

THE IMPORTANCE OF INTERNATIONAL TRADE IN THE GLOBAL ECONOMY

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International trade is the exchange of goods and services between countries, and it plays a critical role in the global economy. By enabling countries to specialize in the production of goods and services for which they have a comparative advantage, international trade increases efficiency and productivity, driving economic growth and development.

One of the key benefits of international trade is that it allows countries to diversify their sources of income and reduce their reliance on domestic markets. By exporting goods and services to other countries, countries can earn foreign exchange and generate revenues that can help fund investment and development initiatives. This in turn can help to create jobs and raise standards of living, particularly in developing countries that may have limited domestic markets.

International trade also enables countries to access a wider range of goods and services at lower prices. By importing goods and services from other countries, countries can take advantage of economies of scale and benefit from cost savings in production. This can help to lower prices for consumers and businesses, driving demand and spurring economic growth.

However, international trade also presents challenges and risks for countries. Competition from foreign producers can sometimes lead to job losses and market disruption, particularly in industries that are less competitive or lack comparative advantages. Additionally, international trade can expose countries to external shocks, such as changes in exchange rates or disruptions to global supply chains.

Despite these challenges, the benefits of international trade are significant and far-reaching. As the world becomes increasingly interconnected and globalized, international trade is likely to play an even greater role in driving economic growth and development. By promoting specialization, efficiency, and innovation, international trade has the potential to create a more prosperous and interconnected global economy.