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## Research Article

# Intelligent System to Support The National Currency Depend On Foreign Trade

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## ABSTRACT

During the course of the past two decades, India's economy has benefited enormously from both its exports and its imports, which have been major drivers of economic growth. Exports have been especially significant in recent years. At the same time, the Middle East has established itself as a player in the economy of the globe as a whole that is assuming an increasingly significant role. The purpose of this piece of writing is to make an attempt to explore the reasons that have had an impact on the economy. These factors include the growth of exports and imports as well as alterations in the balance of payments. As its principal field of examination, this study focuses mostly on the Middle East's exports and imports over the past five years, as well as the growth of those two distinct categories of commerce. Also, this study investigates the growth of those two separate types of trade. The author of this piece of study highlights the primary nations that are influential in the international trade that takes place in the middle east. The researcher also addresses the ways in which India's exports and imports affect the country's balance of payments, in addition to the major continents and commodities that are involved in India's international trade.

**Keywords:** The Balance of Payments, International Trade, Exports, Imports

## INTRODUCTION

The notion that expanding global commerce makes the world a more prosperous place overall is one issue on which the vast majority of economists agree. The vast majority of those working in the field of economics in the current era share this viewpoint. Despite this, there is no denying that the issue of international trade has the potential to cause the greatest political rifts, both within a single country and among the various governments that have reigned throughout history [1]. Both the level of a single nation and the several governments that have reigned over time may attest to this. As a result of consumers or businesses in one nation buying goods or services produced in the other at a lower price, the standard of life in both those countries rises. This is because there is more money available than before, allowing you to spend it on a larger variety of things [2]. In addition to the possibility for lower initial expenses, buying goods from a different country may benefit you in a number of other ways as well. One of these benefits is the possibility that the product will either better meet the customer's needs than comparable goods that are available for purchase in the customer's nation of origin, or it won't be available at all. Both of these outcomes would be favourable. Purchasing items from another nation has a number of advantages, including the two possibilities discussed in this article. In any instance, the foreign producer benefits from the scenario in two ways: first, it makes more money than it would if it just sold in its home market; and second, it gets foreign currency that it can spend for its own purchases or the purchases of others in the country [3]. Both of these advantages will help the foreign manufacturer. The foreign producer can take use of both of these perks, which is advantageous to the manufacturer. The manufacturer will profit from this arrangement because the foreign producer qualifies for both of these types of subsidies. Both of these advantages will probably be valuable to the foreign producer who stands to gain from this in some way. Not every person or business will always directly gain from international trade, even when it is beneficial to society as a whole [4]. This is because a wide range of factors can affect how well an individual or business performs. This is due to the fact that a number of factors may have an impact on a company's success. When a corporation decides to purchase a product from another country, the local manufacturer loses the sale since the product is made abroad at a lower cost but is sold in the home market at a higher price. This is because manufacturing things for export is less expensive than manufacturing them for the home market. This is due to the fact that the product is offered in the country at a higher price than it is in the other country. Nonetheless, in the vast majority of transactions, the buyer still comes out ahead even once losses incurred by the local seller as a result of the transaction are taken into consideration. This is true whether or not one takes into account the fact that the buyer paid a greater price. The global economy as a whole frequently gains when individual nations import commodities that are produced in other nations at a higher quality and at a lower cost. When countries buy

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products from corporations based in other countries, this happens. There are a few major exceptions to this general rule of thumb, though, and they must be considered [5]. A situation where the costs of production do not take into account the expenses that society bears, such as the costs related to pollution, would be an illustration of this. Historically, those who felt that increased competition from other countries would force them to incur financial losses have typically been against international trade. This argument rests on the idea that people will be forced to experience financial losses as a result of increased competition from other countries. [Another citation is required] The following assertion was made by British historian Thomas B. [6]. Macaulay not long after Adam Smith and David Ricardo established the economic rationale for free trade. Free trade, one of the biggest benefits a government can grant a people, is one of the least popular economic policies in almost every nation, according to him. This statement was made shortly after Adam Smith and David Ricardo established the economic foundation for free trade. To be more accurate, this statement was made right after the economic underpinnings for free trade were laid. Whether you're having these conversations now or in 200 years, their importance hasn't changed. One of the most essential ideas in the study of economics is commonly recognised as Ricardo's conclusion that relative costs, not absolute ones, were the driving force behind commercial activity. This is among Ricardo's most important contributions to the sector (of producing a good). One country may produce more of each product than the others. This could be the circumstance. Yet, there is no assurance of this. This demonstrates that the country in question is capable of producing any good with fewer inputs (such as labour and capital) than are required by other nations to generate the same item. This may be accurate if the relevant nation has a more advanced technological infrastructure [7]. Ricardo came to the conclusion that a country might still benefit from trade provided it was conducted in a way that took use of that country's comparative advantage. This was the main lesson he took away from his investigation. The country would make the most money if it imported the goods and services for which it had the biggest relative advantage but no absolute advantage, while exporting those for which it had the greatest absolute advantage. This is due to the fact that the nation was able to boost its revenue by exporting those goods and services where it had a clear competitive advantage (even if still positive).

## ADVANTAGES OF FOREIGN TRADE

Trade can benefit any nation, even one that has a clear advantage in every aspect of production and is more productive overall. This is accurate since it helps those with commercial interests. Let's consider the following as an illustration:

The same amount of time in Country A can be utilised to create three kilogrammes of steel or two shirts. Production of shirts requires more physical labour than other types of clothing. One garment or one kilogramme of steel can be produced in nation B with one hour of labour. Both of these options are plausible [8].

In Country A, both of these products can be produced more profitably. If Country B is willing to talk with Country A about a deal in which they would exchange 2.5 kg of steel for two shirts, which they would then sell to Country A. Country B's offer would be as follows:

To create this extra two shirts, Country B must divert two hours of labour from creating two kilogrammes of steel. Two hours would have been required in total for the shirt-making process, which Country A has since dropped. For every hour of work, it produces three kilogrammes of steel as opposed to one kilogramme. Country A produces two less shirts than Country B, and Country B produces two more shirts than Country A, despite the fact that both nations generate an identical amount of shirts overall [9]. Overall, both nations manufacture an equal amount of shirts, but Country A produces two less than Country B. Despite still, more steel is produced today than there was previously: Country A increases its annual output of steel by three kilogrammes, while Country B decreases its annual output of steel by two kilogrammes [10]. It is possible to put a monetary value on the benefits of international trade by determining the additional kilogrammes of steel. Even if a nation produces three times as much steel or aeroplanes as its trading partners, producing and selling those goods domestically will still be more advantageous than importing textiles. This is accurate given that steel and aeroplanes are stronger and more durable than clothing. The trade partner will profit if they consent to swap these additional products for apparel in a market where they have a comparative advantage but not an absolute advantage (see box). The idea of comparative advantage encompasses services like the production of financial instruments or the writing of computer code in addition to the exchange of tangible things. It's important to keep in mind that the concept of comparative advantage encompasses more than just the exchange of tangible items. Trade can assist both nations raise their standards of living because one country has advantages that the other does not. In publications by Douglas Irwin, the concept of comparative advantage is referred to as "excellent news" for economic growth (2009). Even when it lacks an absolute edge in any one field, a developing country will always have a comparative advantage in the production of some commodities, enabling it to conduct profitable trade with more established nations. There are numerous variables that can alter comparative advantage depending on the situation. Around the turn of the 20th century, Swedish economists Eli Heckscher and Bertil Ohlin made an effort to comprehend the significance of labour and capital—often referred to as "component endowments"—as a determining element of advantage. They achieved this by carrying out the necessary research. The Heckscher-Ohlin thesis claims that countries frequently export goods whose manufacture is largely dependent on domestic production variables. This is because nations frequently export goods whose manufacture requires the most abundant resource. The fact that exporting goods is a common practise among nations supports this assertion. Promoting the export of industrial products like factories and machinery is crucial. Thus, only nations with significant labour forces ought to export labor-intensive items. Modern economic theory maintains that factor endowments are important, despite economists' claims that a variety of other important factors also have a significant impact on trade patterns (Baldwin, 2008). According to the findings of a recent study,

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sectors react both before and after periods of greater trade openness. These transitional phases could last a few months or a number of years. Profits are under pressure as a result of heightened competition from companies with overseas headquarters, which drives less efficient companies to close their doors to make place for more efficient ones. A market's growth and the entrance of new competitors almost always result in technological advances and the creation of totally new product categories. The fact that clients now have access to a greater range of product categories as a result of commerce is possibly the biggest benefit of globalisation (say refrigerators). This shows the value of trade between different industries (for example, countries that export family freezers may import industrial coolers). The factor endowment approach disregards transactions within the same industry. It is undeniable that production of commodities—not only more of the same kinds of products, but also a wider range of goods—increases efficiency in ways that can be quantified and substantiated. This is true whether or not the extra items are of the same kind. For instance, the United States currently imports four times as many different categories of commodities as it did in the 1970s, despite the fact that the number of nations that manufacture each category has expanded by more than twice as much (such as various automakers and models). In other words, there are now more than four times as many countries supplying each commodity to the US. When businesses have access to a greater variety of intermediate inputs and higher-quality capital, they are better able to utilise their investment capital effectively. They can therefore boost their investment's return as a result. This triumph might be more significant than others (think industrial optical lenses rather than cars). Trade has the power to boost total investment and foster innovation, which will lead to faster, more dependable growth. This is because there is a chance that a deal will boost overall investment. In reality, technology transfer and other effects, such the expansion of product categories that are favourable to competition, are frequently ignored by economic models used to analyse the effects of trade [11]. This is true since they have no direct impact on commerce. This is due to the difficulty in modelling these factors, which raises the amount of uncertainty in the results. This is due to the difficulty in modelling these influences. The authors of this study contend that the benefits of trade improvements, such as cutting tariffs and other nontariff trade barriers, substantially surpass those that would be projected by conventional models.

## TRADE POLICIES

Productivity increases with increased international trade. When a nation's economy becomes more open to international commerce, resources such as labour and money are reallocated from less productive industries to those that are more profitable. This mobility results in an increased level of economic success for the society as a whole. Yet, what we have learned as a result of these discoveries is only a portion of the overall story.

Additionally, organisations and industries who are unable to compete face disruption as a result of trade. When more superior international producers demand stringent alterations, businesses frequently renounce their commerce with the foreign producers. One may say the same thing with their workers. They usually look at imposing import restrictions like as quotas and import levies in order to either increase the price of goods or lower the total volume of imports (also known as tariffs). In an effort to artificially reduce the cost of their own inputs, processors can choose to impose export restrictions on their suppliers. On the other hand, the benefits of commerce are widely dispersed, and those who profit from it usually fail to recognise their own good fortune. As a direct consequence of this, the adversary typically emerges victorious in trade discussions.

As a direct result of the reforms that were enacted in the decades following World War II, the degree to which governments limit trade has significantly shrunk. Nonetheless, there are a lot of laws in place to protect the integrity of domestic business. Tariffs in some countries and industries, such the fashion industry and agriculture, are significantly higher than those in other parts of the economy (such as less developed nations). Nonetheless, a substantial number of other countries continue to use trade barriers in important industries like as finance, communications, and even transportation. In contrast to these nations, those that have rules that favour global competitiveness, these nations have regulations that favour global competitiveness.

As a consequence of this, trade barriers have a more negative impact on certain countries than they do on others. Less developed countries generally endure enormous hardship because the majority of the goods they export are labor-intensive and require low levels of competence, and these goods are typically protected by industrialised nations. For example, Elliott (2009) claims that the United States receives approximately 15 cents in tariff revenue for each dollar of imports from Bangladesh, whereas the United States only receives 1 cent in tariff revenue for each dollar of imports from a number of significant countries in western Europe. On the other hand, the importation of a certain commodity into Western Europe is taxed at a rate that is either the same as or lower than the rate that is applied to the importation of the same good into Bangladesh. However, despite the fact that the US levies on Bangladeshi goods may be a notable example, economists working for the World Bank discovered that exporters from low-income countries face challenges that are, on average, twice as great as those that restrict the exports of major industrialised countries. This is despite the fact that the US levies on Bangladeshi goods may be a notable example (Kee, Nicita, and Olarreaga, 2006).

Arbitration of disputes relating to international trade must be handled by the World Trade Organization (WTO). Since 1948, the 153 members of the World Trade Organization (WTO), which replaced the General Agreement on Trade and Tariffs, have been negotiating trade-related agreements in order to replace the General Agreement on Trade and Tariffs (GATT). As a result of these accords, there has been a gradual liberalisation of tariffs, subsidies, customs assessment and processing, trade and investment in

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the service sector, intellectual property, and other issues that are related to trade. The obligations made in the agreements are safeguarded by the use of a rigorous and well structured framework for the resolution of disputes.

As a result of the rules-based system of international commerce that is centred on the WTO, there has been an improvement in the stability, transparency, and openness of trade policy. Despite this, a crucial contributor to the fact that protectionism did not rise as a direct result of the global financial crisis is the World Trade Organization (WTO). Yet, as was made very clear at the most recent round of trade discussions held by the WTO in Doha, the organisation faces significant obstacles when attempting to negotiate accords that will further liberalise trade. In spite of the progress that has been made, trade restrictions that are both burdensome and unfair are still quite widespread. Acting could result in annual revenue increases of tens or even hundreds of billions of dollars. Notwithstanding this, there are a relatively small number of people and organisations that have been working to obstruct and undermine the forthcoming global progress. By considering the bigger picture and coming up with solutions to assist the few people who could be adversely affected, it is possible to design a trading system that is both more equitable and economically viable.

## CASE STUDY

Table 1 contains a comprehensive breakdown, by destination, of India's export performance from the 2016–2017 fiscal year to the 2018–2019 fiscal year. To keep their position as the market leader, the United States of America spent a total of \$42212.27 (US\$Million), \$4778.58 (US\$Million), and \$47432.83 (US\$Million) in 2016, 2017, and 2018 respectively. The United Arab Emirates came in at number two with total revenues of \$42212.27 (M), \$47878.48 (M), and \$47432.83 (M) in the respective fiscal years 2016–2017, 2017–2018, and 2018–2019. China has placed third in this category for the past three years in a row, beginning in 2016–17 (with a score of 42212.27) and continuing through 2017–18 (with a score of 4778.48) and 2018–19. (47432.83). The top ten markets accounted for 50.83 percent of the total rise in exports to US\$140226.6 million in 2016–17, 50.83 percent of the total increase in exports to US\$15411.5 million in 2017–18, and 50.78 percent of the total increase in exports to US\$150696.9 million in 2018–19. The remaining travel places provided \$135,259.9 in 2016–17, \$149,407.6 in 2017–18, and \$1,787,802.23 in 2018–19, which is equivalent to 49.17%, 49.22%, and 49.22%, respectively, of this total sum.

**Table 1. Analysis of India's exports based on their final destination**

S No	Country	(Value in US\$ Million)			% Change	
		2016-17	2017-18	2018-19	2016-17/ 2017-18	2017-18/ 2018-19
1	USA	42212.27	47878.48	47432.83	13.42	9.54
2	U Arab Emts	31175.5	28146.12	27290.47	-9.72	5.8
3	China P Rp	10171.89	13333.53	1506674	31.08	28.35
4	Hong Kong	14047.24	14690.27	11981.03	4.58	-12.63
5	Singapore	9564.58	10202.82	9495.99	6.67	1.44
6	UK	8530.07	9691.07	8391.97	13.61	-4.7
7	Bangladesh Pr	6820.11	8614.35	8080	26.31	5.3
8	Germany	7181.61	8687.8	8060.74	20.97	3.08
9	Netherland	5069.69	6261.14	7919.57	23.5	41.4
10	Nepal	5453.59	6612.96	6977.55	21.36	17.47
<b>Top 10 destinations</b>		<b>140226.6</b>	<b>154118.5</b>	<b>150696.9</b>	<b>9.01</b>	<b>-2.27</b>
<b>% Share India's top 10 export destinations</b>		<b>50.83</b>	<b>50.78</b>	<b>50.78</b>		
<b>Total of rest of the above</b>		<b>135625.9</b>	<b>149407.6</b>	<b>178780.23</b>	<b>10.16</b>	<b>19.66</b>
<b>% Share of rest of destinations exports</b>		<b>49.17</b>	<b>49.22</b>	<b>49.22</b>		
<b>Total Export</b>		<b>275852.4</b>	<b>303526.2</b>	<b>329477.13</b>	<b>10.03</b>	<b>8.55</b>

Source: Monthly Bulletin on Foreign Trade May 2019

## CONCLUSION

One of the most well-known economic ideas claimed that relative costs, not absolute expenses, determined a company's performance (of producing a good). A nation may be more productive overall than other nations if it can produce any good with less inputs (such as labour and capital) than other nations must in order to produce the same thing. A nation of this type would, nevertheless, benefit from trade based on its comparative advantage, acquiring goods where it had a relatively smaller absolute advantage and exporting those where it had a higher absolute advantage (even if still positive). According to a recent study, in order to boost exports and imports, the World Trade Organization (WTO), the Reserve Bank of India, the Ministry of Finance, the Directorate General of Commercial Intelligence and Statistics, and the Ministry of Commerce and Trade may all need to create and implement new foreign trade policies. As a result, there will be various effects on the expansion of employment opportunities, the generation of income, the purchase of foreign exchange, and the improvement of balance of payment positions. To accomplish this, the Indian government, numerous state governments, and export promotion committees all provide various financial and non-financial aids to individuals engaged in overseas trade. India will only ever have the chance once in a lifetime to further enhance its favourable trade balance position.

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