Table 1: DIFFERENCE BETWEEN DOMESTIC AND INTERNATIONAL TRADE

Basis	Domestic Trade	International Trade
Nationality of Buyers and Sellers	Under this person of one nation work in their respective domestic market.	Under this person from different nations works in the international market.
Nationality of Other Stakeholders	Stakeholders like suppliers, producers, employees, Middleman, etc. are of the same nation.	Stakeholders like suppliers, producers, employees, Middleman, etc., are of different nations

Mobility of Factors of Production	Factors of production like capital and labour are mobile across one nation.	Factors of production like capital and labour are mobile across the different nation.
Heterogeneous Customers	Usually, customers are homogeneous in the domestic market	Customers are not homogeneous in the international market due to a different religion, caste, language, etc.
Risks	Under this one nation is subject to the political risk of its respective nation.	This may be a barrier to international trade as different nations have different political risks.
Policies	These are subject to different policies and regulations, laws of a single nation.	These are subject to different policies and regulations, laws of multiple nations.
Currency	Only one currency is involved.	There is involvement of more than one currency.

ADVANTAGES OF INTERNATIONAL TRADE:

The following are the major gains claimed to be emerging from international trade:

1. Optimum Allocation: International specialization and geographical division of labour leads to the optimum allocation of world's resources, making it possible to make the most efficient use of them.

2. Gains of Specialization: Each trading country gains when the total output increases as a result of division of labour and specialization. These gains are in the form of more aggregate production, larger number of varieties and greater diversity of qualities of goods that become available for consumption in each country as a result of international trade.

3. Enhanced Wealth: Increase in the exchangeable value of possessions, means of enjoyment and wealth of each trading country.

4. Larger Output: Enlargement of world's aggregate output.

5. Welfare Contour: Increase in the world's prosperity and economic welfare of each trading nation.

6. Cultural Values: Cultural exchange and ties among different countries develop when they enter into mutual trading.

7. Better International Politics: International trade relations help in harmonizing international political relations.

8. Dealing with Scarcity: A country can easily solve its problem of scarcity of raw materials or food through imports.

9. Advantageous Competition: Competition from foreign goods in the domestic market tends to induce home producers to become more efficient to improve and maintain the quality of their products.

10. Larger size of Market: Because of foreign trade, when a country's size of market expands, domestic producers can operate on a larger scale of production which results in further economies of scale and thus can promote development. Synchronized application of investment to many industries simultaneously become possible. This helps industrialization of the country along with balanced growth.

DISADVANTAGES OF INTERNATIONAL TRADE:

When a country places undue reliance on foreign trade, there is a likelihood of the following disadvantages:

1. Exhaustion of Resources: When a country has larger and continuous exports, her essential raw materials and minerals may get exhausted, unless new resources are tapped or developed (e.g., the near-exhausting oil resources of the oil-producing countries).

2. Blow to Infant Industry: Foreign competition may adversely affect new and developing infant industries at home.

3. Dumping: Dumping tactics resorted to by advanced countries may harm the development of poor countries.

4. Diversification of Savings: A high propensity to import may cause reduction in the domestic savings of a country. This may adversely affect her rate of capital formation and the process of growth.

5. Declining Domestic Employment: Under foreign trade, when a country tends to specialize in a few products, job opportunities available to people are curtailed.

6. Over Interdependence: Foreign trade discourages self-sufficiency and self-reliance in an economy. When countries tend to be interdependent, their economic independence is