Ghardaia University

Faculty of Economics, Commercial Sciences and Management Sciences

Department of Commerce sciences

Specialized English

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pedagogical handout intended for second-year students specializing in Finance and International Trade

2025-2026

مدونة مادة الإنجليزية المتخصصة

السداسي: الخامس

وحدة التعليم: الأفقية

المادة: لغة أجنبية متخصصة 1

الرصيد: 01

المعامل: 01

نمط التعليم: حضوري/ عن بعد

أهداف التعليم:

- Understand and analyse any document dealing with the fields of study.
- Develop critical thinking skills related to analysis and decision making.
- Develop written skills in business contexts.
- Acquire a high level of knowledge of business concepts by using correct vocabulray and phrases for their specific tasks.
- Develop greater verbal fluency for face-to-face business situations.

المعارف المسبقة المطلوبة:

Students must have successfully completed the lessons of S1, S2, and S3. They should have developed a strong understanding of the basic concepts related to their fields of expertise, namely, Economics, Trade, Accounting, Management, and Finance as well as improved their verbal communication skills.

L3 program consists of two semesters with 24 seminars, each seminar is 1h30to prepare students for various professions in companies with a strong specialization in this field.

محتوى المادة:

- **International Trade policy**
- **Multinational corporations**
- **Globalization**
- **Neoclassical Model of International Trade**
- **World Trade Organization**
- **Global Business Skills**
- **Incoterms in International Trade**

Summary :

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Introduction

The present course material provides an extensive overview of the major themes shaping today's global economic and business environment. It introduces students to the essential principles of international trade and finance, examining how nations, institutions, and corporations interact within an increasingly interconnected world. The content is structured around key pillars that reflect both theoretical and practical dimensions of international business. It begins with the study of International Trade Policy, analyzing its objectives, tools, and effects on economic development and competitiveness. It then explores Multinational Corporations, their organizational forms, global strategies, and influence on host economies, particularly in developing countries. The section on Globalization highlights the evolution, benefits, and challenges of worldwide integration, while the Neoclassical Model of International Trade explains trade theories based on comparative advantage and factor endowments. Further, the material introduces the World Trade Organization (WTO) as the institutional framework governing global commerce, followed by a detailed presentation of Incoterms**,** which standardize international trade practices and clarify the responsibilities of buyers and sellers. Finally, the module focuses on Global Business Skills, emphasizing cross-cultural communication, negotiation, leadership, and ethical behavior in multinational contexts. Together, these topics provide a coherent understanding of how international trade, corporate strategy, and global governance interact in shaping the modern world economy.

This printed course material is designed for **third-year students specializing in International Finance and Trade.** It aims to strengthen their mastery of specialized English terminology and concepts related to global business, trade policy, and international economics. The course serves both as a linguistic and conceptual bridge between theoretical knowledge acquired in previous semesters and its practical application in international business environments.

Throughout this module, students will explore key topics such as International Trade Policy, Multinational Corporations, Globalization, the Neoclassical Model of International Trade, the World Trade Organization (WTO), Global Business Skills, and Incoterms. Each chapter has been carefully structured to introduce essential vocabulary, analytical frameworks, and real-world examples that reflect current global economic dynamics.

By engaging with the material, learners are expected to:

- **Develop advanced reading and comprehension skills** in English within a professional context.
- **Acquire specialized vocabulary** used in finance, trade, and management.
- **Enhance critical and analytical thinking** through the interpretation of case studies and policy documents.
- **Apply language functions** suitable for negotiation, presentation, and report writing in international business scenarios.

This manual is not only a linguistic tool but also an academic guide to understanding the complex mechanisms that govern international trade and corporate globalization. It prepares students to interact confidently in multinational contexts and equips them with both theoretical insights and professional communication skills necessary for future careers in finance, trade, and international organizations.

Chapter 1 : International Trade policy

Chapter 1 : International Trade policy

International trade policy plays a central role in shaping how nations interact economically, politically, and strategically in an increasingly interconnected world. As the global economy continues to evolve, governments rely on a wide range of policy tools such as tariffs, quotas, subsidies, and trade agreements to regulate cross-border flows of goods, services, and capital. These policies influence not only trade patterns but also economic development, investment dynamics, industrial competitiveness, and the integration of countries into global value chains.

In recent years, the international trading system has faced profound challenges, including rising protectionism, geopolitical tensions, supply-chain restructuring, and governance limitations within the World Trade Organization (WTO). Such developments have reshaped the landscape of global commerce and intensified debates on economic fragmentation versus re-globalization.

Understanding international trade policy therefore requires a comprehensive exploration of its objectives, instruments, economic impacts, and contemporary issues. This chapter provides an analytical foundation for these themes, offering students and researchers a structured overview of trade policy mechanisms, their implications for national development strategies, and the emerging trends affecting world trade today.

Chapter 1 : International Trade policy

1. definition of International Trade Policy

International Trade Policy refers to the set of laws, regulations, strategies and international agreements that a government adopts in order to influence, regulate or facilitate the flow of goods, services and capital across national borders. It encompasses instruments such as tariffs, quotas, subsidies, trade-agreements, and other "behind-the-border" measures designed to achieve economic, social or political goals, both domestically and in relation to other countries.
In a broader sense, it may also aim at creating favourable external and internal conditions for the production, export and import activities of national firms, aligning with a country's development strategy.[1]
It can be defined as follows: "International Trade Policy is a set of rules, laws, and agreements made by a government to control and manage how goods and services are bought and sold between their country and other countries. These policies include things like tariffs (taxes on imports), quotas (limits on how much can be imported), subsidies (financial support to local businesses), and formal trade agreements with other nations. The main goal is to protect national interests, support local industries, and promote economic growth."[2]

2. Objectives of Trade Policy

The objectives of international trade policy represent the goals governments aim to achieve through their regulation and management of cross-border commerce. These objectives vary by country but share common themes:

[1] Organisation for Economic Co-operation and Development (OECD). "Trade Policy … any policy affecting international trade, including especially tariffs and non-tariff barriers."
[2] Energy Research & Social Science, Volume 55, September 2019, Pages 179-188

Chapter 1 : International Trade policy

A. Main Objectives:

- Promoting Exports :

One of the primary goals is to increase export activities, thereby contributing to economic growth and foreign exchange earnings. Governments aim to develop export potential and export performance to boost the country's presence in global markets[3].

- Economic Growth and Development :

Trade policy serves as an effective tool of economic growth by giving a push to employment generation. It aims to boost economic activity and enhance overall prosperity.

- Import Management and Substitution :

Reducing reliance on foreign imports by encouraging domestic production of goods that were previously imported. This helps protect and develop local industries.

- Trade Balance Management :

Ensuring a favorable trade balance by promoting exports and controlling imports, which helps maintain healthy foreign exchange reserves. The policy aims to create a favorable balance of payments position.

- Protecting Domestic Industries :

Protecting domestic industry and trade from unfair competition while allowing them time to develop competitiveness.

- Meeting National Needs :

Meeting the needs of the people for goods and services that cannot be produced domestically or are produced inefficiently.

[3] OEDC Repport.

- Economic Stability :

Sustaining economic stability by regulating the flow of goods and services in and out of the country.

- Encouraging Foreign Investment :

Creating an attractive investment climate for foreign companies to improve local industries and increase employment.

- Improving Competitiveness :

Making domestic producers more competitive in the global market by reducing costs and improving efficiency.

- Resource Allocation Efficiency :

Liberal trade policies improve efficiency through their effects on relative prices, resource allocation, and exposure to foreign competition.

- Market Access and Expansion :

Opening up new markets for local businesses, allowing them to diversify and reduce dependency on domestic consumers.

- Job Creation :

Foreign trade drives demand for goods and services, leading to employment opportunities in various sectors, particularly manufacturing and exports.

B. Strategic Objectives:

- Making profits through international trade without harming other countries
- Collecting foreign exchange through exports
- Encouraging development of domestic industry and facilitating entry into global markets
- Promoting innovation and adoption of cutting-edge technologies

- Enhancing the country's global competitiveness and international market share

These objectives are interconnected and reflect both economic and strategic considerations that guide how countries formulate and implement their trade policies[4].

3. **Main Tools of Trade Policy**

- **Tariffs :** Tariffs are taxes imposed on imported (and sometimes exported) goods. They raise the domestic price of foreign products, protecting local industries and generating government revenue. *Example:* A percentage tax on imported electronics.
- **Quotas** : Quotas set a physical limit on the quantity of a product that can be imported (or exported) during a specific period. They are used to restrict foreign competition and control supply levels. *Example:* Limiting the number of imported cars each year.
- **Subsidies** : Subsidies are financial aids or incentives provided by governments to domestic producers or exporters. They reduce production costs and enhance the competitiveness of local industries in global markets. *Example:* Direct cash grants to exporters or low-interest loans to local manufacturers[5].
- **Trade Agreements** : Trade agreements are bilateral or multilateral treaties between countries that define the terms of trade, reduce or eliminate trade barriers (such as tariffs or quotas), and promote market access.

  Example: Agreements that lower tariffs among member countries to boost trade.

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[4] IMF , https://www.elibrary.imf.org/display/book/9781557754691/ch01.xml

[5] **OECD (2007).** *Trade Policy Working Paper No. 52.* one.oecd.org

- **Export Restraints (Voluntary Export Restraints – VERs)** : Export restraints are agreements in which an exporting country voluntarily limits the quantity of its exports to another country to avoid stricter trade restrictions.
  Example: Japan's voluntary limits on car exports to the United States in the 1980s[6].

This table visually summarizes complex tools and helps students compare them quickly

Table n°1 : Main Tools of Trade Policy

Tool	Description	Main Objective	Example
Tariffs	Taxes imposed on imported goods	Protect domestic industries and raise government revenue	Import duties on electronics
Quotas	Limits on quantity of imports	Control foreign competition	Limiting imported cars
Subsidies	Financial support to local producers	Enhance competitiveness	Government support for local farmers
Trade Agreements	Bilateral or multilateral treaties	Promote free trade	EU-Mercosur Agreement
Export Restraints	Voluntary limits on exports	Avoid stricter trade barriers	Japan's limits on car exports to the U.S.

Source : prepared by the researcher

4. **Effects of Trade Policy on Economic Development, Investment, and Competitiveness**

[6] **UNCTAD (2017).** *Trade Policy Frameworks for Developing Countries.* unctad.org

Chapter 1 : International Trade policy

Trade policy significantly influences how economies develop, attract investment, and compete globally. The effects are complex and multifaceted, with both positive opportunities and challenges depending on how policies are designed and implemented.

A. Effects on Economic Development

- ***Positive Effects of Trade Liberalization:***

Trade liberalization—reducing tariffs and trade barriers—generally promotes economic development and growth. Countries that implemented trade policy reforms during the 1980s and 1990s, influenced by WTO negotiations, experienced greater GDP per capita growth rates compared to those that did not. Research shows that when tariffs are reduced on intermediate inputs and capital goods, firms have increased incentives to invest, which raises steady-state growth. Lower tariffs on intermediate inputs increase productivity, leading to sustained economic growth.
Comprehensive trade policy reform generates substantial benefits. When G20 economies simultaneously cut tariffs and reduce unnecessary trade costs associated with non-tariff measures in both goods and services, average GDP growth increases by 6.7% substantially above the sum of individual reforms[7].

- ***Long-Term Growth Mechanisms***:

Trade openness strengthens long-run economic growth through two main channels: capital accumulation and total factor productivity (TFP) growth. Trade openness speeds up both output growth and TFP-growth when longer time horizons are analyzed. The empirical evidence from 1960-1998 confirms that trade openness—measured by both quantity and price indicators—was in long-run equilibrium with investment and productivity.

[7] OECD, Trade policy and global economy

- ***Poverty Reduction:***

Trade liberalization has the potential to alleviate poverty in emerging countries. Research indicates that in regions with greater concentrations of industries that lost protection as a result of tariff reductions, a drop in import tariffs helps to reduce relative poverty. Benefits are not, however, distributed equally among all workers and geographical areas.

- ***Mixed Effects and Drawbacks:***

Trade policies boost economic growth by promoting environmental quality, labor rights, and human development, but they also raise carbon emissions and income inequality. Trade policy changes have significant economic ramifications and varied in how they affect worker wages across various sectors and businesses. When compared to industries with lower tariffs, trade liberalization lowers wage premiums for workers in those with considerable tariff reductions.

Furthermore, because tariffs affect resource allocation, their long-term impacts may result in economic inefficiencies. Economic growth may be slowed when resources are taken away from more productive sectors in order to protect less efficient home industries.

B. Effects on Investment

- ***Foreign Direct Investment (FDI) Attraction:***

Trade policy significantly influences FDI flows. The degree of competition on the host market—shaped by trade policy—influences the type of FDI attracted. High tariffs are likely to attract "tariff-jumping" FDI, where foreign companies invest primarily to bypass border barriers rather than for efficiency reasons.

This type of investment may not bring significant productivity improvements to the host economy.[8]

- ***Optimal Investment Climate:***

The predominant form of foreign direct investment (FDI) changes to resource- and efficiency-seeking investment with potential productivity spillovers for the domestic economy when trade and investment liberalization are pursued in competitive marketplaces. When domestic and international businesses engage and when there are incentives for the sharing of technologies and know-how, foreign direct investment (FDI) has the most positive impact on the host economy.

- ***Investment Climate Improvements:***

Trade liberalization policies are directly complemented by the investment climate, which includes infrastructure, property rights, trade facilitation, entrance requirements, regulatory quality, and access to financing. When these metrics improve, export volumes rise and distortions brought on by limited access to international markets decrease. A one standard deviation improvement in the investment climate benefits countries with less favorable access to global markets by about 10 percentage points.

- ***Capital Accumulation and Growth:***

Trade policy affects capital accumulation, which in turn affects long-term economic development. Longer periods of better economic growth are experienced by nations with sound investment-friendly economic policies. Trade liberalization strengthens capital accumulation by providing businesses with more incentives to invest in capital goods and intermediate inputs.

[8] OECD, Trade policy paper n°60.

- ***Trade Agreements and Investment Flow:***

Trade agreements promote cross-border investments and increase market access, which both aid in economic development. Over time, increased trade, investment, and economic growth have been facilitated by regional trade accords such as the European Union's Single Market, which were created through treaties and agreements that removed internal trade barriers.

C. Effects on Competitiveness

- ***Enhancement of Firm Competitiveness:***

Enhancements to the investment climate directly boost businesses' competitiveness, which works in tandem with trade liberalization policies to produce long-term export success. Reducing trade barriers puts additional pressure on domestic businesses to innovate and become more efficient in order to compete with imports.

- ***Innovation and Technology Spillovers:***

Increased output and trade among trading partners are two benefits of import competition, which also fosters innovation. Businesses are encouraged to embrace new technology and increase productivity when nations open their markets to global competition. The telecoms industry serves as proof that opening up industries to international competition can have a positive impact by fostering innovation and efficiency.

- ***Resource Allocation and Efficiency:***

Resources like labor and capital are distributed according to comparative advantage in free-market economies with low tariff protection; countries concentrate on producing things where they are most efficient. The total competitiveness is improved by this efficient resource allocation. However, this comparative advantage is distorted and competitiveness is decreased when tariffs are imposed to protect indigenous industries that are less efficient.

- ***Consumer Benefits and Competitiveness:***

Consumer prices have significantly decreased as a result of trade policy changes that increase imports. Reduced costs boost demand and consumer spending power, which supports economic expansion generally and fosters greater competition in the marketplace. When comprehensive trade policy change is achieved, consumer demand rises by an average of 7.8% in all G20 economies.

- ***Market Competition and Firm Behavior:***

By making it easier for foreign companies to enter domestic markets, trade and investment liberalization in regulated areas can impose competition. Trade and investment liberalization significantly reduces competition in contestable markets by prohibiting domestic producers from abusing their market position. Businesses are compelled by this pressure to become more efficient and competitive.

- ***Global Value Chains:***

Through involvement in international industrial networks and global value chains, trade policy influences competitiveness. Open trade policies and investment-friendly environments put nations in a stronger position to draw in global production and establish themselves as competitive hubs in global supply chains.

5. Trade Policy Reform Scenarios: Comparative Benefits

According to OECD analysis, different trade policy reforms have varying impacts on competitiveness and economic development[9]:

- Tariff reduction alone: Increases GDP by an average of 1.9% for G20 economies

[9] OECD, Trade policy paper n°60.

- Reducing non-tariff measure costs on goods: Increases GDP by 1.25%
- Reducing non-tariff measure costs on services: Increases GDP by 1.5%
- Comprehensive reform across all three areas: Increases average GDP growth by 6.7%

Table n°2 : Impact of Trade Policy Reform on Economic Indicators (OECD, 2023)

Type of Reform	Average GDP Growth Impact	Main Outcome
Tariff Reduction	+1.9%	Boosts exports and competitiveness
Reducing Non-Tariff Barriers (Goods)	+1.25%	Improves market access
Reducing Non-Tariff Barriers (Services)	+1.5%	Encourages service trade growth
Comprehensive Reform	+6.7%	Enhances growth and investment

Source : numerical data from the OECD.

6. Critical Context Dependency

The effects of trade policy on economic development, investment, and competitiveness are context-dependent and influenced by several factors:

- Quality of institutional arrangements: Strong institutions enhance the positive effects of trade liberalization
- Targeted industries: Different sectors respond differently to trade policies
- Ability to manage adverse effects: Policies must address concerns like economic inequality and environmental degradation
- Complementary domestic policies: Trade liberalization works best when accompanied by policies supporting investment and competition
- Level of development: Developing versus developed countries may experience different impacts.

7. Contemporary Challenges in International Trade Policy

The global trading system faces unprecedented challenges in 2025 and beyond, stemming from rising protectionism, economic fragmentation, WTO governance issues, and escalating trade disputes. These contemporary challenges threaten the stability and predictability of international commerce that has characterized the post-World War II era.

Table n°3: Examples of Protectionist Measures and Their Consequences

Protectionist Measure	Country / Case	Statistics / Data	Consequences	References
Increase in Tariffs on Steel and Aluminum (2018)	United States	Tariffs of **25% on steel** and **10% on aluminum**	Raised domestic prices by **10%**, retaliatory tariffs from China, Canada, EU; estimated loss of **~400,000 jobs** in downstream industries	OECD (2019); WTO Trade Policy Review (2020)
Chinese Tariffs on U.S. Soybeans (2018–2019)	China	Imposed **25% additional tariffs** on U.S. soybeans	U.S. exports to China fell by **~50%**, farmers required **$28 billion** in subsidies	USDA Report (2020); WTO Dispute Settlement DS543
EU Agricultural Subsidies (CAP)	European Union	CAP budget: **€55 billion annually**	Overproduction, distortion of global agricultural prices, reduced competitiveness for developing countries	EU Commission (2022); World Bank (2021)
Import Restrictions on Cars (Local Content Requirements)	Brazil	Requirement: minimum **65% local components** for tax benefits	Increased car prices by **8–10%**, lower variety for consumers, limited competition	World Bank – Doing Business (2020); OECD (2019)
India's Smartphone Import Tariffs	India	Tariffs increased from **0% to 20%** (2017–2020)	Domestic production increased, but smartphone prices rose **15–18%**, reducing affordability	UNCTAD Digital Economy Report (2021); WTO Notifications (2020)
Russia's Food Import Ban (2014)	Russia	Ban on EU/US agricultural imports worth	Food prices increased **25–40%**, shortages in some products;	FAO (2017); WTO – Russia Trade Profile

		$9 billion annually	growth of domestic agriculture	
Safeguard Tariffs on Solar Panels	United States	Tariff of **30%** in 2018 declining to 15%	U.S. solar installations dropped **~12%** the next year	Solar Energy Industries Association (SEIA, 2019)
Export Restrictions on Rare Earths	China	Cut exports by **~40%** in 2010	Increased global prices by over **300%**, trade disputes filed at WTO	WTO DS431; USGS Rare Earths Report (2012)

The table below highlights several recent examples of protectionist actions taken by different countries and regions, along with their broader economic and political consequences. This overview aims to help students understand how such policies influence international trade flows, market conditions, and global economic stability.

Table n°4 : Further Examples of Protectionist Measures and Their Consequences

Country/Region	Protectionist Measure	Year	Impact
United States	10–20% import tariffs (Trump proposal)	2025	Reduces trade volume, increases prices
European Union	Tariffs on Chinese EVs	2024	Retaliation by China on French exports
China	Retaliatory tariffs on brandy imports	2024	Trade tension escalation
Global	Rise of “friend-shoring”	2023–2025	Regionalized production hubs

Source : https://www.whitehouse.gov/fact-sheets/2025/04/fact-sheet-president-donald-j-trump-declares-national-emergency-to-increase-our-competitive-edge-protect-our-sovereignty-and-strengthen-our-national-and-economic-security/
https://www.euronews.com/business/2025/04/03/trump-announces-10-reciprocal-global-tariffs-with-higher-rates-on-some-nations

- For the United States, the “10–20%” figure is a political proposal/election campaign idea, not a fully implemented measure to date.
- For the European Union, the reported figures come from official investigations and legislative decisions in 2024, which gives them an actual executive/legal status.

- For China, the measures are a retaliatory response within a trade dispute, specifically targeting EU brandy exports.
- “Friend-shoring” is not a traditional protectionist tariff (such as customs duties), but rather a policy and supply-chain trend that prioritizes “friendly” or politically aligned countries. It is less quantifiable but represents a significant shift in global trade patterns.

A. Protectionism and Rising Trade Barriers

- ***Scale and Growth of Protectionist Measures:***

Alarming levels of protectionism have been attained. Global Trade Alert, which monitors policy changes that impact international investment and trade, reports that the number of detrimental policy interventions rose sharply from 600 in 2017 to over 3,000 annually in 2022, 2023, and 2024, respectively, with comparable levels anticipated in 2025.

Regime changes, geopolitical rivalries, the effects of climate change, and nations' desire to secure vital natural resources for technological advancements and energy transitions are some of the causes of the rise in protectionism. Compared to the late 20th century's decades of trade liberalization, this marks a substantial shift.

* Current Illustrations: US Tariff Laws: One of President-elect Donald Trump's campaign pledges was to impose 10–20% tariffs on all US imports, with higher rates in some circumstances. Existing agreements such as the United States-Mexico-Canada Agreement (USMCA) are directly at odds with these principles.

EU-China EV Tariffs: Targeting France, a significant brandy exporter and ardent supporter of EV tariffs, China responded to the EU's November 2024 import duties on Chinese electric vehicles with up to 35% tariffs on brandy imports.

- ***Economic Consequences of Protectionism:***

Research using computable general equilibrium models projects significant negative impacts. A comprehensive trade war scenario initiated in 2025 consistent with proposed US tariff policies—would result in[10]:

- World GDP decrease of 0.5% by 2030
- World trade decrease of 3.4% by 2030
- US GDP losses of 1.3% by 2030
- China GDP losses of 1.3% by 2030

- ***Long-Term Restructuring:***

Global supply chain architecture is undergoing significant modifications due to protectionist policies:

- Reshoring vital industries: Bringing manufacturing closer to final consumers, especially in the energy, semiconductor, and medical supply sectors
- Relocating production to nations with similar political views in order to lower geopolitical risk is known as "friend-shoring."
- Regional manufacturing hubs: Establishing production facilities to cater to particular markets as opposed to international supply chains
- Redundancy building: establishing several sources of supplies to lessen susceptibility to interruption

B. Economic Globalization vs. Fragmentation

- ***The Globalization Paradox:***

While globalization has delivered substantial economic benefits over the past three decades, including poverty reduction and wealth gap narrowing between

[10] https://www.cepii.fr/CEPII/fr/publications/wp/abstract.asp?NoDoc=14398

nations, it has simultaneously created vulnerabilities and exacerbated in-country inequality.

The WTO's World Trade Report 2023 identifies potential perils of a fragmented world economy. A fragmented economy could curtail growth, stymie development, and prevent global collaborative efforts on critical issues like climate change and sustainable development.

- ***Key Concerns About Fragmentation:***
- Reduced Economic Integration: Economic fragmentation undermines the interdependence that has historically incentivized peaceful cooperation between nations
- Innovation Barriers: Fragmented markets reduce incentives for innovation and technology transfer across borders
- Higher Production Costs: Redundant manufacturing in multiple regions increases production costs and reduces efficiency
- Environmental Challenges: Fragmentation hinders the global transition to renewable energy and exacerbates environmental concerns
- ***The "Re-globalization" Debate:***

The WTO proposes "re-globalization" as a potential solution that balances security, economic prosperity, and environmental sustainability. This approach aims to maintain beneficial aspects of international trade while addressing legitimate concerns about geopolitical vulnerability and economic inequality.

8. WTO Regulations and Governance Challenges

- ***Structural Limitations of the WTO:***

While the WTO established fundamental principles for global trade—including the Most-Favored-Nation (MFN) principle and national treatment provisions—it faces significant challenges in enforcement and adaptation.

Chapter 1 : International Trade policy

- ***<u>Core WTO Principles:</u>***

The WTO established two basic principles:

- MFN Principle: Ensures all members enjoy equal competitive opportunities
- National Treatment Principle: Guarantees products from exporters and importers have equal competitive opportunities
- ***<u>Legal and Implementation Challenges:</u>***

The WTO agreements have created complex impacts on member countries, particularly regarding:

- Harmonization between national and international law
- Domestic political and economic dynamics that conflict with WTO obligations
- Challenges for developing countries in implementing complex provisions
- Global economic injustice, where developed countries better utilize WTO provisions than developing nations
- ***<u>Lack of Rule of Law:</u>***

A critical issue undermining the WTO is that many member countries apply trade remedy laws inconsistently and without rigorous adherence to established procedures. Since there is no injunctive relief to stop misapplied trade remedy measures, and WTO dispute resolution takes years, countries can maintain protectionist measures for extended periods before facing consequences.

- ***<u>Evolving Barriers Beyond Tariffs:</u>***

Modern trade barriers increasingly involve regulatory practices, forced localization measures, and intellectual property restrictions rather than traditional tariffs:

- Regulatory Barriers: Disguised trade barriers hidden in government regulatory practices (e.g., unnecessarily high product standards)

- Forced Localization: Requirements that firms locate investments or operations within a country's territory
- State-Owned Enterprise Advantages: Government influences that give SOEs financial or regulatory advantages
- IPR-Related Barriers: Forced technology transfer, indigenous innovation requirements, and compulsory licensing
- ***<u>Trade Disputes: Contemporary Issues and Trends</u>***

Nature and Scope of Modern Trade Disputes:

- Global trade disputes arise when one country believes another's trade practices are unfair or violate international agreements. Contemporary disputes involve increasingly complex issues:

Common Dispute Categories:

- Tariffs and Quotas: Accusations of protectionist and unfair trade practices
- Subsidies and Dumping: Providing subsidies to domestic industries or selling goods below cost
- Intellectual Property Rights: Infringements on patents, trademarks, and copyrights
- Standards and Regulations: Differences in product standards and safety regulations creating barriers.

9. Dispute Resolution Mechanisms:

The following are the main procedures for settling trade disputes:

- The WTO Dispute Settlement System offers a methodical procedure that includes panel hearings, appellate reviews, and consultations.
- Regional and bilateral agreements: means for resolving disputes particular to parties

- Compared to WTO procedures, arbitration and mediation are more adaptable and informal processes.
- The two preferred diplomatic methods for identifying amicable resolutions are negotiation and retaliation.

10.Geopolitical and Security-Related Trade Challenges

- **Geoeconomic Confrontation**:

Geoeconomic confrontation, which includes sanctions, tariffs, and investment screening, ranks third in current global risks and tenth over a two-year horizon according to the World Economic Forum's Global Risks Report.

-**Supply Chain Weaponization**: As geopolitical instruments, trade policies are being employed more frequently to:

- Ensure access to vital natural resources for energy and technology transitions
- Limit access to cutting-edge technologies
- Apply selective tariffs and sanctions against political rivals.
- Preserve technological leadership in the production of batteries and semiconductors.
- Consequences for International Trade: New trade restrictions and taxes are anticipated to be implemented in 2025 and beyond.
- Disrupt supply chains even more
- Cost increases, hold-ups, and lost contracts

Uncertainty that impacts supply networks, both digital and physical; new difficulties with cyber-risk resilience

11.Impact on Developing Countries

Asymmetric Impacts of WTO Agreements:

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Developing countries face particular challenges in the contemporary trade environment:

- Greater impact felt by developing countries from WTO implementation
- Developed countries are better positioned to utilize WTO provisions
- Developing countries struggle with harmonizing national law with international obligations
- Limited capacity to participate effectively in dispute resolution processes

12.Case study

Case Study 1: China’s Export-Oriented Policy

China’s trade liberalization since the 1980s transformed it into the world’s largest exporter. Policies such as export incentives and special economic zones (SEZs) attracted foreign investment and boosted manufacturing.

Impact: Significant poverty reduction, industrial growth, and technological advancement.

Case Study 2: Trade Liberalization in Sub-Saharan Africa

Many African countries adopted trade reforms under the guidance of the World Bank and IMF in the 1990s.

Impact: Mixed results — some sectors grew due to increased market access, but many domestic industries suffered from competition with cheap imports.

Case Study 3: NAFTA and Mexico

Mexico’s participation in the North American Free Trade Agreement (NAFTA) led to greater exports and FDI inflows.

Impact: Boosted manufacturing exports (especially automotive), but also increased inequality and dependence on the U.S. market.

13.Key Terms in International Trade Policy

Understanding the fundamental terminology of international trade policy is essential for students as they explore how countries regulate the flow of goods, services, and capital across borders. These key terms provide the conceptual tools needed to analyze real-world trade agreements, protectionist measures, economic negotiations, and the broader forces shaping global markets. By familiarizing themselves with this vocabulary, students can better interpret policy debates, evaluate economic impacts, and engage more confidently with academic and professional discussions related to global trade.

Table n°5 : Key Terms in International Trade Policy

English Term	Arabic Term
International Trade Policy	سياسة التجارة الدولية
Tariffs	الرسوم الجمركية
Quotas	الحصص (الكمّيات المحددة)
Subsidies	الإعانات / الدعم
Trade Agreements	الاتفاقيات التجارية
Export Restraints (VERs)	القيود على الصادرات
Free Trade	التجارة الحرة
Protectionism	الحمائية
Import Management	إدارة الواردات
Trade Liberalization	تحرير التجارة
Balance of Payments	ميزان المدفوعات
Trade Balance	الميزان التجاري
Economic Growth	النمو الاقتصادي
Competitiveness	التنافسية
Foreign Direct Investment (FDI)	الاستثمار الأجنبي المباشر
Non-Tariff Barriers (NTBs)	الحواجز غير الجمركية
Market Access	النفاذ إلى الأسواق
Globalization	العولمة
Trade Disputes	النزاعات التجارية

Chapter 1 : International Trade policy

World Trade Organization (WTO)	منظمة التجارة العالمية
Most-Favored Nation (MFN)	مبدأ الدولة الأولى بالرعاية
National Treatment	مبدأ المعاملة الوطنية
Dumping	الإغراق
Anti-Dumping Duties	رسوم مكافحة الإغراق
Countervailing Duties	الرسوم التعويضية
Local Content Requirements	متطلبات المحتوى المحلي
Trade Facilitation	تسهيل التجارة
Supply Chain	سلسلة التوريد
Trade Barriers	الحواجز التجارية
Export Promotion	تشجيع الصادرات
Import Substitution	إحلال الواردات
Strategic Trade Policy	سياسة التجارة الاستراتيجية
Market Competition	المنافسة السوقية
Consumer Welfare	رفاه المستهلك
Tariff-Jumping FDI	استثمار القفز على الرسوم
Trade Openness	الانفتاح التجاري
Global Value Chains	سلاسل القيمة العالمية

Source : prepared by the researcher

Chapter 1 : International Trade policy

Conclusion

International trade policy remains a powerful force in shaping economic performance, strategic positioning, and global integration. Throughout this chapter, we explored how governments employ a variety of policy instruments—such as tariffs, quotas, subsidies, trade agreements, and export restraints—to achieve objectives ranging from economic growth and industrial protection to competitiveness and market expansion.

The discussion demonstrated that trade policy has far-reaching effects on development, investment flows, technological progress, and the structure of global value chains. While trade liberalization can stimulate growth, enhance productivity, and attract foreign direct investment, protectionist measures often generate economic distortions, raise costs, and contribute to geopolitical tensions.

Contemporary challenges including the resurgence of protectionism, fragmentation of global markets, and the limitations of the WTO system underscore the need for more adaptive, cooperative, and forward-looking trade strategies. Developing countries, in particular, face asymmetrical impacts and must balance integration into the world economy with domestic development priorities.

Ultimately, understanding international trade policy requires not only analyzing its tools and objectives but also appreciating the complex global environment in which these policies operate. This chapter lays the groundwork for deeper engagement with trade-related issues, preparing students to critically assess policy choices and their implications for national and global economic outcomes.

Chapter 2: Multinational Corporations

Chapter 2: Multinational Corporations

Multinational corporations (MNCs) have become pivotal actors in today's globalized economy, shaping patterns of trade, investment, production, and technological diffusion across borders. Their ability to operate in multiple countries, manage complex international networks, and influence global markets makes them central to the study of international business and economic development. This chapter examines the nature, characteristics, and organizational structures of MNCs, highlighting how parent companies, subsidiaries, and strategic alliances interact to create integrated global operations. It also explores the motives that drive firms toward international expansion, such as access to markets, resources, and competitive advantages, as well as the strategies they adopt to balance global efficiency with local responsiveness.

Beyond their internal dynamics, MNCs exert significant influence on host countries—particularly in the developing world—through technology transfer, job creation, and participation in global value chains. However, their operations also bring challenges, including pressure on local industries, environmental concerns, and profit repatriation. The chapter further addresses the legal frameworks governing MNC activities, the growing importance of corporate social responsibility, and real-world case studies that illustrate both the opportunities and complexities associated with multinational operations. By understanding these dimensions, students gain a comprehensive foundation for analyzing how global corporations function and how they shape economic and social outcomes worldwide.

Chapter 2: Multinational Corporations

1. Definition and Nature of Multinational Corporations

1.1 Definition and Concept

A Multinational Corporation (MNC) can be defined as a company that owns or controls production, marketing, or service facilities in two or more countries[1].These corporations operate beyond their national boundaries and make strategic decisions that affect global markets (Hill, 2020). MNCs are central actors in the global economy, influencing international trade, investment flows, and technological innovation.

1.2 Main Characteristics

MNCs are generally characterized by several key features:

- **Large Size and Resources:**

  They usually possess significant financial capital, technological assets, and human resources, allowing them to dominate sectors and compete internationally[2].

- **Global Presence:**

  Their operations are spread across multiple countries, involving subsidiaries, affiliates, or branches. This enables them to diversify production and sales geographically[3].

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[1] Dunning, J.H. *Multinational Enterprises and the Global Economy.* Addison-Wesley.1993. P3.
[2] Rugman, A.M. & Verbeke, A. (2001). *Location, Competitiveness, and the Multinational Enterprise.* Oxford University Press.
[3] Daniels, J.D., Radebaugh, L.H., & Sullivan, D.P. *International Business: Environments and Operations.* Pearson. 2019. P22.

- **Complex Organizational Structure:**

  MNCs exhibit intricate hierarchies that combine **centralized control** (from the headquarters) and **decentralized decision-making** (at subsidiaries)[4].

1.3 Difference Between National, International, and Transnational Corporations

While national corporations operate within a single country, international corporations engage in cross-border trade mainly through exports or licensing agreements. Multinational corporations, in contrast, establish subsidiaries or operations abroad to manage production directly. Transnational corporations (TNCs) go even further, developing integrated global networks that transcend nationality and operate as borderless entities.

2. Forms and Organizational Structures of MNCs

2.1 Parent Companies and Subsidiaries

The most common structure involves a parent company that owns controlling interests in foreign subsidiaries. These subsidiaries are either wholly owned or joint-owned and act as semi-autonomous units. The parent company sets global objectives, while subsidiaries adapt operations to local conditions.

2.2 Strategic Alliances

Strategic alliances are cooperative agreements between firms from different countries that share resources, technology, and market access without full

[4] Bartlett, C.A. & Ghoshal, S. (1989). *Managing Across Borders: The Transnational Solution.* Harvard Business School Press. https://www.hbs.edu/faculty/Pages/item.aspx?num=32 seen on 01/11/2025.

integration[5]. This model allows flexibility and knowledge exchange without large capital commitments.

2.3 Joint Ventures

Joint ventures involve two or more companies forming a new entity to undertake specific business activities. They are particularly common when entering new markets that require local expertise or compliance with regulations[6].

2.4 Mergers and Acquisitions (M&A)

MNCs frequently engage in mergers and acquisitions to gain quick access to markets, technologies, and brands. M&As are a central driver of globalization, enabling firms to consolidate resources and gain strategic advantages.[7]

3. Motives for International Expansion

MNCs expand globally for multiple **strategic and economic reasons**:

3.1 Access to New Markets:

Global expansion allows firms to increase sales, customer bases, and brand recognition across regions[8].

3.2 Access to Resources and Low-Cost Labor:

[5] Contractor, F. & Lorange, P. (2002). *Cooperative Strategies in International Business.* Elsevier.2002. P32
[6] Cullen, J. & Parboteeah, K. *Multinational Management: A Strategic Approach.* Cengage Learning.2017.P132
[7] UNCTAD. (2020). *World Investment Report.* United Nations.
[8] Kotabe, M. & Helsen, K. *Global Marketing Management.* Wiley. 2002. P98.

Companies often invest in developing countries to benefit from abundant natural resources or cheaper labor costs, enhancing competitiveness[9].

3.3 Tax and Investment Incentives:

Governments may attract foreign investors through tax holidays, free-trade zones, or subsidies[10].

3.4 Geographical Risk Diversification:

Operating in different countries reduces dependency on a single market, spreading economic, political, and currency risks[11].

4. Strategies of Multinational Corporations

MNCs adopt diverse strategies depending on market conditions and corporate objectives:

4.1 Global Standardization Strategy

Offering standardized products globally is the main focus of this strategy in order to attain economies of scale and brand consistency. It works well with items that appeal to everyone, such premium brands or technology.

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[9] Hill, C.W.L. *International Business: Competing in the Global Marketplace.* McGraw-Hill. 2020. P42.
[10] OECD. (2019). *Investment Policy Review.* OECD Publishing.
[11] Dunning, J.H. (1993). *Multinational Enterprises and the Global Economy.* Addison-Wesley.

Chapter 2: Multinational Corporations

4.2 Localization (Adaptation) Strategy

In this case, MNCs modify their marketing and product offerings to suit regional cultures and customer tastes. McDonald's, for example, adapts its menus to suit regional preferences.

4.3 Transnational (Integrated) Strategy

By establishing networks of interdependent subsidiaries, this hybrid method aims to strike a compromise between local responsiveness and global efficiency. It is frequently regarded as the most sophisticated type of international management.

4.4 Export and Foreign Direct Investment (FDI) Strategies

While FDI (developing or acquiring overseas facilities) offers more control and a longer-term presence, exporting is the entrance point into global markets.

5. Impact of MNCs on Developing Countries

A- Positive Impacts

- **Technology and Knowledge Transfer:**

  MNCs bring advanced technologies and management practices to host countries[12].

- **Job Creation and Skills Development:**

[12] Narula, R. & Dunning, J.H. (2010). *Multinational Enterprises, Development, and Globalization.* Oxford University Press. P41.
https://www.tandfonline.com/doi/epdf/10.1080/00208825.1995.11656651?needAccess=true

They create employment and enhance local workforce skills through training programs[13].

- **Export Promotion and Economic Growth:**

MNCs help integrate developing economies into global trade networks[14].

B- Negative Impacts

- **Resource Exploitation:**

Overexploitation of natural resources without adequate environmental safeguards.

- **Pressure on Local Industries:**

Local firms may be unable to compete with global giants[15].

- **Profit Repatriation and Capital Flight:**

A large portion of profits is often transferred back to the parent country, reducing domestic reinvestment[16].

6. Legal and Regulatory Aspects

MNC operations are governed **by** national and international legal frameworks, including:

- **Foreign Direct Investment (FDI) Regulations:**

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[13] UNCTAD. (2020). *World Investment Report.* United Nations.
[14] World Bank. (2021). *World Development Report.* Washington, D.C.
[15] Todaro, M. & Smith, S. *Economic Development.* Pearson. 2020. P98
[16] OECD. (2019). *Investment Policy Review.* OECD Publishing.

Host countries impose FDI laws to protect domestic interests while attracting capital.

- **International Trade and Investment Agreements:**

  Agreements such as WTO and bilateral investment treaties set rules for fair trade and dispute settlement[17].

- **Accounting and Compliance Standards:**

  Transparency is enforced through global standards like IFRS and anti-corruption frameworks[18].

7. **Corporate Social Responsibility (CSR)**

MNCs face increasing expectations to behave ethically and contribute to sustainable development.

- **Commitment to Society and the Environment:**

  CSR initiatives include environmental conservation, fair labor practices, and community development.

- **Ethical Challenges:**

  Issues like labor exploitation or bribery can damage reputations if not managed responsibly.

- **Sustainable Business Practices:**

[17] WTO. (2022). *World Trade Report.* World Trade Organization.
[18] OECD. (2019). *Investment Policy Review.* OECD Publishing.

Modern MNCs integrate sustainability into core strategies, aligning profitability with social good.

8. **Case Studies**

Apple and Samsung in Global Supply Chains

Apple and Samsung have developed vast global supply chains integrating suppliers from Asia, Europe, and the Americas. These systems highlight the efficiency and risks of global interdependence.

Coca-Cola and Nestlé in African Markets

Both corporations have expanded aggressively into Africa, adapting products and marketing to local cultures while facing criticism over water usage and market dominance.

Toyota and Local Industrial Development

Toyota's investment in emerging markets like South Africa and Thailand has led to industrial development, skill transfer, and integration into global production networks.

9. Multinational Corporations terms

To help students grasp the essential vocabulary related to multinational corporations, the table below provides key terms commonly used in this field along with their Arabic translations. This resource is designed to build students' academic and business terminology, making it easier for them to understand discussions, case studies, and analyses involving global companies and their operations.

Chapter 2: Multinational Corporations

Table n°6 : Multinational Corporations terms

English Term	**Arabic Term**
Multinational Corporation (MNC)	الشركة متعددة الجنسيات
Transnational Corporation (TNC)	الشركة عبر الوطنية
Parent Company	الشركة الأم
Subsidiary	الشركة الفرعية
Affiliate	الشركة التابعة
Global Presence	الوجود العالمي
Foreign Direct Investment (FDI)	الاستثمار الأجنبي المباشر
Joint Venture	المشروع المشترك
Strategic Alliance	التحالف الاستراتيجي
Mergers and Acquisitions (M&A)	الاندماج والاستحواذ
Global Standardization Strategy	استراتيجية التوحيد العالمي
Localization (Adaptation) Strategy	استراتيجية التكييف/المحلية
Transnational Strategy	الاستراتيجية العابرة للحدود
Export Strategy	استراتيجية التصدير
International Expansion	التوسع الدولي
Market Entry	دخول السوق
Low-Cost Labor	العمالة منخفضة التكلفة
Tax Incentives	الحوافز الضريبية
Free-Trade Zones	المناطق الحرة
Technology Transfer	نقل التكنولوجيا
Knowledge Transfer	نقل المعرفة
Organizational Structure	الهيكل التنظيمي
Centralized Control	السيطرة المركزية
Decentralized Decision-Making	اتخاذ القرار اللامركزي

Chapter 2: Multinational Corporations

Global Supply Chain	سلسلة التوريد العالمية
Resource Exploitation	استغلال الموارد
Profit Repatriation	تحويل الأرباح للخارج
Capital Flight	هروب رؤوس الأموال
Corporate Social Responsibility (CSR)	المسؤولية الاجتماعية للشركات
Sustainable Development	التنمية المستدامة
Ethical Challenges	التحديات الأخلاقية
Host Country	الدولة المضيفة
Home Country	الدولة الأم
Market Diversification	تنويع الأسواق
Risk Diversification	تنويع المخاطر
Competitive Advantage	الميزة التنافسية

Source : prepared by the researcher

Chapter 2: Multinational Corporations

Conclusion

Multinational corporations occupy a powerful and influential position within the global economic landscape, acting as engines of growth, innovation, and international integration. This chapter has shown that their global reach, strategic capabilities, and organizational complexity enable them to reshape markets, transfer technology, and contribute to industrial development—particularly in developing countries. At the same time, MNCs can generate economic and social challenges, from resource exploitation and competitive pressures on domestic firms to environmental concerns and capital outflows.

The analysis of their motives, strategies, and impacts demonstrates that the role of MNCs is neither entirely positive nor entirely negative; rather, it is shaped by the regulatory environment, host-country conditions, and the corporation's own commitment to responsible and sustainable practices. As global competition intensifies and international regulations evolve, the behavior of MNCs will continue to influence patterns of trade, investment, and development. Ultimately, understanding how these corporations operate and interact with their global environment is essential for policymakers, businesses, and students seeking to navigate and interpret the complexities of the modern world economy.

Chapter 3: Globalization

Chapter 3: Globalization

Introduction

Globalization has become one of the defining forces of the modern era, transforming economic systems, cultural identities, technological progress, and political relations across the world. What began as early exchanges of goods and ideas evolved into a complex network of global interactions shaped by advances in transportation, communication, and trade agreements. Over time, globalization has expanded through several waves from the industrial expansion of the 19th century to the post–World War II international order, and finally to the digital and institutionally structured global economy of the late 20th and early 21st centuries.

This chapter explores the multifaceted dimensions of globalization, including its historical evolution, economic drivers, and the central role of multinational corporations in linking markets and facilitating investment and knowledge transfer. It examines how international trade agreements shape global commerce, the impacts on developing countries, and the profound effects on labor markets, culture, technology, and the environment. The chapter also highlights the political and governance challenges associated with global integration, critiques and concerns raised by anti-globalization movements, and emerging trends such as deglobalization, digital transformation, and sustainable global development. Through this comprehensive overview, students gain a deeper understanding of how globalization influences nearly every aspect of contemporary life.

Chapter 3: Globalization

1. Definition and Evolution

Globalization is any process by which countries and businesses connect across international borders, sharing goods, services, ideas, and technologies. The concept emerged in the early 20th century but developed its current meaning in the second half of the 20th century, becoming popular in the 1990s.

There are three main waves of modern globalization. The British Empire's colonial empire and Industrial Revolution inventions like steam engines and mechanized looms, which allowed for the quick shipping of raw materials and completed goods around the world, propelled the first wave (1800–1914). World War I marked the end of this wave.

Following World War II, the United States took the lead in rebuilding the world economy, giving rise to the second wave. Modern international trade systems were made possible by the General Agreement on Trade and Tariffs (GATT), which was established in 1947. This era was typified by NAFTA (1993), which tripled commerce between the US, Canada, and Mexico.

The World Trade Organization (WTO), which established institutional frameworks for trade agreements in 1995, marked the start of the third wave. As a result of China's 2001 WTO admission, worldwide exports rose from 16% of the world's gross domestic product in 1994 to 26% in 2008[1].

2. Economic Dimensions

There are multiple economic avenues via which globalization functions. International trade has expanded significantly; exports now make up around 25% of the world's economic output, a 40-fold increase from 1913 levels[2]. As the

[1] Trade in goods and services has fluctuated significantly over the last 20 years, https://www.wto.org/english/res_e/statis_e/its2015_e/its15_highlights_e.pdf

[2] Trade and Globalization, How did international trade and globalization change over time? What is the structure today? And what is its impact?, By: Esteban Ortiz-Ospina, Diana Beltekian, and Max Roser, https://ourworldindata.org/trade-and-

"peak" expression of globalization, foreign direct investment (FDI) has grown to be especially important, expanding twice as quickly as global trade. Corporate expansion, capital transfers, mergers and acquisitions, and market globalization have all contributed to an increase in FDI flows.

Businesses can now take advantage of comparative advantages in labor prices and resources thanks to supply chains and outsourcing. Countries become reliant on one another for resources, capital, and markets as a result of economic interdependence. According to research, broader trade agreements boost global value chain integration by more than 10%, trade in products by more than 35%, and trade in services by more than 15%[3].

3. Multinational Corporations and Business

MNCs are the main forces behind globalization through knowledge transfer, employment, and investment. In addition to delivering jobs and industrial training, they also support community development initiatives, give access to domestic and international markets, provide emergency aid, make infrastructure investments, and contribute to tax bases.

MNCs do, however, pose certain difficulties. Compared to their own nations, they are able to operate with lesser social and environmental requirements. By forcing host countries into low-value-added businesses and driving out local investments, they may potentially impede development. Furthermore, MNCs are involved in global supply chains where a substantial reliance on commodity

globalization#:~:text=Up%20to%201870%2C%20the%20sum,even%20outpaced%20rapid%20economic%20growth.

[3] Official Website of the International Trade Administration, https://www.trade.gov/free-trade-agreement-overview#:~:text=While%20the%20specifics%20of%20each,services%20to%20trading%20partner%20markets.

exports is present 85% of the least developed nations and 13% of the developed nations, respectively, depend on commodity exports[4].

The ability of multinational corporations (MNCs) to link local companies with global markets, make credit and technology more accessible, and promote institutional change that is required for development and poverty alleviation are all examples of its good potential.

4. Trade Policy and Agreements

Regional Trade Agreements (RTAs), such as those of the European Union, NAFTA/USMCA, ASEAN, and MERCOSUR, influence international trade. These agreements promote participant integration and lower trade barriers.

By removing trade obstacles, RTAs improve resource allocation and welfare by allowing member nations to import from one another. Trade diversion, on the other hand, happens when member nations import from less productive members rather than less expensive non-members, which may lower overall welfare.

RTAs are permitted by multilateral norms set by the WTO framework, so long as they encompass almost all commerce and don't impose obstacles on non-members. While South American agreements (MERCOSUR, CAN) created some consequences of trade diversion, European Union (EU) economic integration processes expanded the volume of international commerce. NAFTA overcame decreased volume with the rest of the world by successfully increasing trading volume among its members.

5. Impact on Developing Countries

[4] UN trade and development, https://unctad.org/news/commodity-dependence-5-things-you-need-know#:~:text=Likewise%2C%20commodity%20dependence%20is%20normally,increased%20economic%20and%20political%20instability.

Chapter 3: Globalization

For developing economies, globalization presents both possibilities and difficulties. Participation in global value chains has a positive impact by increasing productivity and reducing poverty; nations like Bangladesh, Cambodia, and Vietnam have had significant growth spurts as a result of their shift to manufacturing. Research on the BRICS and NEXT-11 countries demonstrates that trade openness and FDI inflows both support economic growth, while the benefits vary by country group.

Challenges include commodity dependency, poor environmental regulation, insufficient infrastructure, corruption, and the possibility of becoming "resource traps" where MNCs extract value without benefiting domestically. Although MNCs, which employ hundreds of millions of people in developing nations, offer avenues for poverty reduction when done properly—through formal employment, decent wages, and social protections—inequality and poverty are still issues.

6. Labor and Employment

Labor markets are significantly impacted by globalization, with varying results. The median salary in advanced nations is 2.5 times greater than that of similar-skilled positions in advanced developing nations, and it is 5 times higher than that of low-income nations, indicating that the wage gap between advanced and developing nations is still substantial. This disparity is closing, though, as average real salaries increased by 0.5% yearly in developed nations, 1.5% in Africa and Latin America, and 8% in developing Asia between 1999 and 2009[5].

In developed economies, skill-biased technological progress has resulted in job displacement; over 70% of labor demand shifts in U.S. manufacturing were driven by skill demands rather than outright job losses. Both developed and emerging

[5] Global wage report, https://www.ilo.org/sites/default/files/2024-11/GWR-2024_Layout_E_RGB_Web.pdf#:~:text=Remarkably%2C%20estimates%20show%20that%20for%20about%20two,cent%20of%20the%20same%20total%20wage%20bill.

economies have seen an increase in income disparity. Globalization has caused wage convergence worldwide through migration, commerce, foreign investment, and the spread of technology, even if it has also contributed to stagnating wages in some developed nations.

Significant differences exist in labor market structures: less-skilled workers' relative salaries were lower in nations with flexible, decentralized wage-setting (such as the US and the UK) while greater unemployment rates were seen in nations with inflexible, centralized wage-setting (such as France, Germany, and Italy).

7. Cultural and Social Effects

Through international media, travel, and internet access, globalization facilitates cultural exchange and hybridization. This encourages empathy, tolerance, and global citizenship, strengthening our common humanity and igniting new artistic endeavors.

However, there are a lot of difficulties with cultural homogenization. Local manifestations are overshadowed by uniform culture promoted by global mass media. Local cultures embrace Western customs at the expense of their native expressions as a result of "Westernization" and "Americanization" processes. Terms like "McDonaldization" and "coca-colonization" underline the detrimental effects on indigenous cultures, leading to a loss of national identity.

Additionally, when global culture takes over, local customs, dialects, and indigenous knowledge are marginalized and eroded. Notwithstanding these reservations, cultural globalization is not wholly unidirectional; non-American culture creates cultural hybridization in the West through world music, television, religion, cuisine, and fashion.

Chapter 3: Globalization

8. Technology and Innovation

Technology transfer across borders has risen dramatically due to globalization. Paper traveled from China to Europe in a millennium, whereas advances now spread in a matter of months. Only technological leaders themselves gain from one other's breakthroughs; knowledge and technology do not flow in a single path. Even in times of slow global growth, technology transfer increased creativity and productivity, which benefited emerging markets the most. Assimilation of foreign information necessitates scientific and engineering expertise, which calls for investments in human resources, education, and domestic research and development. Protecting intellectual property is crucial to maintaining inventors' cost-recovery capabilities and promoting worldwide expansion.

Digital globalization is changing adoption rates; it has a major impact on technology adoption in 183 countries, and research indicates that international variables account for around 80% of transfer procedures. Digital technologies and Industry 4.0 drive economic growth in the twenty-first century[6].

9. Environmental Considerations

Globalization has two effects on the environment. There are significant negative effects: transportation as a whole is responsible for 14% of world emissions, with the shipping sector contributing 3% of CO_2 emissions, 15% of nitrogen oxide emissions, and 9% of sulfur dioxide emissions. Forest loss has accelerated significantly; between 2000 and 2018, 1 million km^2 of forest were lost, mostly

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[6] Mohd Javaid, Digital economy to improve the culture of industry 4.0: A study on features, implementation and challenges, Green Technologies and Sustainability, Volume 2, Issue 2, May 2024, 100083, p2.

in lower-income nations, accounting for approximately 50% of the total loss over 10,000 years[7].

The utilization of natural resources and globalization both raise greenhouse gas emissions, with the impacts being more noticeable in high-income nations. The link includes composition effects (polluting companies moving to nations with laxer rules, the "pollution haven effect"), method effects (eco-friendly technology transfer decreasing emissions), and income effects (increasing emissions from open trade).

Technology transfer facilitating the use of renewable energy is one example of a positive environmental impact. Since 2010, China has become the world's largest producer of solar panels, resulting in 30% gains in efficiency and 85% reductions in cost[8]. The media and international discussions like COP summits raise awareness of environmental issues on a global scale. Adoption of renewable energy lowers emissions, according to research, highlighting the significance of clean energy transitions.

10.Political and Governance Aspects

Concerns about sovereignty are heightened by globalization as nations strike a balance between their international commitments and national policy autonomy. Global governance is shaped by international organizations such as the World Bank, IMF, and WTO, which also establish frameworks for multilateral collaboration.

Global stability and commercial relations are impacted by the geopolitical rivalry between superpowers (the complexity of the US-China relationship). As nations

[7] Wang, S., & Ge, M. (2019, October 16). Everything you need to know about the fastest-growing source of global emissions: Transport. World Resources Institute. https://www.wri.org

[8] https://www.iea.org/reports/solar-pv-global-supply-chains/executive-summary

embrace comparable standards for worker rights, environmental preservation, and trade compatibility, regulatory harmonization takes place.

Interestingly, political globalization can counteract the emission rises of economic globalization by lowering carbon emissions by aligning with international environmental norms.

11.Challenges and Criticisms

Inequality of wealth and income is still a major issue, and globalization has made income disparities within and between nations wider. The 2008 financial crisis serves as evidence that market volatility causes financial catastrophes with worldwide ripple effects.

When multinational corporations control local markets and cultural homogenization jeopardizes customs and languages, local industries are lost. Skilled professionals moving to developed economies causes brain drain from underdeveloped nations.

These results are criticized by anti-globalization movements, which place special emphasis on cultural imperialism, environmental damage, and worker exploitation. In developed countries, job displacement for less trained people and stagnant salaries are the main causes of political reaction.

12.Future Trends and Perspectives

Signs of deglobalization are appearing. Following the 2008 financial crisis, "slowbalization" may be giving way to "deglobalization," as governments and businesses emphasize security and resilience over global value chains in response to COVID-19, the conflict in Ukraine, and climate change. After over a century of steady globalization, this marks a change.

Chapter 3: Globalization

Wars, oil crises, and political unrest are examples of geopolitical risks that provide unpredictable conditions that are detrimental to international markets. An alternative that is more expensive and has financial challenges is regional sourcing.

On the other hand, Industry 4.0 and digital transformation are still changing the ways that globalization occurs. New types of globalization focused on sustainable supply chains and renewable technology may emerge as a result of the green shift toward net-zero emissions.

Post-pandemic pragmatism, which strikes a balance between national and mutual interests while promoting collaboration in the face of political and economic rivalry, is probably what the future holds. Globalization's course will eventually be determined by institutional and political issues rather than technological ones.

13.Case Study:

Globalization and China's Economy

Globalization has transformed the global economic landscape, connecting markets, industries, and people across borders. One of the most remarkable examples of globalization's impact is China's economic rise. Over the past four decades, China has moved from being a largely closed, agrarian economy to becoming the world's second-largest economy and a major player in international trade[9].

China's Path to Global Integration

China began its process of globalization with the "Open Door Policy" launched by Deng Xiaoping in 1978. This policy marked a shift from a centrally planned economy to a market-oriented system, encouraging foreign investment, exports, and technological exchange[10].

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[9] Hill, C. W. L. (2020). *International Business: Competing in the Global Marketplace.* McGraw-Hill Education

[10] World Bank (2023). *China Overview: Development and Global Integration*

Chapter 3: Globalization

❖ **Main Drivers of Globalization in China**

- ***Foreign Direct Investment (FDI):***

China became one of the largest destinations for FDI, attracting multinational corporations seeking low-cost production and access to a large market[11].

- ***Export-Led Growth:***

The country focused on producing goods for international markets, becoming known as the “world’s factory.”

- ***Technological Advancement:***

Through partnerships, joint ventures, and knowledge transfer, China upgraded its industrial capabilities and developed strong local companies (e.g., Huawei, Lenovo).

- ***Infrastructure Development:***

Massive investments in transport, ports, and digital networks supported China’s integration into global supply chains.

❖ **Impacts of Globalization on China’s Economy**

The impacts of globalization on China’s economy can be summarized in the following table:

Table n°7 : Impact of globalization on China’s economy

Positive Impacts	**Negative Impacts**
Rapid GDP growth and poverty reduction	Regional and income inequality
Job creation and industrialization	Environmental pollution
Improved infrastructure and technology	Dependence on export markets
Emergence as a global economic power	Rising labor costs and trade tensions

Source : IMF (2022). *China’s Role in the Global Economy*

[11] World Bank (2023). *China Overview: Development and Global Integration*

❖ **Global Impact of China's Integration**

- China has become a key engine of global growth, contributing significantly to world trade and investment.
- Its demand for raw materials has boosted economies in Africa, Latin America, and Asia.
- The "Belt and Road Initiative (BRI)" launched in 2013 expanded China's influence in global infrastructure and trade networks[12].

However, China's rapid rise also led to trade imbalances and geopolitical tensions, especially with the United States and the European Union.

China's experience demonstrates how globalization can transform a developing country into a global economic leader. The combination of open-market reforms, foreign investment, and strategic government planning enabled China's unprecedented growth.

Yet, this success also presents challenges, including inequality, environmental concerns, and the need for sustainable development. The Chinese case proves that globalization is not only an economic process but also a complex social and political transformation.

14.Globalization terms

To support students in understanding key concepts related to globalization, the following table presents a selection of the most important globalization terms along with their Arabic translations. This overview aims to facilitate clearer comprehension, enhance academic vocabulary, and provide a useful reference for learners as they explore the social, economic, and cultural dimensions of globalization.

Table n°8 : Globalization terms

[12] The Economist (2023). *China's Global Influence and Economic Transition*

Chapter 3: Globalization

English Term	Arabic Term
Globalization	العولمة
Economic Globalization	العولمة الاقتصادية
Cultural Globalization	العولمة الثقافية
Political Globalization	العولمة السياسية
Waves of Globalization	موجات العولمة
International Trade	التجارة الدولية
Foreign Direct Investment (FDI)	الاستثمار الأجنبي المباشر
Supply Chains	سلاسل التوريد
Outsourcing	التعهيد / الاستعانة بمصادر خارجية
Interdependence	الاعتماد المتبادل
Multinational Corporations (MNCs)	الشركات متعددة الجنسيات
Trade Agreements	الاتفاقيات التجارية
Regional Trade Agreements (RTAs)	الاتفاقيات التجارية الإقليمية
World Trade Organization (WTO)	منظمة التجارة العالمية
General Agreement on Tariffs and Trade (GATT)	الاتفاقية العامة للتعرفة الجمركية والتجارة
NAFTA / USMCA	اتفاقية التجارة الحرة لأمريكا الشمالية / USMCA
European Union (EU)	الاتحاد الأوروبي
ASEAN	رابطة دول جنوب شرق آسيا
MERCOSUR	السوق المشتركة لجنوب أمريكا
Global Value Chains (GVCs)	سلاسل القيمة العالمية
Trade Creation	خلق التجارة
Trade Diversion	تحويل التجارة
Open Door Policy	سياسة الباب المفتوح
Export-Led Growth	النمو القائم على التصدير

Chapter 3: Globalization

Technology Transfer	نقل التكنولوجيا
Knowledge Transfer	نقل المعرفة
Environmental Impact	الأثر البيئي
Carbon Emissions	انبعاثات الكربون
Pollution Haven Effect	تأثير الملاذات الملوِّثة
Digital Globalization	العولمة الرقمية
Innovation	الابتكار
Labor Market	سوق العمل
Wage Gap	فجوة الأجور
Job Displacement	فقدان الوظائف
Cultural Homogenization	تجانس/تماثل الثقافة
Westernization	التغريب

Source : prepared by the researcher

Chapter 3: Globalization

Conclusion

Globalization remains a transformative force that continues to reshape economies, societies, and political systems worldwide. This chapter has shown that globalization brings significant opportunities such as economic growth, technological advancement, improved connectivity, and cultural exchange while also generating challenges in areas like inequality, environmental degradation, labor disruption, and cultural homogenization. For developing countries in particular, globalization can lead to rapid industrialization and poverty reduction, yet may also expose them to dependency, resource exploitation, and volatile global markets.

The analysis demonstrates that globalization is neither inherently positive nor negative; its outcomes depend on policy design, institutional capacity, regulatory frameworks, and the ability of societies to adapt to global pressures while preserving their identity and ensuring equitable development. As new global trends emerge ranging from digital globalization and green transitions to geopolitical tensions and signs of deglobalization the future of globalization will likely be shaped by a balance between national interests and global cooperation. Ultimately, understanding these dynamics is essential for navigating the complexities of an increasingly interconnected world and for shaping policies that maximize the benefits of globalization while mitigating its risks.

Chapter 4 : Neoclassical Model of International Trade

Chapter 4 : Neoclassical Model of International Trade

Understanding the mechanisms of commercial exchange between nations is largely dependent on the neoclassical model of international trade. By incorporating various factors of production, technological considerations, and the influence of relative pricing on trade patterns, this model developed and extended the traditional insights offered by Ricardo. A more realistic analytical framework that explains how nations specialise in producing particular goods based on element abundance and its effects on local and global prices, economic wellbeing, and income distribution has been established thanks in part to this scientific method.

This model's foundation was established by the Heckscher–Ohlin (H-O) hypothesis, which connected variations in factor endowments among nations to international commerce. The model's mathematical foundation has been strengthened by further contributions by Samuelson, Rybczynski, and others. These contributions have also offered more thorough explanations of the model's dynamics, including factor price equalisation, the impact of resource changes on production, and equilibrium under free trade. These theories have also assisted in highlighting the model's advantages and disadvantages, particularly in the wake of the Leontief paradox and the numerous empirical difficulties that classical theory has encountered.

The chapter discusses the development of the neoclassical model, its fundamental tenets, how it interprets patterns of international specialisation, how relative prices affect the equilibrium between production and consumption, and the primary objections made to it based on empirical data and lessons learnt. As one of the most important models in modern international economic analysis, this preamble seeks to give the reader a thorough understanding of the theoretical and practical underpinnings of the model.

Chapter 4 : Neoclassical Model of International Trade

1. Historical Development and Evolution

The neoclassical model of international trade represents a significant advancement beyond classical Ricardian theory. While David Ricardo (1817) developed the foundational theory of comparative advantage based solely on labor productivity differences, the neoclassical approach refined these assumptions to include increasing costs and multiple factors of production. The Swedish economists Eli Heckscher (1919) and Bertil Ohlin (1933) developed what became known as the Heckscher-Ohlin (H-O) model[1], which later was expanded mathematically by Paul Samuelson (1948-1953)[2], resulting in what some refer to as the Heckscher-Ohlin-Samuelson (HOS) model. This development occurred as economists recognized that Ricardo's single-factor model could not fully explain the complexity of international trade patterns in the modern economy.

2. Core Assumptions of the Neoclassical Model

The theoretical framework of the neoclassical trade model is defined by a number of crucial presumptions. First, the H-O model assumes that all countries employ the same industrial technology, in contrast to Ricardo's requirement for technological diversity. Second, enterprises are price-takers and have no control over market pricing because the model assumes perfect competition in both product and factor markets. Third, production is characterised by constant returns to scale, which means that doubling all inputs doubles output. Fourth, the model is predicated on the idea that economic players are fully aware of every variable. Fifth, although this assumption has drawn a lot of criticism, the factors of production are homogeneous, labour units are same, and capital is uniform. Sixth, there are no trade restrictions, tariffs, or transportation expenses. Seventh, labour and capital can freely migrate within a nation but not beyond borders since factors of production are completely mobile domestically but immovable internationally.

[1] Eli Heckscher (1919) and Bertil Ohlin (1933): Heckscher-Ohlin Model
[2] Paul Samuelson (1948-1953): Expansions and mathematical formalizations of neoclassical trade theory

Lastly, the model makes the assumption that all countries have the same preferences, especially homothetic preferences, and that consumer demand is solely influenced by relative prices and income levels rather than the distribution of individual incomes.

3. Concept of Factor Endowments

A nation's quantitative and qualitative combination of resources for economic output, such as labour, capital, land, minerals, and other natural resources, is known as its factor endowments. The theory makes a distinction between relative factor endowments, which measure the ratio of one element to another in relation to other nations, and absolute factor endowments, which measure the overall amount a nation possesses. For instance, although Luxembourg has far less total capital than India, it is comparatively capital-abundant due to its higher capital per worker.

A country's comparative advantage is determined by its factor endowments, which affect manufacturing costs. Low capital prices in capital-abundant nations (those with high capital-to-labor ratios) lower the cost of producing capital-intensive commodities. Labor-abundant countries have low wage rates and can produce labor-intensive commodities efficiently at low cost. Theoretically, a nation with a lot of capital, like the US, should export capital-intensive items, like cars and chemicals, while importing labour-intensive goods, like apparel and textiles; on the other hand, a nation with a lot of labour, like China, should specialise in labour-intensive goods.

4. Production Possibilities Frontier (PPF) and Production Equilibrium

The Production Possibilities Frontier is the central analytical tool of the neoclassical model, illustrating all combinations of two goods an economy can produce given fixed resources and technology. Unlike Ricardo's linear PPF (representing constant opportunity costs)[3], the neoclassical PPF is concave to the origin (bowed outward), representing increasing opportunity costs. This curve reflects reality more accurately: as a country specializes more in one good, producing additional units requires progressively greater sacrifice of the other good.

The Marginal Rate of Transformation (MRT) is the slope of the PPF, representing the opportunity cost of producing one additional unit of good X in terms of foregone units of good Y. At production equilibrium under autarky (no trade), the MRT equals the ratio of marginal costs:
MRT=MCx/MCy. Producers maximize profit when the relative price ratio
Px/Py equals this MRT. If relative prices diverge from the MRT, producers have incentives to reallocate production: when Px/Py>MCx/MCy, producers want to increase X production; when Px/Py<MCx/MCy, they want to increase Y production[4].

5. Autarky Equilibrium Analysis

Autarky equilibrium occurs when a country is isolated from international trade and must produce exactly what it consumes domestically. Three conditions define autarky equilibrium: (1) Production equilibrium: producers maximize profit where MRT = Px/Py = MCx/MCy, (2) Consumption equilibrium: consumers maximize utility where the Marginal Rate of Substitution (MRS) equals the price ratio: MRS = Px/Py, and (3) Market clearing: domestic production equals domestic consumption[5].

[3] David Ricardo, On the Principles of Political Economy and Taxation (1817)
[4] Samuelson, P. A. (1949). International factor-price equalization once again. Economic Journal, 59(234), 181–197.
[5] Dornbusch, R., Fischer, S., & Samuelson, P. (1977). Comparative advantage, trade, and payments in a Ricardian model with a continuum of goods. American Economic Review.

Chapter 4 : Neoclassical Model of International Trade

The autarky equilibrium represents a tangency point where the Production Possibilities Frontier touches the highest indifference curve (consumer preference curve) reachable. The autarky relative price ratio Px/Py is determined entirely by internal supply conditions (factor endowments and technology) and demand conditions (consumer preferences). Different factor endowments between countries create different autarky price ratios, generating gains from trade.

6. Heckscher-Ohlin Theorem and Trade Patterns

According to the Heckscher-Ohlin Theorem, nations will import goods using their relatively scarce factors and export goods using their comparatively abundant factors. A good that requires a high ratio of one factor to another is said to be factor-intensive. Electronics, for example, is capital-intensive (using a lot of capital in relation to labor) while agriculture is land-intensive (using a lot of land in relation to labor).

The mechanism works on the basis of cost differences: capital-intensive commodities are inexpensive to create in a capital-rich nation because labor costs are high and capital prices are low. Low-wage workers in a labor-rich nation can create labor-intensive commodities at a low cost. Both parties gain from trade: the capital-rich nation exports capital-intensive goods, while the labor-rich nation exports labor-intensive commodities. Capital-rich nations like the United States export capital-intensive goods like chemicals and machinery, whereas labor-rich nations like China export labor-intensive commodities like textiles and shoes.

7. Price Adjustments and Trade Equilibrium

When trade opens, relative prices converge between countries. Suppose Country A (capital-abundant) has autarky price ratio Px/Py=2, while Country B (labor-abundant) has autarky price ratio Px/Py=1. Good X (capital-intensive) is relatively more expensive in Country A. Once trade opens, the world price settles between these autarky prices (typically Px/Py=1.5)[6].

At this world price, producers in Country A find exporting X profitable (since world price exceeds domestic autarky price), while producers in Country B find importing X acceptable. This trade causes production specialization: Country A increases X production, decreases Y production; Country B does the opposite. Countries do not typically achieve complete specialization in the neoclassical model (unlike Ricardo) because increasing opportunity costs limit specialization.

8. Gains from Trade Mechanism

Two sources of trade profits are identified under the neoclassical model. When nations specialize based on comparative advantage and produce above their autarky production point, they experience benefits from production (also known as gains from specialization). Gains from consumption happen when consumers, even in the absence of changes in production, consume more than the autarky PPF in order to attain greater utility levels since trade permits consumption at other price ratios.

These benefits show up quantitatively as producer surplus (difference between price received and marginal cost) and consumer surplus (difference between willingness-to-pay and actual price). Countries export items with lower consumer valuations (producing producer surplus) and import goods with higher consumer valuations (producing consumer surplus) when trade opens at price ratios differing from autarky pricing. The whole excess surpasses autarky levels.

9. Factor Price Equalization Theorem

[6] Krugman, P., Obstfeld, M., & Melitz, M. International Economics: Theory and Policy (11th ed.). Pearson. (2018).

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According to Paul Samuelson's 1948 Factor Price Equalization (FPE) Theorem, which was derived from the H-O model, free trade in products causes factor prices in different nations to equalize. For instance, capital prices (returns on capital investment) and labor prices (wages) ought to equalize when trade opens between a capital-abundant and labor-abundant nation. This happens without any labor or capital moving between nations; factor prices are implicitly equalized through trade in goods.

The mechanism is as follows: commodity prices converge as a result of trade. Demand for capital increases (raising the price of capital) and demand for labor decreases (lowering wages) when capital-rich Country A imports labor-intensive commodities and exports capital-intensive goods. In labor-rich Country B, exporting labor-intensive commodities raises labor demand (increasing salaries) while importing capital-intensive goods decreases capital demand (lowering rental rates). Until factor prices are the same in all nations, this process keeps going. Theoretically, factor rewards converge to global levels without the need for factor migration.

Complete FPE, however, is contradicted by empirical data. Despite trade, wages for similar employment in various nations are still significantly diverse. This empirical failure has led to several explanations and improvements.

10. The Rybczynski Theorem

The Rybczynski Theorem, developed by Polish economist Tadeusz Rybczynski (1955), demonstrates how changes in factor endowments affect production levels. The theorem states: when holding relative commodity prices constant, an increase in one factor endowment causes more-than-proportional expansion of the good using that factor intensively and an absolute decline in the other good's output.

For illustration: suppose a country initially produces at point A on its PPF with both goods produced. If the labor endowment increases through immigration or population growth while commodity prices remain constant, the labor constraint shifts outward. Production moves to point B, where labor-intensive good output rises significantly and capital-intensive good output falls absolutely. This occurs because both factors shift toward the industry using the abundant factor more intensively, reallocating production without changing technology. The theorem is essential for understanding trade dynamics when factor endowments change through capital investment, immigration, or resource discovery[7].

11. Leontief Paradox and Empirical Challenges

The Leontief Paradox represents a major empirical challenge to the H-O model. In 1953, Russian-American economist Wassily Leontief tested the Heckscher-Ohlin predictions using U.S. trade data. The United States, the world's most capital-abundant country, should export capital-intensive goods according to the theory. Remarkably, Leontief found the opposite: U.S. exports were more labor-intensive than U.S. imports, contradicting the H-O model.

This paradox persisted in subsequent studies. In 1971, Robert Baldwin found U.S. imports were 27% more capital-intensive than exports using 1962 data. By 1999, Elhanan Helpman's survey concluded the paradox persists in U.S. trade, though some non-U.S. trading patterns align with H-O theory. In 2005, Kwok & Yu argued the paradox diminishes when using updated methodology and accounting for differentiated factor intensities[8].

Leontief himself proposed explanations: (1) U.S. labor is more productive than foreign labor, skilled American workers produce the same labor-intensive goods more capital-intensively than unskilled foreign labor, (2) factor endowments are

[7] Rybczynski, T. (1955). Factor endowment and relative commodity prices. Economica, 22(88), 336–341.
[8] Kravis, I. B., & Lipsey, R. E. (1982). The location of production and international exchange. American Economic Review, 72, 219–233.

not homogeneous countries differ in skilled versus unskilled labor proportions, and (3) excluding natural resource industries eliminates the paradox. Modern interpretations recognize that human capital (educational levels, skills) differs between labor types, and accounting for this distinction substantially reduces the paradox.

12. Assumptions and Critical Limitations

The neoclassical model's forecasting ability is limited since it is predicated on assumptions that frequently prove incorrect in practice. Despite the model's assumption of identical procedures, countries continue to use diverse production technologies. Contrary to what the model predicts, factor intensity reversals can happen: a good may be labor-intensive in one country but capital-intensive in another, depending on factor pricing. Trade barriers and transportation costs: the model fails to account for the fact that different protectionist policies and the cost of delivering goods, which accounts for 3% of global CO_2 emissions, have a significant impact on trade patterns.

The assumptions of perfect domestic mobility are contradicted by incomplete factor mobility within nations. In contemporary economies, rising returns to scale and product differentiation make the constant-returns assumption implausible. In many contemporary industries, corporations that have market dominance violate the perfect competition assumption, a phenomenon known as imperfect competition. Due to knowledge asymmetries in capital markets and pay negotiations by labor unions, factor markets are not entirely competitive. Furthermore, because the H-O model exclusively forecasts inter-industry trade, it is unable to account for intra-industry trade or the significant volume of trade in like commodities between comparable nations (such as the trade of automobiles between France and Germany).

13. Extensions and Modern Applications

In order to overcome these constraints, economists created New Trade Theory in the 1980s and 1990s, which included product differentiation, monopolistic competition, and growing returns to scale. Through specialization in unique products, Paul Krugman and colleagues demonstrated that trade may benefit even equal nations with equivalent factor endowments. This explains why comparable developed nations engage in substantial commerce in comparable items.

The neoclassical paradigm is modified for counterfactual analysis in contemporary applications. Adao, Costinot, and Donaldson (2015) demonstrated that neoclassical trade models are comparable to reduced exchange economies in which nations engage in direct factor service trade by developing nonparametric techniques for counterfactual predictions in neoclassical models. This paradigm makes it easier to analyze changes in trade policy: factor demand systems can be used to model the effects of trade agreements, currency fluctuations, or tariff alterations.

Building on neoclassical foundations, empirical researchers also use structural gravity models that incorporate real-world friction and trade costs. These models loosen restrictive assumptions while maintaining the central tenet of neoclassical trade theory, which holds that comparative advantage and factor endowment differences drive trade.

14. Policy Implications and Trade Policy

Free trade is highly supported by the neoclassical model. Both nations benefit from trade through increased opportunities for consumption if they concentrate in areas of comparative advantage without any obstacles. Quotas and tariffs impede specialization at comparative advantage, which results in deadweight losses. According to the model, protection raises prices without improving production efficiency, which hurts the economy as a whole.

Nonetheless, policy attention should be paid to the impacts of income distribution. In every nation, trade helps owners of abundant factors (capitalists profit in capital-rich nations, workers profit in labor-rich nations) while hurting owners of scarce factors (workers suffer in capital-rich nations, capitalists suffer in labor-rich nations). Government retraining programs spend less than 10% of trade-related wage losses on compensation, despite U.S. research showing that trade-related pay losses for less-skilled workers surpass 10% of affected wages. Despite overall benefits, political opposition to free trade can be explained by this distributional failure.

15. Empirical Evidence and Real-World Applications

Results from empirical validation have been conflicting. Broad predictions are strongly supported by the data: trade patterns are correlated with disparities in factor endowment, and countries do export items utilizing abundant factors. The anticipated price changes and production specialization result from trade opening. H-O predictions are best shown by Bangladesh's specialization in labor-intensive textiles, which reflects its labor abundance.

Given the continued existence of pay disparities worldwide, there seems to be no empirical basis for full factor price equalization. Resource-rich nations frequently export resource-intensive items independent of other factor endowments, which complicates the model's projections. Furthermore, the intra-industry commerce of industrialized nations (for example, France and Germany both export cars) defies the pure H-O predictions that inter-industry specialization is necessary.

This thorough framework shows how the neoclassical model incorporates demand-side considerations, rigorous mathematical analysis, and various aspects to improve upon classical trade theory. The model needs to be extended to handle contemporary complexity like product diversification, imperfect competition, and realistic factor mobility limits, even though it is effective for comprehending general trade patterns and forecasting specialization.

16- The fundamental terms in the neoclassical model of international trade

The fundamental terms in the neoclassical model of international trade are the cornerstone for understanding the theories and mechanisms upon which this model is based. Mastery of these concepts, along with a review of their precise translation into Arabic, helps students deeply comprehend the scientific content and facilitates their ability to follow advanced lectures and economic analyses. It also enables them to connect abstract theories to practical applications in the world of international trade, which enhances their academic skills and increases their readiness for specialized study and research. Therefore, this table is intended to provide students with a clear and direct reference to the most important terms and their meanings.

Table n°9 : Neoclassical Model of International Trade terms

English Term	Arabic Term
Neoclassical Trade Model	النموذج النيوكلاسيكي للتجارة الدولية
Ricardian Model	نموذج ريكاردو
Comparative Advantage	الميزة النسبية
Heckscher-Ohlin Model (H-O)	نموذج هيكشر–أوهلين
Heckscher-Ohlin-Samuelson (HOS)	نموذج هيكشر–أوهلين–صامويلسون
Factor Endowments	وفرة/توزيع عوامل الإنتاج
Absolute Factor Endowments	الوفرة المطلقة لعوامل الإنتاج
Relative Factor Endowments	الوفرة النسبية لعوامل الإنتاج
Capital-Abundant Country	بلد غني برأس المال
Labor-Abundant Country	بلد غني بالعمالة
Capital-Intensive Goods	السلع كثيفة رأس المال
Labor-Intensive Goods	السلع كثيفة العمالة
Production Possibilities Frontier (PPF)	منحنى إمكانات الإنتاج
Increasing Opportunity Cost	تكلفة الفرصة البديلة المتزايدة
Marginal Rate of Transformation (MRT)	معدل التحويل الحدي
Marginal Rate of Substitution (MRS)	معدل الإحلال الحدي
Autarky	الاكتفاء الذاتي/الاقتصاد المغلق

Chapter 4 : Neoclassical Model of International Trade

Autarky Equilibrium	توازن الاقتصاد المغلق
Relative Prices	الأسعار النسبية
Trade Equilibrium	توازن التجارة
Gains from Trade	مكاسب التجارة
Producer Surplus	فائض المنتج
Consumer Surplus	فائض المستهلك
Factor Price Equalization (FPE)	نظرية تساوي أسعار عوامل الإنتاج
Rybczynski Theorem	مبرهنة ريبتشينسكي
Leontief Paradox	مفارقة لينتيف
Factor Intensity Reversal	انعكاس كثافة العوامل
Perfect Competition	المنافسة الكاملة
Constant Returns to Scale	عوائد ثابتة الحجم
Homogeneous Factors	عوامل إنتاج متجانسة
Perfect Information	معلومات كاملة
No Transport Costs	عدم وجود تكاليف نقل
Identical Preferences	تفضيلات متماثلة
Homothetic Preferences	تفضيلات متجانسة
Intra-Industry Trade	التجارة داخل الصناعة
Inter-Industry Trade	التجارة بين الصناعات
New Trade Theory	نظرية التجارة الجديدة
Monopolistic Competition	المنافسة الاحتكارية
Increasing Returns to Scale	عوائد متزايدة الحجم
Product Differentiation	تمايز المنتجات
Structural Gravity Models	نماذج الجاذبية الهيكلية
Trade Policy	سياسة التجارة
Tariffs	الرسوم الجمركية
Quotas	الحصص/القيود الكمية
Comparative Advantage Specialization	التخصص وفق الميزة النسبية

Source : Prepared by the researcher

The following presents the main foundational theories in the field of international trade, along with brief explanations of their definitions in Arabic. The objective is to enable students to precisely understand these concepts and deepen their comprehension of the scientific content. This presentation facilitates following lectures and linking theoretical frameworks to their practical applications, thereby enriching the learner's knowledge and contributing to the development of their academic skills.

Chapter 4 : Neoclassical Model of International Trade

Table n°10 : Neoclassical Trade Theory

Theory	Definition	شرح بالعربية (تفصيل مبسّط)
Heckscher-Ohlin Theory (H-O)	Countries export goods that intensively use their abundant factors.	تفترض أن التجارة تنشأ بسبب اختلاف وفرة عوامل الإنتاج بين الدول: الدول الغنية برأس المال تصدّر السلع كثيفة رأس المال، والدول الغنية بالعمالة تصدّر السلع كثيفة العمل.
Heckscher-Ohlin-Samuelson Model (HOS)	Mathematical extension of H-O including factor prices & equilibrium.	تطوير رياضي لنموذج H-O يوضح كيف تؤثر التجارة على أسعار عوامل الإنتاج، وكيف يتم الوصول إلى توازن عام بين الإنتاج والاستهلاك.
Production Possibilities Frontier (PPF)	Concave curve showing maximum production combinations.	يمثل الحدود القصوى لإنتاج اقتصاد ما وفق موارده، ويكون مقعّرًا لأن تكلفة الفرصة البديلة تزيد كلما ركّزت الدولة على إنتاج سلعة معينة.
Marginal Rate of Transformation (MRT)	Slope of PPF showing opportunity costs between goods.	هو مقدار ما يجب التضحية به من سلعة معينة لإنتاج وحدة إضافية من سلعة أخرى. يمثّل تكلفة الفرصة البديلة الحقيقية في الإنتاج.
Autarky Equilibrium	Equilibrium in a closed economy with no trade.	هو توازن الاقتصاد المغلق حيث يتم تحديد الأسعار داخليًا ويتم استهلاك كل ما يُنتج محليًا دون أي تبادل تجاري خارجي.
Trade Equilibrium & Price Adjustments	World prices converge between autarky prices, generating specialization.	عند فتح التجارة، تتقارب الأسعار بين الدول، مما يؤدي إلى تخصّص كل دولة في السلعة التي تتمتع فيها بميزة نسبية، ومن ثم ارتفاع الرفاهية العامة.
Factor Price Equalization (FPE)	Trade equalizes wages & returns to capital internationally.	نظرية تقول إن التجارة الحرة تؤدي إلى تقارب أجور العمال وأسعار رأس المال بين الدول حتى دون هجرة العمالة أو انتقال رأس المال.
Stolper-Samuelson Theorem	Trade benefits owners of abundant factors and harms scarce ones.	التجارة تفيد أصحاب عوامل الإنتاج الوفيرة في الدولة (مثل رأس المال) وتضر أصحاب العوامل النادرة (مثل العمالة)، مما يفسر الاختلالات في توزيع الدخل.
Rybczynski Theorem	Increasing one factor increases output of the good using that factor intensively.	إذا زادت دولة ما من عامل معين (العمل أو رأس المال)، فإن إنتاج السلعة التي تعتمد على هذا العامل سيرتفع بشكل كبير، بينما ينخفض إنتاج السلعة الأخرى.
Leontief Paradox	U.S., a capital-rich country, exported labor-intensive goods.	دراسة لينتيف أظهرت أن الولايات المتحدة – رغم غناها برأس المال – كانت تصدّر سلعًا كثيفة العمل، وهو ما يناقض تمامًا نظرية H-O.
Factor Intensity Reversal	A good may be labor-intensive in one country but capital-intensive in another.	نفس السلعة قد تكون كثيفة العمل في دولة ما وكثيفة رأس المال في دولة أخرى، ما يُضعف قدرة نموذج H-O على التنبؤ الدقيق بأنماط التجارة.
Gains from Trade	Increased welfare via specialization & access to world markets.	مكاسب التجارة تأتي من تخصّص الدول في إنتاج السلع التي تتفوق فيها، ومن قدرة المستهلكين على شراء سلع بأسعار أقل وجودة أعلى.

New Trade Theory	Includes economies of scale & product differentiation.	نظرية حديثة تفسر التجارة بين الدول المتشابهة من خلال وفورات الحجم وتمايز المنتجات والمنافسة الاحتكارية، وليس فقط اختلاف العوامل.
Structural Gravity Models	Models predicting trade flows using distance, size & trade costs.	نماذج حديثة تستخدم عوامل مثل المسافة، حجم الاقتصاد، وتكاليف النقل لتفسير سلوك التجارة الدولية بشكل أكثر واقعية.

Source : Prepared by the researcher

Chapter 4 : Neoclassical Model of International Trade

Conclusion

The neoclassical model of international trade remains one of the most influential analytical frameworks for understanding how countries specialize, how trade patterns emerge, and how global economic welfare is affected by differences in factor endowments. By extending Ricardian insights and incorporating multiple factors of production, relative prices, and production possibilities, the model offers a richer and more realistic explanation of international specialization and the gains from trade.

Throughout this chapter, the discussion highlighted the foundational contributions of the Heckscher–Ohlin, Samuelson, and Rybczynski theorems, as well as the mechanisms through which factor endowments shape comparative advantage, production decisions, and trade equilibria. It also examined the dynamic adjustments that occur when countries move from autarky to free trade, the resulting changes in factor prices, and the conditions under which nations benefit from specialization.

Despite its theoretical strengths, the neoclassical model faces significant empirical challenges. The Leontief paradox, factor intensity reversals, and the persistence of wage inequalities demonstrate that real-world trade patterns often diverge from model predictions. Moreover, modern globalized markets—characterized by scale economies, product differentiation, technological gaps, and intra-industry trade—require extensions beyond the traditional framework. These insights paved the way for New Trade Theory and structural gravity models, which integrate more realistic assumptions about market structure, trade costs, and imperfect competition.

Nevertheless, the neoclassical model remains essential for policy analysis. It provides powerful arguments in favor of free trade, while also revealing the distributional consequences that affect different factor owners within society.

Understanding these mechanisms is critical for governments as they design trade policies, implement adjustment programs, and evaluate the broader welfare effects of globalization.

In sum, this chapter establishes a comprehensive foundation for understanding the theoretical pillars, assumptions, strengths, and limitations of the neoclassical model. It equips students with the conceptual tools necessary to analyze international trade patterns and prepares them to engage with more advanced and contemporary trade theories in subsequent chapters.

Chapter 5 : the World Trade Organization (WTO)

Chapter 5 : the World Trade Organization (WTO)

The World Trade Organization (WTO) stands at the core of the modern multilateral trading system, functioning as the primary institution responsible for regulating international trade and promoting economic cooperation among nations. Since its establishment in 1995, the WTO has played a pivotal role in shaping global commerce by creating a rules-based framework that ensures transparency, fairness, and predictability in trade relations. Through its comprehensive agreements, dispute settlement mechanism, and commitment to trade liberalization, the WTO has contributed to reducing barriers, supporting development, and fostering global economic integration. Understanding the origins, structure, objectives, and agreements of this organization is essential for grasping how international trade operates today and why the WTO remains a critical actor in global economic governance.

1. Introduction to the World Trade Organization (WTO)

1.1 Definition and Purpose of the WTO

The World Trade Organization (WTO) is an international organization that regulates and facilitates global trade among its member countries.

It provides a framework for negotiating trade agreements and resolving trade disputes to ensure that trade flows as smoothly, predictably, and freely as possible[1].

According to Hill (2020), the WTO plays a crucial role in promoting free trade by reducing barriers such as tariffs and quotas, and by setting global rules that all members must follow.

Its primary purposes are[2]:

- To promote fair competition in international trade.

[1] https://www.wto.or

[2] Hill (2020), **Chapter 6: International Trade and Investment Environment**, **p. 174–175**

Chapter 5 : the World Trade Organization (WTO)

- To stimulate economic growth and development, especially in developing countries.
- To ensure transparency and predictability in global trade policies.
- To resolve trade disputes through a structured legal process.

In short, the WTO serves as the "global referee of trade", ensuring that international commerce is conducted under commonly agreed rules.

1.2 Historical Background and Creation (1995)

The WTO was officially established on 1 January 1995, following the Uruguay Round of trade negotiations (1986–1994).

It replaced the General Agreement on Tariffs and Trade (GATT), which had been in place since 1947[3].

GATT mainly focused on reducing tariffs on goods, but over time, the scope of world trade expanded to include services, intellectual property, and investment.

As global trade became more complex, countries agreed on the need for a stronger, more comprehensive institution — leading to the creation of the WTO.

Unlike GATT, the WTO is a permanent organization with a legal personality and binding dispute settlement system.

It represents the institutional foundation of the modern multilateral trading system.

As stated by the World Trade Organization (2023), the organization's establishment marked "a major reform in the global trading system, integrating goods, services, and intellectual property under one set of rules."

1.3 Headquarters, Membership, and Official Languages

- Headquarters: Geneva, Switzerland.

[3] https://www.wto.org

Chapter 5 : the World Trade Organization (WTO)

- Membership: As of 2024, the WTO has 164 member countries, representing over 98% of global trade[4].
- Examples of members: United States, China, European Union, India, Brazil, and many developing countries.
- Several countries are observers or candidates for accession, such as Iran, Iraq, and Ethiopia.
- Official Languages: English, French, and Spanish.

The organization is governed by the Ministerial Conference, held every two years, and operates through specialized councils (Goods, Services, and Intellectual Property).

2. Objectives of the WTO

- ***Promote and Manage Free Trade***

The WTO aims to establish and uphold rules for international trade to promote global economic growth and generate employment opportunities. By reducing tariffs and non-tariff barriers, WTO helps liberalize trade and facilitates market access globally[5].

- ***Serve as a Platform for Trade Negotiations***

It acts as a forum where member countries negotiate trade agreements, aiming for fair and transparent trade policies that benefit all members. This fosters predictability and cooperation in international trade relations.

- ***Resolve Trade Disputes***

[4] "Annual Report 2020" (WTO)
[5] Vajiram & Ravi, Overview, objectives, and principles, website, article "World Trade Organisation, Objectives, Evolution, Principles" (published Nov 2025).

Chapter 5 : the World Trade Organization (WTO)

WTO provides a structured mechanism for settling disputes between members regarding violations of trade agreements. This dispute settlement system enhances global peace and economic stability by avoiding unilateral trade actions.

- ***Enhance Transparency and Good Governance***

WTO promotes transparency in trade-related policies through notification requirements and surveillance. It encourages the use of clear, consistent, and rules-based approaches in trade administration, reducing arbitrariness and enabling smaller and developing countries to participate fully.

- ***Support Development and Integration of Developing Countries***

Recognizing disparities in economic development, WTO offers special and differential treatment, including longer implementation timelines, preferential market access, technical assistance, and capacity-building measures aimed at helping developing countries integrate into the global economy.

- ***Cooperate with Other International Institutions***

WTO collaborates with other global economic organizations such as the IMF, World Bank, and UNCTAD to coordinate policies and effectively manage the global economy.

- ***Promote Sustainable Development and Raise Living Standards***

WTO's objectives include supporting sustainable development by ensuring efficient resource utilization, environmental protection, full employment, and improving living standards across member countries.

3. Overview of the WTO Agreements

The World Trade Organization (WTO) Agreements form the legal foundation of the multilateral trading system.

Chapter 5 : the World Trade Organization (WTO)

According to the official WTO website, these agreements “cover goods, services, and intellectual property, and set the framework for trade negotiations, dispute settlement, and trade policy reviews.”[6]

The U.S. Department of Commerce (Trade.gov) also provides an accessible summary:

“The WTO Agreements establish the global rules of trade among nations, covering goods, services, and government procurement.”

3.1 Structure of the WTO Agreements

As outlined in the Marrakesh Agreement Establishing the WTO (1995), the WTO legal texts are organized into Annexes:

Table n°11 : WTO Agreements

Annex	**Main Content**
Annex 1A	Multilateral Agreements on Trade in Goods (including GATT 1994, Agriculture, TBT, and Subsidies agreements)
Annex 1B	General Agreement on Trade in Services (**GATS**)
Annex 1C	Agreement on Trade-Related Aspects of Intellectual Property Rights (**TRIPS**)
Annex 2	Understanding on Rules and Procedures Governing the Settlement of Disputes
Annex 3	Trade Policy Review Mechanism
Annex 4	Plurilateral Trade Agreements (e.g., Government Procurement Agreement)

Source : WTO legal texts

https://www.wto.org/english/docs_e/legal_e/legal_e.htm

3.2 Key Agreements and Their Functions

a. GATT 1994 (Goods)

[6] https://www.wto.org/english/docs_e/legal_e/marag_e.htm

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Defines the core principles of trade in goods — non-discrimination, transparency, and tariff reduction[7].

b. GATS (Services)

Sets rules for international trade in services (banking, transport, tourism, etc.)[8].

c. TRIPS (Intellectual Property)

Establishes minimum standards for intellectual property protection among WTO members[9].

d. Dispute Settlement Understanding (DSU)

Provides a legal framework for resolving trade disputes between WTO members.[10]

e. Agreement on Agriculture (AoA)

Aims to reform trade in agricultural products and make policies more market-oriented[11].

4. Importance of WTO Agreements

- They ensure transparency, predictability, and fairness in international trade.
- Promote market access and reduce discrimination through the MFN and National Treatment principles.
- Help developing countries integrate into the global trading system.
- Provide a dispute resolution system to enforce commitments.

5. Case study:

Case study 1: The Role of the WTO in Handling the COVID-19 Trade Crisis

The COVID-19 pandemic (from early 2020) produced an unprecedented shock to global public health and international trade. Governments adopted a wide mix of measures — from export restrictions on medical goods early in the crisis to later

[7] https://www.wto.org/english/docs_e/legal_e/gatt94_e.htm
[8] https://www.wto.org/english/docs_e/legal_e/gats_e.htm
[9] https://www.wto.org/english/docs_e/legal_e/27-trips_01_e.htm
[10] https://www.wto.org/english/tratop_e/dispu_e/disp_settlement_cbt_e/c1s2p1_e.htm
[11] WTO – Agreement on Agriculture, Articles 1–7.

measures designed to facilitate the flow of essential supplies and vaccines. The World Trade Organization (WTO) played a central coordinating and transparency role, providing data, policy guidance, and forum space for members to discuss and negotiate trade-related responses.

- **How the crisis unfolded in trade policy terms**

Early 2020: Many members introduced export restrictions or bans on medical goods (masks, PPE, certain medicines) to secure domestic supply. WTO monitoring showed dozens of such measures in the first months[12].

Mid late 2020: Policymakers and international organizations shifted focus toward keeping trade flowing — simplifying customs procedures, easing regulatory requirements, and tackling trade finance gaps. WTO began publishing regular tracking and analysis of members' trade policy measures[13].

2021: Vaccine production, distribution and IP became central issues; members tabled proposals (including the TRIPS waiver request) and used WTO fora to negotiate logistics and trade provisions related to vaccines[14].

- Main WTO tools and actions used during the crisis

- **Transparency and monitoring**

The WTO established a dedicated COVID-19 information hub and tracked trade-related measures (export restrictions, import facilitation steps, trade finance). This transparency function helped researchers and policymakers quantify and respond to policy trends[15].

- **Trade facilitation measures**

[12] WTO. **WTO report finds growing number of export restrictions in response to COVID-19** (news release, Apr 2020).
[13] WTO. **COVID-19: Measures affecting trade in goods** (tracking page).
[14] WTO. **Members' proposals and statements on COVID-19 and world trade** (compilation).
[15] WTO. **COVID-19 and world trade** (main portal).

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Members used the Trade Facilitation Agreement (TFA) mechanisms to notify temporary measures that eased imports/exports of medical goods (e.g., streamlined customs clearance for medical supplies). The WTO highlighted these notifications and encouraged broader use of trade facilitation to speed shipments[16].

- **Evidence & analysis to guide policy**

The WTO produced reports and briefs (and collaborated with other bodies such as World Bank and OECD) to analyze the trade and economic impact of COVID-19 and recommend best practices — e.g., reduce export restrictions, maintain open supply chains, and target support to vulnerable economies[17].

- **Forum for negotiation and proposals**

WTO councils and ministerial meetings provided space for members to submit proposals and negotiate responses (including on vaccine access, trade-related intellectual property, and export restrictions). The WTO compiled members' proposals on COVID-19 trade matters to facilitate discussion.
Organisation Mondiale du Commerce

- **Focus on vaccines: data tools and policy debate**

The WTO developed new analytic tools (for example, reports on vaccine production and tariffs on vaccine inputs) and hosted discussions about how trade policy affects vaccine manufacturing and distribution. This dovetailed with the global debate over a temporary TRIPS waiver proposed by India and South Africa.

[16] WTO. **Members' proposals and statements on COVID-19 and world trade** (compilation).
[17] WTO. **The WTO's response to COVID-19** (policy report / briefing).

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- **Achievements : Where the WTO made a difference**

- Improved transparency: Systematic tracking of export restrictions and other measures reduced information asymmetries and informed responses by governments and international agencies[18].
-Policy guidance and evidence: WTO analyses and collaboration with other institutions (World Bank, OECD) helped identify harmful vs. helpful trade measures (e.g., export bans vs. targeted facilitation)[19].
-Platform for multilateral debate: The WTO served as the formal forum where members tabled proposals (including the TRIPS waiver) and discussed coordinated actions to ensure supply and distribution of medical goods.
Organisation Mondiale du Commerce[20].

During the COVID-19 trade crisis the WTO acted primarily as a monitor, convener, and evidence-provider: it tracked members' measures, gave policy guidance, facilitated notification under trade-facilitation rules, and hosted the multilateral debate (including on vaccines and TRIPS). The experience showed both the value of a rules-based trade architecture and its limits when members prioritize urgent domestic needs. Strengthening transparency, trade facilitation, and practical cooperation on production and technology transfer are key to improving the WTO's crisis response capacity.

6. Key WTO Terminology: English/Arabic Glossary

To support a clearer understanding of the concepts discussed in this chapter, the following glossary presents the main terms related to the World Trade Organization (WTO) exactly as they appear in the text. Each term is provided in English along with its Arabic translation to facilitate comprehension and enhance

[18] WTO. **COVID-19: Measures affecting trade in goods** (tracking page).
[19] WTO. **The WTO's response to COVID-19** (policy report / briefing).
[20] WTO. **Members' proposals and statements on COVID-19 and world trade** (compilation).

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familiarity with the specialized vocabulary used in international trade and WTO agreements.

Table n°12 : Key WTO Terminology: English/Arabic

Terms in English	الترجمة إلى العربية
World Trade Organization (WTO)	منظمة التجارة العالمية
Global trade	التجارة العالمية
Trade agreements	الاتفاقيات التجارية
Trade disputes	المنازعات التجارية
Free trade	التجارة الحرة
Tariffs	الرسوم الجمركية
Quotas	الحصص / القيود الكمية
Transparency	الشفافية
Predictability	القدرة على التنبؤ
Fair competition	المنافسة العادلة
Economic growth	النمو الاقتصادي
Developing countries	الدول النامية
Uruguay Round	جولة الأوروغواي
General Agreement on Tariffs and Trade (GATT)	الاتفاق العام للتعريفات الجمركية والتجارة
Membership	العضوية
Multilateral trading system	النظام التجاري المتعدد الأطراف
Ministerial Conference	المؤتمر الوزاري
Trade in Goods	التجارة في السلع
Trade in Services	التجارة في الخدمات
Intellectual Property Rights (TRIPS)	حقوق الملكية الفكرية (تريبس)
Dispute Settlement	تسوية المنازعات
Dispute Settlement Understanding (DSU)	التفاهم بشأن تسوية المنازعات
Agreement on Agriculture (AoA)	اتفاقية الزراعة
Market access	النفاذ إلى الأسواق
Most-Favored Nation (MFN)	مبدأ الدولة الأولى بالرعاية
National Treatment	المعاملة الوطنية
Trade Policy Review Mechanism	آلية مراجعة السياسات التجارية
Plurilateral Agreements	الاتفاقيات متعددة الأطراف
Export restrictions	قيود التصدير
Trade facilitation	تسهيل التجارة

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Supply chains	سلاسل الإمداد
Technical assistance	المساعدة التقنية
Capacity-building	بناء القدرات
Sustainable development	التنمية المستدامة
COVID-19 trade crisis	أزمة التجارة خلال كوفيد-19
TRIPS waiver	إعفاء تريبس
Vaccine production	إنتاج اللقاحات
Vaccine distribution	توزيع اللقاحات

Source : prepared by the researcher

Conclusion

In conclusion, the World Trade Organization continues to serve as a cornerstone of international economic cooperation, providing a structured and legally binding platform for managing global trade. Its agreements, principles, and negotiation forums help sustain an open and stable trading environment, while its dispute settlement system reinforces trust among member states. Although the organization faces contemporary challenges including rising protectionism, complex trade disputes, and debates over reform its foundational mission remains highly relevant. The WTO's ability to promote transparency, support developing countries, and uphold the rules of global commerce underscores its enduring importance. A deeper understanding of the WTO not only highlights its contributions to global economic stability but also points to the ongoing need for adaptation and reform in an ever-evolving world economy.

Chapter 6 : Incoterms in International Trade

Chapter 6 : Incoterms in International Trade

Incoterms, issued by the International Chamber of Commerce (ICC), play a crucial role in shaping international trade practices by clearly defining the responsibilities of buyers and sellers under sales contracts. Since their first publication in 1936, these terms have been regularly updated to reflect changes in global trade, with the latest version Incoterms 2020 providing a modern framework for allocating costs, risks, and obligations between trading partners. By offering a standardized global language for transport, insurance, documentation, and delivery obligations, Incoterms help prevent misunderstandings, reduce disputes, and enhance efficiency and transparency in cross-border transactions.

1. Introduction to Incoterms

The International Chamber of Commerce (ICC) publishes standardised commercial words known as Incoterms, or International Commercial words. Under sales contracts, they specify the obligations of both buyers and sellers with regard to the delivery of goods.

Since their initial introduction in 1936, Incoterms have undergone frequent updates to take into account changes in international trading practices. On January 1, 2020, Incoterms 2010 was superseded by the most recent version, Incoterms 2020.

Incoterms' primary goal is to give trading partners a uniform international framework for deciding how to divide expenses, risks, and duties. By doing this, they lessen the likelihood of disagreements and miscommunications brought on by disparate interpretations of trade regulations.

The ICC has its headquarters in Paris, France, and communicates in English, French, and Spanish, among other official languages.

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2. Objectives and Importance of Incoterms

The main objectives of Incoterms are to[1]:

- Clarify trade obligations : defining who is responsible for transportation, insurance, customs clearance, and delivery.
- Reduce risks of misunderstanding : minimizing disputes between sellers and buyers.
- Facilitate contract drafting : serving as a clear reference point for international sales contracts.
- Support global logistics : simplifying international transactions and customs processes.

In essence, Incoterms provide a universal language of trade, which ensures efficiency, transparency, and predictability in international business operations. Without these rules, trade agreements could become confusing and legally inconsistent.

3. Classification of Incoterms 2020

The Incoterms 2020 are divided into two main categories based on the mode of transport[2]:

A. Incoterms for Any Mode of Transport

- EXW (Ex Works): The seller makes goods available at their premises; the buyer bears all costs and risks.
- FCA (Free Carrier): The seller delivers the goods to a carrier chosen by the buyer.

[1] ICC (2020). Introduction to Incoterms® 2020.
UNCTAD (2021). Manual on International Trade and Transport. Geneva: United Nations.
[2] ICC (2020). Incoterms® 2020 Wall Chart.
WTO (2023). Trade Facilitation Report.

- CPT (Carriage Paid To): The seller pays transport costs but risk transfers upon handing goods to the carrier.
- CIP (Carriage and Insurance Paid To): Similar to CPT, but the seller also provides insurance.
- DAP (Delivered at Place): Seller delivers goods to a named destination; buyer handles import duties.
- DPU (Delivered at Place Unloaded): Seller delivers and unloads goods at destination.
- DDP (Delivered Duty Paid): Seller bears all costs, including import duties and taxes.

B. Incoterms for Sea and Inland Waterway Transport

- FAS (Free Alongside Ship): Seller places goods alongside the vessel.

- FOB (Free On Board): Seller's responsibility ends once goods are on the ship.

- CFR (Cost and Freight): Seller pays for transport to destination port but risk transfers at loading.

- CIF (Cost, Insurance, and Freight): Seller also covers insurance up to destination.

4. Key Responsibilities Defined by Incoterms

Each Incoterm defines specific obligations related to[3]:

- Transportation: Who arranges and pays for shipping.
- Insurance: Who provides coverage against loss or damage.
- Customs clearance: Who manages export/import procedures.

[3] ICC (2020). Incoterms® 2020 Rules.

- Risk transfer: When responsibility for the goods shifts from seller to buyer.

Documentation: Which party provides commercial invoices, packing lists, and transport documents.

For example, under CIF, the seller must pay for cost, insurance, and freight to the destination port, but the risk transfers to the buyer once the goods are loaded on board the vessel.

5. Comparison Between Common Incoterms

The most widely used Incoterms are compared in an organised and understandable manner in the following table. It draws attention to how each regulation divides up insurance needs, transportation duties, and the point of risk transfer. Decision-making for businesses involved in cross-border transactions is made easier by this summary.

Table n°13 : Comparison Between Common Incoterms

Term	Seller's Main Responsibility	Transfer of Risk	Mode of Transport
EXW	Goods at seller's premises	At seller's warehouse	Any
FOB	Delivery on board the vessel	At loading port	Sea
CIF	Cost, insurance, freight to port	At loading port	Sea
DDP	Delivered with all duties paid	At buyer's location	Any

Source : prepared by the researched

Chapter 6 : Incoterms in International Trade

By highlighting the differences in risk and cost allocation between terms, this comparison assists traders in selecting the best option based on their financial and logistical capabilities.

6. The 2020 Updates and Differences from Incoterms 2010

The Incoterms 2020 revision introduced several important changes:

- **DAT** was replaced with **DPU (**Delivered at Place Unloaded**)**.
- **CIP** insurance coverage now requires *Institute Cargo Clauses (A)*, offering higher protection[4].
- **FCA, DAP, DPU, and DDP** allow use of *seller's or buyer's own transport vehicles*.
- Enhanced focus on security obligations and digital documentation[5].

These updates were designed to reflect modern trade practices, including e-commerce and more complex supply chains.

7. Incoterms and Risk Management

Selecting the appropriate Incoterm is essential for managing financial and legal risk.

For instance, a seller using **CIF** must provide insurance for maritime transport, while under **EXW**, the buyer assumes almost all risks and costs. Incorrect use of Incoterms can lead to disputes, delays, or unexpected expenses.

[4] ICC (2019). *Incoterms® 2020: Key Changes Explained.*

[5] WTO (2021). *Trade Facilitation and E-commerce Report.*

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Therefore, companies often seek legal and logistics advice when drafting sales contracts[6].

8. Incoterms in Practice

In real trade operations, Incoterms are applied in[7]:

- Sales contracts (defining obligations).
- Letters of credit and bank documentation.
- Customs declarations and logistics operations.

Example: When exporting dates from Algeria to France, a company may choose to employ CIF Marseille, which means that the buyer assumes risk once the items are on board the ship, but the seller covers the cost, insurance, and freight to Marseille.

9. Challenges and Misunderstandings

Despite their standardization, misunderstandings still occur, especially when[8]:

- Traders use outdated terms (e.g., Incoterms 2010).
- The chosen term doesn't fit the transport mode (e.g., using FOB for containerized cargo).
- Contracts do not specify the version year (e.g., "Incoterms 2020").
- To avoid disputes, it is crucial to write the term clearly, e.g., "CIF Marseille, Incoterms® 2020."

[6] Hill, C. W. L. (2020). *International Business: Competing in the Global Marketplace.* McGraw-Hill Education, pp. 257–261.
[7] UNCTAD (2021). *Manual on International Trade and Transport.*
[8] ICC (2020). *Guide to Incoterms® 2020.*

- Incoterms guarantee clarity, efficiency, and predictability in international transactions, making them a crucial part of international trade.
- They avoid expensive legal battles and foster confidence between commercial partners by clearly outlining the precise roles and points of risk transfer.
- All professionals engaged in international trade must receive regular training and awareness in order to stay up to date with the latest iterations of Incoterms.

10. Terminology Overview

To facilitate a clearer understanding of the concepts presented in this chapter, the following glossary highlights the key terms related to Incoterms and international trade exactly as they appear in the text. These terms represent essential vocabulary used in global commerce, logistics, and sales contracts. Providing their English expressions alongside their Arabic translations helps reinforce comprehension and supports the accurate use of technical language throughout the study of Incoterms 2020.

Table n°14 : Terminology Overview

Terms in english	الترجمة إلى العربية
Incoterms	المصطلحات التجارية الدولية
International Chamber of Commerce (ICC)	غرفة التجارة الدولية
Sales contract	عقد البيع
Delivery of goods	تسليم البضائع
Incoterms 2020	إنكوترمز 2020
Incoterms 2010	إنكوترمز 2010
Costs, risks, and responsibilities	التكاليف، المخاطر، والمسؤوليات

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Trade obligations	الالتزامات التجارية
Customs clearance	التخليص الجمركي
Global logistics	اللوجستيات العالمية
EXW (Ex Works)	التسليم من مقر البائع
FCA (Free Carrier)	التسليم إلى الناقل
CPT (Carriage Paid To)	النقل مدفوع إلى
CIP (Carriage and Insurance Paid To)	النقل والتأمين مدفوعان إلى
DAP (Delivered at Place)	التسليم في مكان معين
DPU (Delivered at Place Unloaded)	التسليم في مكان معين بعد التفريغ
DDP (Delivered Duty Paid)	التسليم مع دفع الرسوم
FAS (Free Alongside Ship)	التسليم بمحاذاة السفينة
FOB (Free On Board)	التسليم على ظهر السفينة
CFR (Cost and Freight)	التكلفة والشحن
CIF (Cost, Insurance, and Freight)	التكلفة والتأمين والشحن
Transport costs	تكاليف النقل
Insurance	التأمين
Risk transfer	انتقال الخطر
Export procedures	إجراءات التصدير
Import procedures	إجراءات الاستيراد
Commercial invoice	الفاتورة التجارية
Packing list	قائمة التعبئة
Transport documents	وثائق النقل
Security obligations	الالتزامات الأمنية
Digital documentation	الوثائق الرقمية
Letters of credit	الاعتمادات المستندية
Supply chains	سلاسل الإمداد
Outdated terms	المصطلحات القديمة

Misunderstandings	سوء الفهم
Cross-border transactions	المعاملات عبر الحدود

Source : Prepared by the researcher

Conclusion

Incoterms represent an essential foundation for international trade by providing clear, standardized rules that govern the allocation of responsibilities between buyers and sellers. Their role extends beyond contractual clarity to enhancing global logistics, supporting efficient customs procedures, and minimizing legal and commercial disputes. The 2020 revisions reflect the evolving nature of world trade, including advancements in transport, documentation, and supply-chain management. Mastery of Incoterms is therefore vital for businesses, exporters, importers, and logistics professionals seeking to navigate international markets with greater confidence, transparency, and legal certainty.

Chapter 7 : Global Business Skills

Chapter 7 : Global Business Skills

Success in international business in the connected world of today requires not only technical expertise but also a set of global business abilities that allow professionals to collaborate efficiently across markets, cultures, and languages.

The competencies, attitudes, and behaviours necessary to do business in a globalised economy are referred to as these skills.

These include managing multinational teams, negotiating with overseas partners, comprehending international markets, and communicating across cultural boundaries.

Gaining these abilities has become crucial for managers and business owners who want to compete in global marketplaces.

1. Importance of Global Business Skills

Global business skills are essential for[1]:

- Establishing solid connections with partners and clients abroad.

- Improving intercultural dialogue and preventing miscommunications.

- Increasing market competitiveness internationally.

- Supporting international trade talks and expansion; helping multinational firms adjust to multicultural settings.

In summary, people that possess global business abilities are able to successfully negotiate the challenges posed by globalisation.

[1] World Economic Forum (2023). *Future of Jobs Report.* Geneva.

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A. Cross-Cultural Communication

the capacity to interact politely and clearly with individuals from various cultural backgrounds.

It entails being aware of linguistic subtleties, cultural conventions, and nonverbal cues.

For instance:

Direct communication is typical in the US, yet indirect communication is preferred in Japan. Negotiations may suffer if this distinction is misunderstood.

B. Global Mindset

Being open-minded, flexible, and conscious of cultural variety and global trends are all characteristics of a global mentality.

Globally minded managers see obstacles as chances for cross-border creativity and cooperation.

C. International Negotiation Skills

It is necessary to comprehend negotiation techniques, power distance, and cultural preferences when negotiating in a global setting.

For instance, Middle Eastern partners might place more importance on relationships and trust than European counterparts do on comprehensive contracts.

D. Leadership and Teamwork in Multicultural Environments

Global executives have to motivate and lead multicultural teams across time zones.

Emotional intelligence, interpersonal sensitivity, and inclusive management techniques are necessary for effective leadership.

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E. Adaptability and Flexibility

Because of political, economic, and technological variables, global business environments are subject to fast change.

To be competitive, professionals need to adjust to new laws, technological advancements, and market trends.

F. Foreign Language Proficiency

Proficiency in language is essential for establishing trust and comprehending culture.

Speaking the native tongue helps strengthen business relationships and increase credibility.

G. Global Strategic Thinking and Market Analysis

To make well-informed decisions on market entry, alliances, and expansion strategies, one must be able to analyse global markets, estimate risks, evaluate international competition, and find opportunities.

H. Financial Literacy in Global Context

Effective financial planning and risk management require an understanding of global financial legislation, transfer pricing, foreign taxation, and currency volatility.

I. Legal and Ethical Knowledge

Adherence to legal frameworks and the advancement of corporate social responsibility are ensured by knowledge of intellectual property rights, international trade regulations, compliance requirements, and ethical business practices.

J. Technological Proficiency

Effective international operations are made possible by proficiency with digital tools for communication, data analysis, project management, and e-commerce.

K. Project and Supply Chain Management

To guarantee seamless delivery and cost effectiveness, managing international projects, supply chains, and logistics calls for specific expertise.

2. Developing Global Business Skills

Organizations and universities worldwide promote global competence through[2]:

- International exchange programs and study abroad opportunities.
- Cross-cultural training workshops.
- Virtual collaboration with international teams.
- Continuous professional development in leadership and negotiation**.**

Digital platforms now allow learners to simulate global interactions through virtual projects and case studies.

3. Challenges in Developing Global Business Skills

• Ethnocentrism and cultural bias can obstruct clear communication.
• Language difficulties make teamwork and discussions more difficult.
• Disparities in time zones and technology impact online cooperation.

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[2] Harvard Business Review (2021). *Building the Skills for Global Leadership.*

• Organisational resistance to cultural change may impede adaptation.

Businesses must support inclusive corporate cultures and make investments in multicultural training in order to overcome these obstacles.

Anyone working in the contemporary global marketplace needs to have global business skills; they are no longer optional.

They make it possible for people and organisations to lead diverse teams across cultural and geographic borders, negotiate successfully, and communicate effectively.

Gaining these abilities promotes creativity, fortifies bonds, and guarantees sustained success in international business.

4. Terminology Overview

To enhance understanding of the key concepts presented in this chapter, the following glossary compiles the most important terms related to global business skills exactly as they appear in the text. These terms represent essential vocabulary in international business, covering areas such as cross-cultural communication, negotiation, leadership, global markets, and international management. Providing the English terms alongside their Arabic translations supports clearer comprehension and facilitates the accurate use of specialized language in global business contexts.

Table n° : Key Global Business Skills Terminology (English–Arabic)

Global Business Skills Terminology	**الترجمة إلى العربية**
Global business skills	مهارات الأعمال العالمية
International business	الأعمال الدولية
Technical expertise	الخبرة التقنية
Globalised economy	الاقتصاد المعولم

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Multinational teams	الفرق متعددة الجنسية
International markets	الأسواق الدولية
Cross-cultural communication	التواصل عبر الثقافات
Cultural boundaries	الحدود الثقافية
Negotiation	التفاوض
Global mindset	العقلية العالمية
International negotiation skills	مهارات التفاوض الدولية
Power distance	الفجوة في السلطة
Multicultural environments	البيئات متعددة الثقافات
Emotional intelligence	الذكاء العاطفي
Interpersonal sensitivity	الحساسية في التعامل مع الآخرين
Adaptability	القدرة على التكيّف
Flexibility	المرونة
Foreign language proficiency	إتقان اللغات الأجنبية
Global strategic thinking	التفكير الاستراتيجي العالمي
Market analysis	تحليل الأسواق
Risk assessment	تقييم المخاطر
International competition	المنافسة الدولية
Financial literacy	الثقافة المالية
Transfer pricing	تسعير التحويل
Foreign taxation	الضرائب الأجنبية
Currency volatility	تقلبات العملات
Legal and ethical knowledge	المعرفة القانونية والأخلاقية
Intellectual property rights	حقوق الملكية الفكرية
International trade regulations	القوانين المنظمة للتجارة الدولية
Compliance requirements	متطلبات الامتثال
Corporate social responsibility	المسؤولية الاجتماعية للشركات
Technological proficiency	الكفاءة التكنولوجية

Digital tools	الأدوات الرقمية
Project management	إدارة المشاريع
Supply chain management	إدارة سلاسل الإمداد
Virtual collaboration	التعاون الافتراضي
Cross-cultural training	التدريب عبر الثقافات
Ethnocentrism	المركزية العرقية
Cultural bias	التحيز الثقافي
Time zone differences	فروقات المناطق الزمنية
Global workforce	القوى العاملة العالمية

Source : prepared by the researcher

5. Proposed Activity

To support the practical application of the concepts discussed in this chapter, the following table presents a proposed classroom activity in both English and Arabic. This activity is designed to help students engage with global business skills through real-world scenarios involving negotiation, cultural awareness, and teamwork. By providing the content in two languages, the table ensures clarity, accessibility, and an enhanced learning experience for all students as they explore the challenges of international business communication.

Table n°15 : proposed Activity

Content in English	المحتوى بالعربية
Activity: Cross-Cultural Negotiation Simulation	**نشاط: محاكاة تفاوض بين ثقافتين**
Activity Objective: To deepen students' understanding of cross-cultural communication, international negotiation, leadership in multicultural environments, and teamwork.	**هدف النشاط: تعميق فهم الطلبة للتواصل بين الثقافات، التفاوض الدولي، القيادة في بيئة متعددة الجنسيات، والعمل الجماعي.**

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Divide students into groups representing different cultures (Japan – United States – Germany – Algeria).	تقسيم الطلبة إلى مجموعات تمثل ثقافات مختلفة(اليابان – الولايات المتحدة – ألمانيا – الجزائر).
Each group receives a brief profile describing: communication style, time orientation, decision-making style, and importance of relationships vs. contracts.	كل مجموعة تحصل على ملف موجز يوضح: أسلوب التواصل، التعامل مع الوقت، أسلوب اتخاذ القرار، أهمية العلاقات مقابل العقود.
Scenario Description: A global company wants to sign a distribution agreement with a company in another country. Teams must negotiate price, shipping terms, contract duration, and technical support.	وصف السيناريو: شركة عالمية ترغب في توقيع عقد توزيع مع شركة في دولة أخرى. يجب الاتفاق على السعر، شروط الشحن، مدة العقد، والدعم الفني.
Negotiation Round: Each group negotiates using the communication style and cultural norms assigned to them (direct/indirect communication, formality, relationship-orientation, etc.).	جولة التفاوض: تتفاوض كل مجموعة باستخدام أسلوب الثقافة المخصصة لها (التواصل المباشر/غير المباشر، الرسمية، التركيز على العلاقات...).
Presentation: Each group presents what succeeded, what failed, and the challenges that emerged due to cultural differences.	العرض: تقدم كل مجموعة ما نجح، وما فشل، والصعوبات التي ظهرت بسبب الاختلافات الثقافية.
Discussion Questions: How did culture affect communication? Did misunderstandings occur? Why? How can an international manager address such issues?	أسئلة النقاش: كيف أثرت الثقافة على التواصل؟ هل حدث سوء فهم؟ لماذا؟ كيف يمكن لمدير دولي حل هذه المشكلات؟
Expected Learning Outcomes: Understanding communication styles, developing negotiation skills, analyzing cultural challenges, and improving teamwork.	نتائج التعلم المتوقعة: فهم أنماط التواصل، تطوير مهارات التفاوض، تحليل التحديات الثقافية، تحسين العمل الجماعي.

Additional Suggestion: Use a short post-activity questionnaire to assess what students learned.	عمل استبيان قصير بعد :اقتراح إضافي النشاط لقياس ما تعلّمه الطلبة.

Source : prepared by the researcher

To help students apply global business concepts in a practical learning activity, the following bilingual table summarizes the key cultural characteristics assigned to each group. These characteristics include communication style, time orientation, decision-making methods, and the relative importance of relationships versus contracts. Understanding these differences will enable students to engage more effectively in the cross-cultural negotiation simulation and to appreciate how cultural norms shape business behavior across countries.

Table n° 16 : Cultural Group Profiles for the Negotiation Activity

Country	Communication Style	Time Orientation	Decision-Making Style	Relationships vs. Contracts
Japan	Indirect, harmony-oriented, avoids open confrontation	Highly punctual and structured	Consensus-based, collective decision-making	Relationships are more important than contracts; trust develops slowly
United States	Direct, explicit, and straightforward	Strict and punctual; time is valued economically	Individual or manager-driven, fast and results-oriented	Contracts are more important than relationships; formal agreements guide business
Germany	Direct, formal, detail-focused	Very disciplined and highly punctual	Analytical, structured, logic-based	Contracts are central; documentation, precision, and clarity are essential
Algeria	Moderately indirect, polite, relationship-focused	Flexible and adaptable with time	Often centralized; influenced by hierarchy and experience	Relationships take priority over contracts; trust is a key foundation

Source : Prepared by the researcher

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Conclusion

In conclusion, global business skills represent a vital foundation for professional success in an increasingly interconnected world. The chapter illustrates that effective communication, intercultural awareness, international negotiation abilities, leadership in multicultural teams, and strategic global thinking are no longer optional they are essential competencies for anyone engaged in international business. Despite challenges such as cultural bias, language barriers, and technological disparities, organizations and individuals can develop these skills through training, international exposure, and continuous learning. Ultimately, strengthening global business skills enhances innovation, builds stronger international partnerships, and empowers professionals to operate confidently and ethically in diverse global environments. These competencies ensure that individuals are well prepared to face the demands of modern global markets and to seize the opportunities created by globalization.

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General Conclusion

This course has provided students with a comprehensive overview of the global economic system, highlighting the interdependence of nations, corporations, and markets in the modern world. The handbook looked at the tools and goals directing domestic and global economic exchanges, starting with the fundamentals of international trade policy. The structure and dynamics of multinational corporations were then examined, with a focus on their strategic responsibilities, worldwide activities, and economic influence, particularly in developing nations.

Understanding how economic, cultural, and technological forces transform societies and corporate settings has improved as a result of the globalisation conversation. By connecting economic theory to real-world trade patterns, the Neoclassical Model of International Trade provided theoretical understanding of comparative advantage, factor endowments, and trade equilibrium. The institutional framework governing international trade was provided by the World Trade Organisation (WTO) part, which also demonstrated how international regulations encourage international collaboration and dispute settlement.

Additionally, the chapters on Incoterms and Global Business Skills concentrated on the practical skills :communication, negotiation, leadership, and logistical management, needed to function well in global marketplaces. These parts serve as a link between scholarly understanding and practical commercial applications.

The overall goal of this handbook is to foster not only language proficiency but also professional and intellectual preparedness for global interaction. Students who grasp the language of commerce and economics are more equipped to act morally, think critically, and engage in the global economy. Their future academic endeavours and professional careers in finance, commerce, and international relations will be well-founded on the knowledge they acquire here.

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