Collegedunia NCERT Notes

The Ultimate NCERT Revision Guide for Class 12 Geography

Fundamentals of Human Geography (Part 2) | 2026-27 New NCERT

Chapter 8: International Trade

NCERT Notes Class 12 Geography Chapter 8 International Trade

Also see for this chapter: NCERT Solutions

What this chapter is about

International trade is the exchange of goods and services among countries across national boundaries. This chapter traces how trade grew from the barter system to the modern world economy. It explains why trade exists, how a country's books are balanced, the types of trade, the role of the World Trade Organisation (WTO), and the ports that act as gateways of global trade. These notes match the rationalised NCERT textbook and the CBSE 2026-27 syllabus.

Contents

1 Trade and the Story of Money

Trade means the voluntary exchange of goods and services between two parties, where one sells and the other buys. For both sides, the deal is meant to be helpful. Trade can happen at two levels: national (within one country) and international (across national boundaries). Countries trade across borders to get goods they cannot produce themselves, or to buy them cheaper than they could make them at home. This section sets up the basic idea and the long journey from barter to money.

1.1 Levels of Trade and the Barter System

Trade is split by the boundary it crosses. **National trade** (or internal trade) stays inside one country. **International trade** crosses national borders and links the economies of different countries.

The earliest form of trade in simple societies was the **barter system**: a direct swap of one good for another, with no money in between. If a potter needed a plumber, the potter had to find a plumber who also wanted pots, and then swap pots for plumbing work.

National (internal) trade	International trade
Happens inside one country.	Crosses national boundaries.
One currency, one set of laws.	Many currencies and many laws.
Goods move freely.	Goods face tariffs and restrictions.
Smaller distances, lower transport cost.	Often long distances, higher transport cost.

The double coincidence of wants

Barter only works when both people want what the other has, at the same time. This is called the **double coincidence of wants**. It is hard to arrange, which is exactly why money was invented.

- **Jon Beel Mela:** held every January after harvest at Jagiroad, 35 km from Guwahati. It is possibly the only fair in India where the barter system is still alive. Tribes and communities meet and swap their products.
- Barter is slow because goods may not be of equal value, and many items cannot be divided into small parts.

Barter is not fully dead

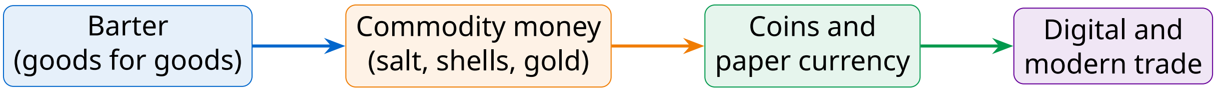
The Jon Beel Mela in Assam shows that an ancient system can still survive as a cultural festival. Even today, in moments of currency shortage, people sometimes fall back on swapping goods directly.

1.2 From Rare Objects to Coins: the Rise of Money

The trouble with barter was solved by **money**. Before paper notes and coins existed, rare objects with high intrinsic value acted as money. People used flintstones, obsidian, cowrie shells, tiger's paws, whale's teeth, dog's teeth, skins, furs, cattle, rice, peppercorns, salt, small tools, copper, silver and gold.

Why money beats barter

Money is a common measure of value that everyone accepts. It removes the need for a double coincidence of wants, lets goods be priced and compared, and can be stored for later use. Once money arrives, trade can grow far beyond the local village.



Evolution of the medium of exchange, from direct swaps to modern money.

Salt and salary

The word **salary** comes from the Latin word *Salarium*, meaning payment in salt. Salt was once rare and costly because it could only be made from rock salt, so it was used to pay people. A neat one-line fact that examiners love.

2 History of International Trade

International trade has a long and dramatic history. In ancient times, moving goods over long distances was risky and costly, so trade stayed local. Most people spent their resources on food and clothes, and only the rich bought luxury items like jewellery and fine dresses. Over centuries, better transport, new sea routes and the Industrial Revolution changed trade completely. This section follows that journey from the Silk Route to the World Wars.

2.1 Early Long-Distance Trade and the Silk Route

The **Silk Route** is an early example of long-distance trade. It connected Rome to China along a 6,000 km path. Traders carried Chinese silk, Roman wool and precious metals, along with high-value goods picked up at points in India, Persia and Central Asia.

- After the Roman Empire broke apart, European commerce grew in the twelfth and thirteenth centuries.
- Ocean-going warships were developed, so trade between Europe and Asia grew and the Americas were discovered.
- From the fifteenth century onward, European colonialism began, bringing trade in exotic goods.

The Silk Route lives on

Modern projects that link Asia and Europe by road and rail are often called a "new Silk Route." The old idea of one long trading corridor still shapes how countries plan trade today.

2.2 Slave Trade: a Dark Chapter

Alongside the trade in exotic goods, a cruel new form of trade appeared: the **slave trade**. The Portuguese, Dutch, Spaniards and British captured African people and forcibly carried them to the newly discovered Americas to work on plantations.

- Slave trade was a money-making business for more than two hundred years.
- It was abolished in Denmark in 1792, in Great Britain in 1807, and in the United States in 1808.

Why this matters for geography

The slave trade reshaped the population map of the Americas and tied the economies of three continents together. It is a clear example of how trade can be deeply unfair and harmful, not just mutually helpful.

2.3 The Industrial Revolution and the World Wars

After the **Industrial Revolution**, factories needed huge amounts of raw materials such as grains, meat and wool. The demand for these grew, but their money value fell compared with finished manufactured goods.

- Industrial nations imported primary products (raw materials).
- They exported value-added finished goods back to non-industrial nations.
- In the later half of the nineteenth century, the industrial nations became each other's main customers.
- During World Wars I and II, countries imposed trade taxes and quantitative restrictions for the first time.
- After the wars, the **General Agreement on Tariffs and Trade (GATT)** was set up to reduce tariffs. GATT later became the **World Trade Organisation (WTO)**.

Timeline of international trade, from the Silk Route to the founding of the WTO.

Order of abolition of slave trade

"Denmark Goes Up Soon" = **D**enmark (1792) → **G**reat Britain (1807) → **U**nited **S**tates (1808). The dates climb in small steps.

3 Why and on What Basis Trade Exists

International trade does not happen by accident. It is the result of **specialisation** in production. The world economy gains when different countries specialise and divide labour in making goods or providing services. This section explains the principle behind trade and the geographical factors that decide what each country buys and sells.

3.1 The Principle of Comparative Advantage

When each country makes what it is best at and trades for the rest, total output rises and everyone can be better off. International trade rests on three ideas:

- **Comparative advantage:** a country produces and exports goods it can make at relatively lower cost.
- **Complementarity:** one country's surplus matches another country's shortage.
- **Transferability:** the goods and services can actually be moved between the two countries.

The core principle

International trade is based on the principle of **comparative advantage**, complementarity and transferability of goods and services. In principle it should be mutually helpful to both trading partners. In modern times trade is the basis of the world's economic organisation and is closely tied to the foreign policy of nations.

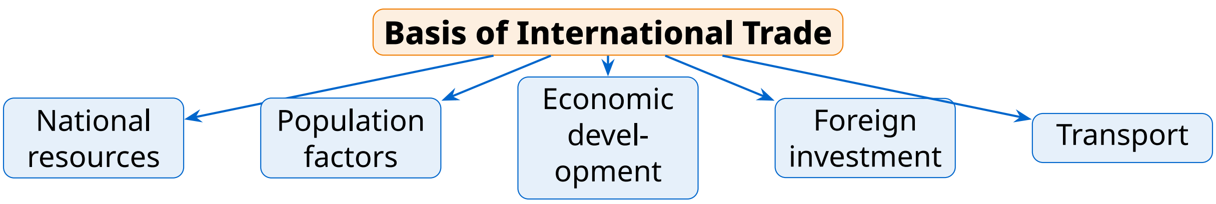
When transport and communication systems are well developed, no country is willing to give up the benefits it gets from taking part in international trade. The three pillars below explain why two countries choose to trade rather than make everything at home.

Three conditions that together make international trade worthwhile.

3.2 Basis of International Trade

Several geographical and economic factors decide the type and volume of goods a country trades. The NCERT lists five main bases.

1. **Difference in national resources.** Resources are spread unevenly because of differences in geology, relief, soil and climate.
   - *Geological structure* sets the mineral base and the variety of crops and animals. Lowlands have more farming potential; mountains attract tourists.
   - *Mineral resources* are unevenly spread and form the base for industry.
   - *Climate* decides the flora and fauna of a region. Wool comes from cold regions; bananas, rubber and cocoa grow in tropical regions.
2. **Population factors.** The size, spread and diversity of people shape trade. Distinctive arts and crafts (China's porcelain, Iran's carpets, North African leather, Indonesian batik) are prized worldwide. Densely populated countries have large internal trade but little external trade, because most output is used at home. A higher standard of living raises demand for imported goods.
3. **Stage of economic development.** Farming countries swap agro-products for machinery; industrial nations export machines and finished goods and import food grains and raw materials.
4. **Extent of foreign investment.** Foreign money can boost trade in developing countries that lack capital for mining, oil drilling, heavy engineering, lumbering and plantation farming.
5. **Transport.** Earlier, poor transport limited trade to local areas and only high-value items (gems, silk, spices) travelled far. With rail, ocean and air transport, plus refrigeration, trade now spreads over wide areas.



The five bases of international trade listed by the NCERT.

Remember the five bases

A common 3-mark question asks for the "basis of international trade." Write all five heads with one line each: resources, population, development stage, foreign investment, transport.

Do not mix up two different lists

"**Why** does trade exist?" wants the **principle** (comparative advantage, complementarity, transferability). "**Basis** of trade" wants the **five geographical factors**. These are two separate answers. Read the verb in the question.

4 Balance of Trade and Types of Trade

Every country keeps a record of how much it sells abroad and how much it buys from abroad. This record, and the way countries arrange their deals, decides the health of an economy. This section covers the balance of trade, the balance of payments idea, and the two main types of trade.

4.1 Balance of Trade

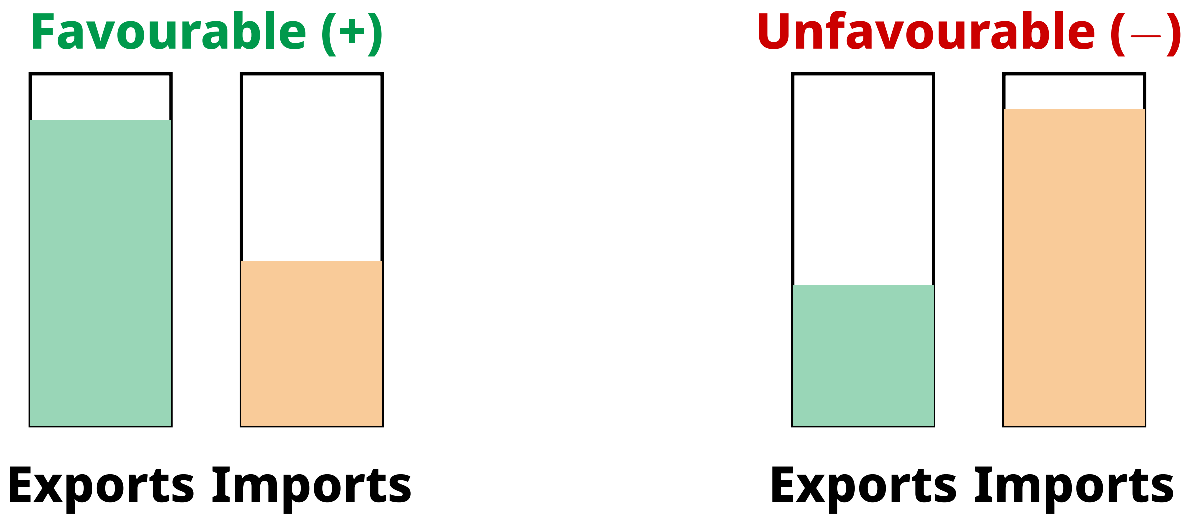
The **balance of trade** records the value of goods and services a country imports and exports. Comparing the two values tells us whether the country is earning or spending more on trade.

Balance of Trade

$$\text{Balance of Trade} = \text{Value of Exports} - \text{Value of Imports}$$

- If Imports $>$ Exports: **negative** (unfavourable) balance of trade.
- If Exports $>$ Imports: **positive** (favourable) balance of trade.

A negative balance means the country spends more on buying goods than it earns by selling them. Over time this drains the country's financial reserves. Balance of trade and balance of payments both have serious effects on an economy.



Favourable balance (exports lead) versus unfavourable balance (imports lead).

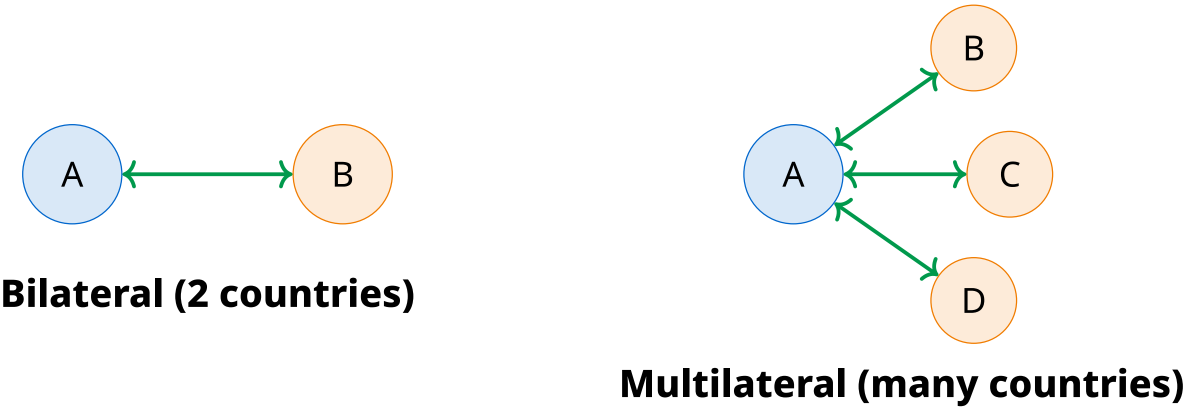
Balance of trade versus balance of payments

Balance of trade counts only the value of goods and services traded. **Balance of payments** is broader: it records all money flows into and out of a country, including investment and loans. A long-running negative balance of payments forces a country to borrow or sell assets, which is why it is harmful.

4.2 Types of International Trade

International trade is grouped into two types based on the number of countries involved.

Type	Meaning
Bilateral trade	Done by two countries with each other. They agree to trade specified goods. Country A trades a raw material with country B in return for some other item.
Multilateral trade	Done with many trading countries. The same country trades with several others. A country may grant the status of "Most Favoured Nation" (MFN) to some partners.



Bilateral trade ties two countries; multilateral trade links one country to many.

MFN status

"Most Favoured Nation" does not mean "favourite friend." It means the partner gets the same low tariffs the country offers to its best trading partners. It is a multilateral-trade term.

5 Free Trade, the WTO and Trade Blocs

After the world wars, countries tried to lower trade barriers and open up their markets. This led to free trade, the founding of the WTO, and the rise of regional trade blocs. But free trade also raised concerns about fairness and the environment. This section covers all of these.

5.1 The Case for Free Trade

Opening up economies for trading is called **free trade** or **trade liberalisation**. It is done by lowering trade barriers such as tariffs. Trade liberalisation lets goods and services from everywhere compete with domestic products.

- **Free trade** can adversely affect developing countries.
- It can impose unfavourable conditions and deny them an equal playing field.
- Free trade should not only let rich countries enter new markets.
- Developed countries should also open their own markets, not keep them protected.

Dumping is a trap inside free trade

Dumping is selling a good in two countries at prices that differ for reasons unrelated to cost. Cheap dumped goods can harm domestic producers. Free trade is helpful only if countries stay alert to dumping.

5.2 The World Trade Organisation (WTO)

In 1948, to free the world from high customs tariffs and other restrictions, some countries formed the **General Agreement on Tariffs and Trade (GATT)**. In 1994 the member countries decided to set up a permanent body. GATT was transformed into the **World Trade Organisation** on 1st January 1995.

What the WTO does

The WTO is the only international organisation dealing with the global rules of trade between nations. It **sets the rules** for the global trading system and **resolves disputes** between member nations. It also covers trade in services such as telecommunication and banking, and issues such as intellectual property rights.

- WTO headquarters are in **Geneva, Switzerland**.
- As on December 2024, **166 countries** were members of the WTO.
- **India** has been one of the founder members of the WTO.

The WTO has also been criticised. Critics argue that free trade does not make ordinary people's lives more prosperous and is widening the gap between rich and poor by making rich countries richer. The influential nations in the WTO focus on their own commercial interests, many developed countries have not fully opened their markets to products from developing countries, and issues of health, workers' rights, child labour and the environment are often ignored.

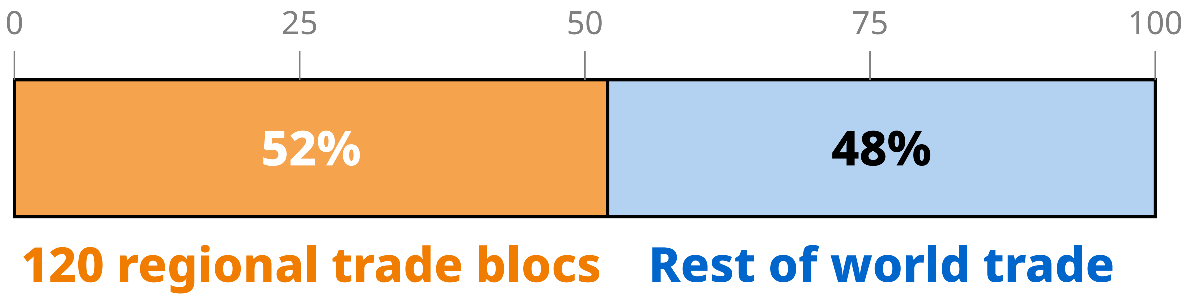
Why the WTO affects your phone bill

Because the WTO covers trade in services like telecommunication and banking, its rules shape how foreign companies offer phones, internet and bank accounts in India. Global trade rules reach right into everyday life.

5.3 Regional Trade Blocs

Regional Trade Blocs have come up to encourage trade between nearby countries that share similarity and complementarity in their trade items, and to reduce restrictions on the trade of the developing world.

- Today, **120 regional trade blocs** generate **52 per cent** of world trade.
- These blocs grew as a response to the failure of global organisations to speed up intra-regional trade.
- They remove trade tariffs among member nations and encourage free trade.
- In future, it could become harder for free trade to happen between different trading blocs.



Share of world trade generated by regional trade blocs (52 per cent).

Two numbers to memorise

120 blocs generate **52%** of world trade. These exact figures often appear as a 1-mark or fill-in-the-blank question.

5.4 Concerns Related to International Trade

International trade is helpful to nations when it leads to regional specialisation, higher production, a better standard of living, worldwide availability of goods, equal prices and wages, and the spread of knowledge and culture.

But trade can be harmful when it leads to dependence on other countries, uneven development, exploitation, and commercial rivalry that can even cause wars.

Trade is beneficial when it brings	Trade is harmful when it brings
Regional specialisation.	Dependence on other countries.
Higher level of production.	Uneven levels of development.
Better standard of living.	Exploitation of weaker partners.
Worldwide availability of goods.	Commercial rivalry leading to wars.
Equal prices and wages.	Faster use of natural resources.
Spread of knowledge and culture.	More pollution and loss of forests.

Global trade touches everything from the environment to the health and well-being of people around the world. As countries compete to trade more, production and the use of natural resources spiral up, and resources get used up faster than they can be replenished. Marine life depletes, forests are cut down, and river basins are sold off to private water companies. Multinational corporations in oil, gas, mining, pharmaceuticals and agri-business keep expanding at all costs, creating more pollution, since their way of working does not follow the norms of sustainable development.

Trade affects the environment too

As countries compete to trade more, the use of natural resources spirals up.

Resources are used faster than they can be replaced, marine life depletes, forests are cut down, and pollution rises. Multinational corporations in oil, gas, mining and agri-business often ignore sustainable development. A complete answer must mention these environmental costs.

6 Gateways of International Trade: Ports

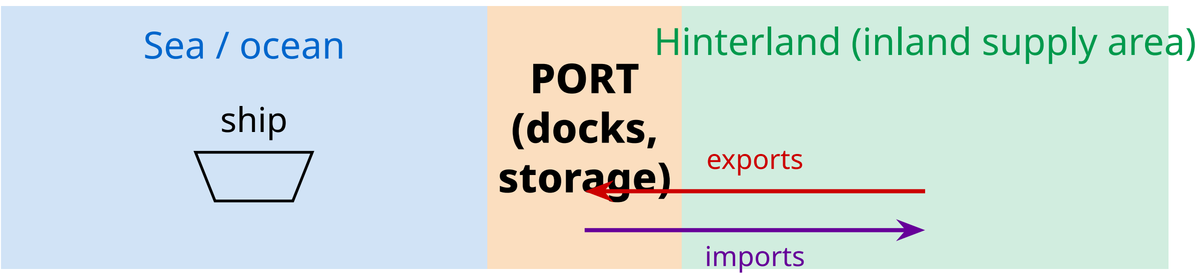
Almost all heavy international trade moves by sea, so harbours and ports are the chief gateways of world trade. Cargoes and travellers pass from one part of the world to another through ports. This section explains what ports do and how they are classified.

6.1 What Ports Do

A **port** provides facilities for docking, loading, unloading and storing cargo. To do this, port authorities maintain navigable channels, arrange tugs and barges, and provide labour and managerial services.

How a port's importance is judged

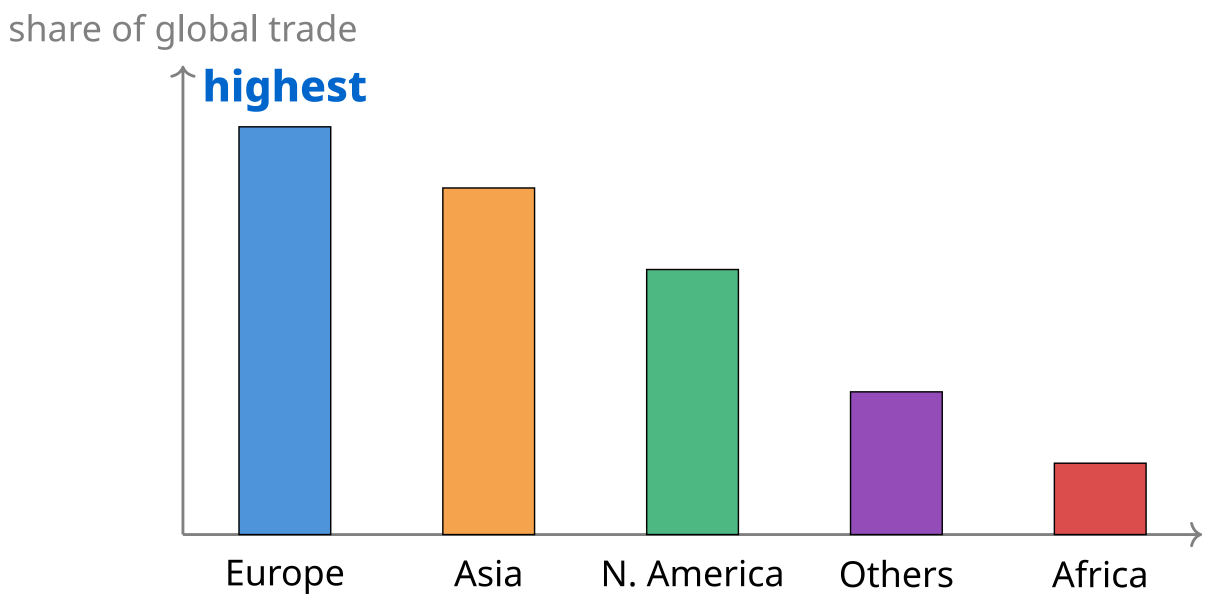
The importance of a port is judged by the **size of cargo** and the **number of ships** it handles. The quantity of cargo a port handles is an indicator of the level of development of its **hinterland** (the inland area it serves).



A port links the sea to its hinterland, moving exports out and imports in.

6.2 Where World Trade Flows

Trade is not spread evenly across the globe. A small number of regions handle most of the world's goods. For the CBSE and CUET papers, one fact stands out: among the continents, **Europe has the maximum flow of global trade**, helped by its dense network of ports, short sea distances and many neighbouring economies.



Illustrative ranking of global trade flow by region; Europe leads.

A favourite MCQ

"Which continent has the maximum flow of global trade?" The answer is **Europe**, not Asia or North America. Mark it without second-guessing.

6.3 Classification of Ports

Ports are classified on three different bases: the type of cargo they handle, their location, and their specialised functions.

(A) On the basis of cargo handled

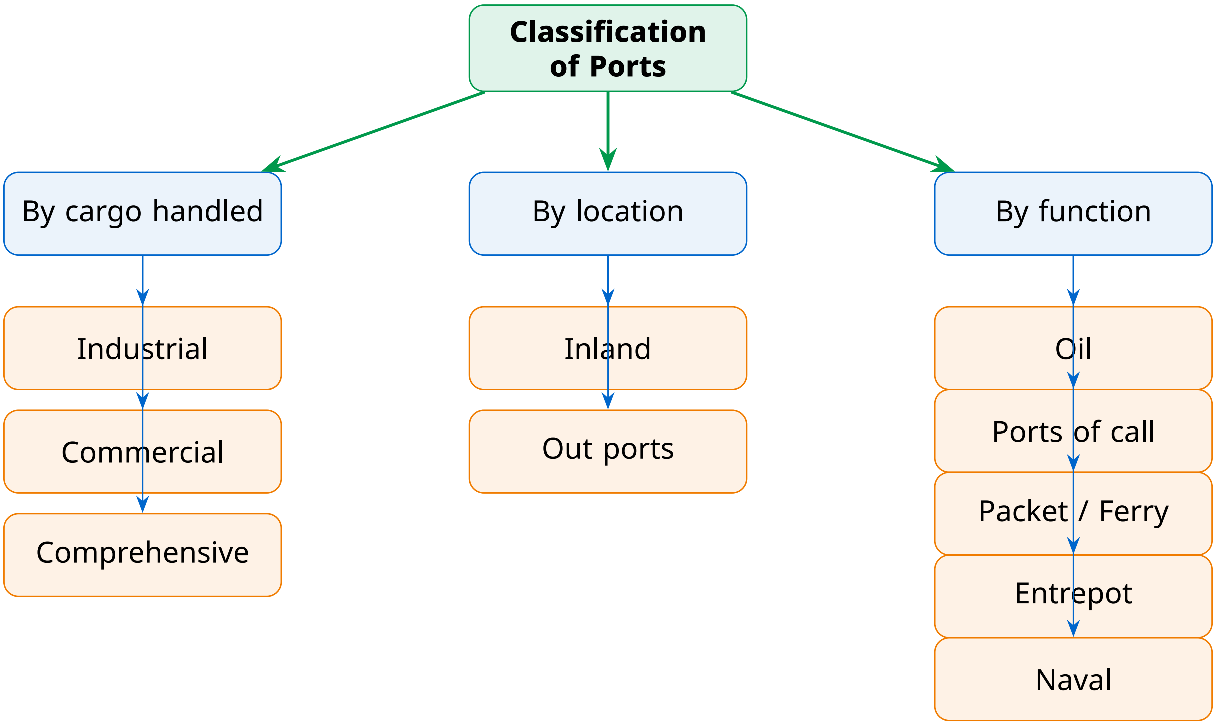
- **Industrial Ports:** specialise in bulk cargo such as grain, sugar, ore, oil, chemicals.
- **Commercial Ports:** handle general cargo (packaged and manufactured goods) and also passenger traffic.
- **Comprehensive Ports:** handle bulk and general cargo in large volumes. Most of the world's great ports are comprehensive ports.

(B) On the basis of location

- **Inland Ports:** located away from the sea, linked to it by a river or canal. Examples: Manchester (canal), Memphis (river Mississippi), Mannheim and Duisburg (Rhine), Kolkata (river Hoogli).
- **Out Ports:** deep-water ports built away from the main port to receive ships too large for it. Example: Athens with its out port Piraeus in Greece.

(C) On the basis of specialised functions

Port type	Function	Examples
Oil Ports	Processing and shipping of oil. Some are tanker ports, some are refinery ports.	Tanker: Maracaibo, Esskhira, Tripoli. Refinery: Abadan.
Ports of Call	Began as calling points for re-fuelling and supplies, later became commercial ports.	Aden, Honolulu, Singapore.
Packet Station (Ferry Ports)	Only for passengers and mail over short distances; occur in pairs facing each other.	Dover (England) and Calais (France).
Entrepot Ports	Collection centres where goods from many countries gather for re-export.	Singapore, Rotterdam, Copenhagen.
Naval Ports	Strategic ports that serve warships and hold repair workshops.	Kochi, Karwar (India).



The full classification tree of ports used by the NCERT.

Five specialised port functions

"Oil Calls Packets to Entrepot Navy" = **Oil** ports, Ports of **Call**, **Packet** stations, **Entrepot** ports, **Naval** ports. Five functions, one silly sentence.

Singapore appears twice

Singapore is both a **port of call** and an **entrepot** for Asia. If a question names a single port that fits two categories, Singapore is the safe answer.

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7 Previous Year Question Trends

This chapter is a steady source of marks in the CBSE Class 12 Geography paper and in CUET. The questions repeat in clear patterns, so knowing the trend saves time. This section maps the common question shapes to the topics they come from.

7.1 What Examiners Ask From This Chapter

Marks	Topic area	Typical question
1 (MCQ)	Ports	"Most of the world's great ports are ..." (Comprehensive).
1 (MCQ)	World trade flow	Which continent has the maximum flow of global trade? (Europe).
3 (30 words)	WTO	What is the basic function of the WTO?
3 (30 words)	Balance of payments	Why is a negative balance of payments harmful?
3 (30 words)	Trade blocs	What benefits do nations get from trading blocs?
5 (150 words)	Ports	How are ports helpful for trade? Classify ports by location.
5 (150 words)	Gains from trade	How do nations gain from international trade?

Answer length discipline

A 30-word answer is roughly three short sentences. A 150-word answer is one short paragraph plus a short list. Writing far more than the word limit wastes time and earns no extra marks.

7.2 Model Answer Skeletons

Function of the WTO (3 marks)

The WTO is the only global body dealing with the rules of trade between nations. It sets the rules for the global trading system, resolves disputes between members, and covers trade in services and intellectual property rights.

Why a negative balance is harmful (3 marks)

A negative balance means the country spends more on imports than it earns from exports. To pay the gap, it must use up its financial reserves or borrow. Over time this weakens the economy and lowers its ability to invest.

8 Quick Reference Summary

This last section gathers the must-know facts of the chapter in one place for fast revision before the exam. Use it as a final checklist the night before the paper.

8.1 Key Terms at a Glance

Term	Quick definition
International trade	Exchange of goods and services across national boundaries.
Barter system	Direct exchange of goods without money.
Comparative advantage	Producing what you make at relatively lower cost.
Balance of trade	Value of exports minus value of imports.
Favourable balance	Exports more than imports (positive).
Unfavourable balance	Imports more than exports (negative).
Dumping	Selling a good in two countries at prices unrelated to cost.
Free trade	Opening economies by lowering trade barriers.
Bilateral trade	Trade between two countries.
Multilateral trade	Trade among many countries.
MFN	Most Favoured Nation status given to a trade partner.
Hinterland	The inland area served by a port.
Entrepot port	Collection centre where goods gather for re-export.

8.2 Facts and Figures to Memorise

- Silk Route length: **6,000 km**, connecting Rome to China.

- Slave trade abolished: Denmark **1792**, Great Britain **1807**, USA **1808**.
- GATT formed **1948**; became the WTO on **1st January 1995**.
- WTO headquarters: **Geneva, Switzerland**; **166 members** as on December 2024; India is a founder member.
- Regional trade blocs: **120 blocs** generate **52%** of world trade.

The one formula of this chapter

$$\text{Balance of Trade} = \text{Value of Exports} - \text{Value of Imports}$$

Positive value $\Rightarrow$ favourable balance. Negative value $\Rightarrow$ unfavourable balance, which drains reserves.

8.3 Exam Pointers (CBSE, CUET, UPSC)

- **1-mark / MCQ:** "Most of the world's great ports are comprehensive ports." Europe has the maximum flow of global trade.
- **3-mark (30 words):** basic function of the WTO; harm of a negative balance of payments; benefits of trading blocs.
- **5-mark (150 words):** how ports help trade plus classification by location; how nations gain from international trade.
- **CUET / UPSC:** link this chapter to Chapter 7 (Transport and Communication), since trade depends on transport networks and ports.

From this chapter to your daily life

The clothes, phones and even the fuel you use have all crossed at least one international border through a port. Every barcode in a shop is the end of a long trade chain that this chapter describes.

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