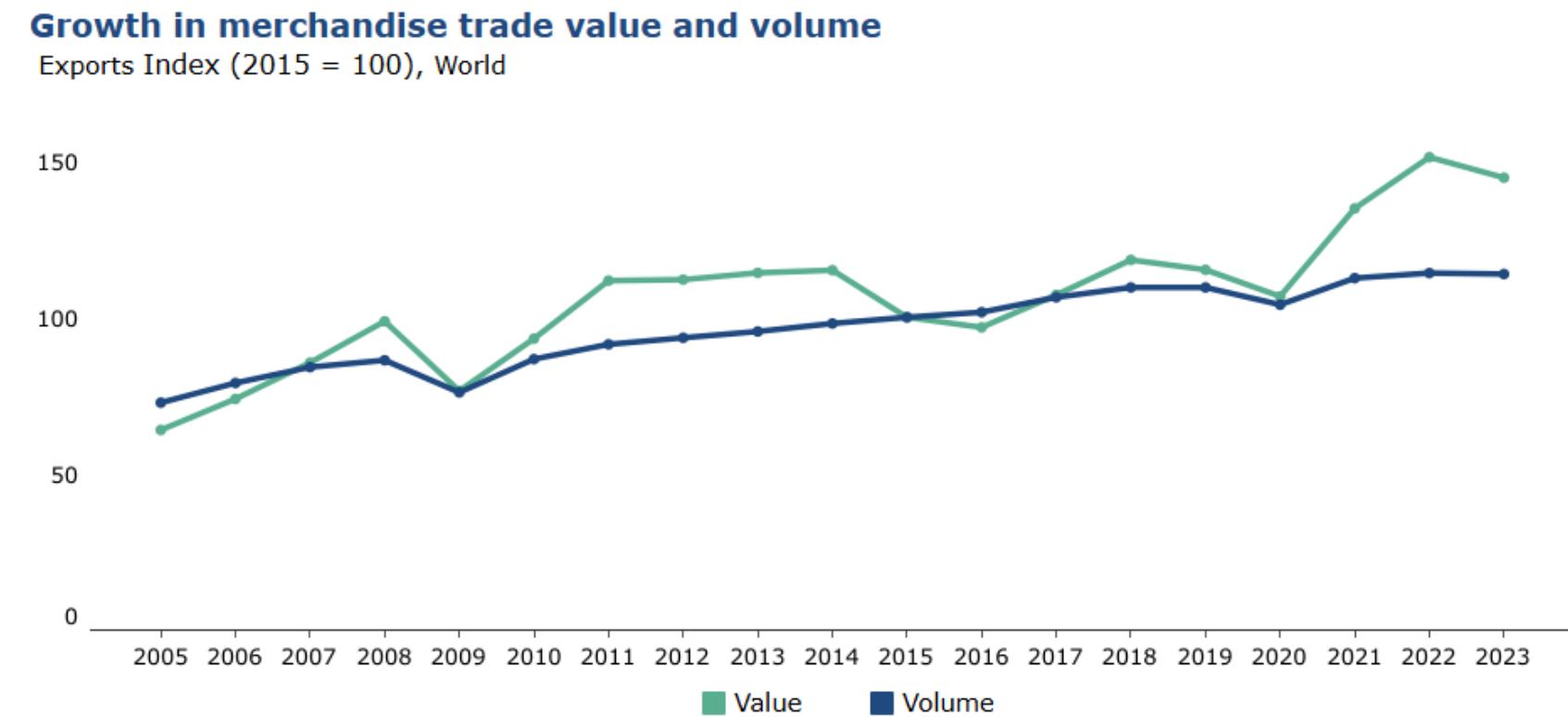
- Global economy affects trade flows & business strategy
- Determines competitiveness of countries and firms
- Shapes demand, supply, jobs, prices, technology, investment
- Countries cannot compete globally without understanding drivers
- Helps us interpret global trends and macroeconomic risks
- Forms the foundation for all trade decisions

What Drives Global Economy

A complex mix of factors:

1. Supply and demand dynamics

- Over-demand: inflation risk
- Under-demand: recession risk
- Affects trade volume, pricing of global goods
- When Demand >Supply, there will be growth (more jobs, higher income)



Source: From *World trade statistics: Key insights and trends in 2024*, by World Trade Organization, n.d., https://www.wto.org/english/res_e/statis_e/world_trade_statistics_e.htm

What Drives Global Economy

A complex mix of factors:

2. Technological innovation

- Digital technologies: AI, blockchain, IoT; automation reshapes manufacturing, services
- Lowers transaction, coordination costs
- Creates new business models (e-commerce, fintech)
- Technology gap between countries affects trade power, e.g. rivalry in advanced semiconductors between the United States and China

What Drives Global Economy

A complex mix of factors:

3. International trade and globalisation

- FTAs, tariffs, trade rules affect cross-border flows
- Increases access to foreign markets and resources, but also drives both opportunities and geopolitical risks

4. Monetary and fiscal policies

- Monetary policies (central banks): interest rates, money supply, inflation, hence affects borrowing, investment, currency value
- Fiscal policies (government): taxation, government spending, hence affects growth, demand, debt
- Both affect trade flows & competitiveness

What Drives Global Economy

A complex mix of factors:

5. Labour market and demographics

- Affects workforce size, skills, productivity levels
- Ageing populations means higher healthcare cost, skill shortages
- Emerging economies have younger labour forces
- Wage differences drive outsourcing and relocation

6. Financial markets and investment flows

- Foreign Direct Investment (FDI) indicates global trust
- Singapore's strength: trade finance, capital flows, risk management

What Drives Global Economy

A complex mix of factors:

7. Natural resources and energy markets

- Access to energy and minerals can be strategic advantage
- Resource shortages disrupt production and trade
- Geopolitics linked to energy security, e.g., Russia vs Ukraine
- Energy prices influence transport and supply chain costs

8. Political stability and governance

- Stability attracts long-term investments
- Trade wars/sanctions distort trade flows
- Corruption increases transaction cost

What Drives Global Economy

A complex mix of factors:

9. Inflation and deflation trends

- Inflation affects exchange rates and export competitiveness
- Deflation deters investment and slows trade activities

10. Climate change and sustainability

- Carbon taxes and ESG reporting becoming a requirement
- Sustainability is now part of trade policy
- Green technologies create new industries, trade flows

Activity 1.1

How does global trade affect my field?

- In your groups, you may see group mates from different majors.
- Each person to say their area of study
- Discuss:
 - How does global trade impact your field?
 - What jobs or opportunities depend on trade?
- Let's discuss: Which industries will struggle if supply chains become local-only?

Impact of Global Economy on Countries and Companies

- Technology and FTAs accelerate global connectivity
- Impact varies by how interconnected a country is



Positive: access to cheaper materials, labour, expertise; overall lower costs and greater variety for consumers (outsourcing, global value chains)



Negative: unequal gains, crisis can spread quickly

Classical Theories of International Trade

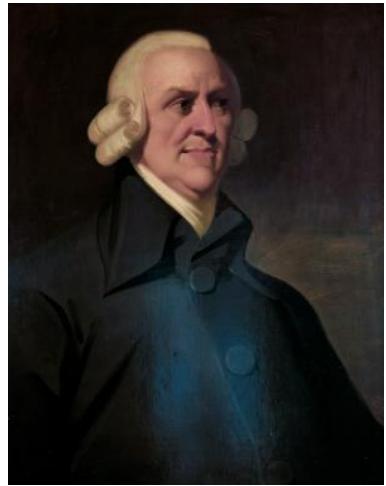


Image source: Wikipedia

- Adam Smith - Absolute Advantage
 - Countries should specialise in goods they can produce more efficiently than others



Image source: Wikipedia

- David Ricardo - Comparative Advantage
 - Even if a country is good at many things, it should specialise in what it produces relatively better
 - Trade based on opportunity cost differences

Modern Theories of International Trade

- But countries differ in labour, capital, resources; trade is also about scale and innovation
- Heckscher-Ohlin Model
 - Trade depends on factor endowments (labour, capital, land)
 - Countries export goods that use their abundant factors
 - Economies of scale and product differentiation drive trade
- Explains why similar countries trade similar goods (e.g., cars Germany vs Japan)
- Which theory explains the world best today? Why do you say so?

Chapter 2: The Global Trade System

What is the WTO?



World Trade Organization (WTO)

- International body that oversees trade rules between nations
- Covers >95% of world trade
- Administers trade agreements, forum for negotiation and dispute resolution
- Helps developing countries build trade capacity
- Main goal is to improve global welfare through trade

Principles of the Trading System

Core Principles:

- Trade without discrimination:
 - Most-Favoured-Nation (MFN) Treatment
 - National treatment
- Free trade (gradually)
- Predictability
- Fair competition
- Development and economic reform

Activity 1.2

- Pick one principle per group
 - Most-Favoured-Nation (MFN)
 - National Treatment
 - Free Trade
 - Predictability
 - Fair Competition
 - Development and Reform
- Discuss in your groups and present to the class:
 - What does your principle try to protect?
 - Find one real example from news or your own experience, e.g., Apple imports, tariffs, subsidies, COVID disruptions

What are Trade Policies?

Tools used by governments to control or influence cross-border trade:

- Tariffs (tax on imports)
- Quotas (limits on quantity)
- Subsidies (support to local industries)
- Import bans / export controls
- Non-tariff measures, e.g. certification

Think about recent trade disputes. Do you think the WTO rules truly create a level playing field or do stronger countries still benefit more?

Protectionism vs Liberalisation

Protectionism

Protect local firms and jobs

Tariffs, quotas, subsidies

Short-term job security

Risk: inefficiency & high prices

Liberalisation

Promote competition and market access

FTAs, WTO rules, tariff cuts

Long-term efficiency & trade growth

Risk: job displacement & inequality

Major Trade Agreements and Institutions

Global vs regional trade architecture

- WTO: global system and dispute resolution
- FTAs and RTAs: regional blocs shaping trade rules

Agreement	Region/Key members	Main Feature
RCEP	ASEAN + China, Japan, South Korea, Australia, NZ	World's largest FTA, covering 30% of global GDP
CPTPP	Asia-Pacific + Canada + Mexico	High standard rules (IP, labour, sustainability)
USMCA	North America (US, Mexico, Canada)	Replaced NAFTA; tougher labour rules
EEA	Europe region	Extends EU market access to non-EU members (EFTA states) without full EU membership.

Activity 1.3

Singapore is considering a new Free Trade Agreement with Country X. You are part of a government advisory panel.

Assume the following potential effects:

- Tariffs will be reduced
- Trade and investments will increase
- More foreign workers and companies may enter Singapore

Give your advice: What are the considerations? Should we sign it?

- In your group, select one role: local SME, major exporter/MNC, port operator, logistics firm, consumer association, etc. Argue for and against the FTA.

Summary of Learning Outcomes

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THANK YOU