***SS1 LESSON***

***SUBJECT: COMMERCE***

***TOPIC: FOREIGN TRADE***

***INTRODUCTION:***

Foreign trade, otherwise called international trade, is the exchange of goods and services between two or more countries. The principle underlying the buying and selling between one country and another is specialization. The theory of international trade, therefore, is based on the principle of comparative cost propounded by David Richards.

***Types of Foreign Trade***

***(a). Bilateral Trade:*** Bilateral trade is a trade agreement in which two countries exchange goods and services.

***(b). Multilateral Trade:*** Multilateral trade is a type of international trade in which a country trades with many other countries.

***Reasons For Foreign Trade***

1. Uneven distribution of natural resources

2. Differences in climatic condition

3. Differences in technology

4. Differences in skills

5. Differences in taste

6. Desire to improve the standard of living.

***Advantages of Foreign Trade***

1. Sources of revenue for nations of the world.

2. Promotion of economic development.

3. Provision of employment opportunities.

4. It leads to international specialisation.

5. Increase in world output.

6. Availability of variety of goods.

7. It fosters closer international relationship.

8. Increase in standard of living.

***Disadvantages of Foreign Trade***

1. Encouragement of dumping.

2. Competition with infant industries.

3. It leads to cultural and social alteration.

4. Importation of dangerous or harmful goods.

5. Creation of balance of payment deficit.

6. It leads to over-dependence on foreign goods.

7. It leads to exploitation.

***ASSIGNMENT:***

Critically discuss the economic effect of the closure of Nigerian borders.

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