INTERNATIONAL TRADE

A trade involving the exchange of goods and services between two or more countries. If the exchange is between two countries only, then it is referred to as bilateral trade, but if it is between more than two countries then it is referred to as multilateral trade.

Advantages of International Trade

- ✓ It enable the country to get access to wider range/variety of goods and services from other countries
- ✓ It enable the country to get what it does not produce
- ✓ It helps in promoting peace among the trading countries
- ✓ It enable the country to specialize in it's production activities where they feel they have an advantage
- ✓ It earns the country revenue through taxes and licenses fees paid by the importers and exporters in the country
- ✓ It enable the country to dispose of its surplus goods and services thereby avoiding wastage
- ✓ It creates employment opportunities to the citizens of that country either directly or indirectly
- ✓ It may lead to the development of the country through importation of capital goods in to the country
- ✓ It encourages easy movement of factors of production across the boarders of the countries involved
- ✓ It enable countries to earn foreign exchange which it can use to pay for its imports
- ✓ A country may be able to obtain goods and services cheaply than if they have been produced locally
- ✓ During hard times or calamities such as wars, the country is able to get assistance from the trading partners
- ✓ It brings about competition between the imported and locally produced goods, leading to improvement in their quality
- ✓ It gives the country an opportunity to exploit fully its natural resources, due to increased market

Disadvantages of International trade

- ✓ It may lead to collapse of the local industries, as people will tend to go for the imported goods. The collapse may also lead to loss of employment
- ✓ It may also lead to importation of harmful foods and services such as drugs and pornographic materials
- ✓ May lead to over depending on imported commodities especially the essential ones, making the country to be a slave of the other countries, interfering with their sovereignty
- ✓ It may make the country to suffered during emergencies if they mainly rely on the imported goods

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- ✓ May make the country to suffer from import inflation
- ✓ May lead to acquisition of bad culture from other countries as a result of their interactions
- ✓ May lead to unfavorable balance of payment, if the import is higher than exports

Terms of Trade

This refers to the rate at which the country's export exchanges with those from other country. That is:

Terms of trade = $\frac{Price\ index\ of\ export}{price\ index\ of\ import}$

It determine the value of export in relations to import so that a country can know whether it's trade with the other country is favourable or unfavourable

Favourable terms of trade will make the country spent little on import and gain a lot of foreign exchange from other countries

For example;

Then table below shows trade between Kenya and China in the year 2004 and 2005, with the Kenyan government exporting and importing to and from china, and China also importing and Exporting from and to Kenya.

Year	Average prices of export	
	Kenya	China
2004	1000	4000
2005	1200	6500

Calculate the Terms of trade for;

i. Kenya
ii. China

Solution;

Kenya

a) Export price index (E $\frac{average\ prices\ of\ exports\ in\ the\ current\ year}{average\ prices\ of\ exports\ in\ the\ base\ year}$ x 100

$= \frac{1200}{1000} \times 100$

$= 120\%$

b) Import price index (I.P.I) = $\frac{average\ prices\ of\ import \in current\ year}{average\ prices\ of\ import \in the\ base\ year}$ x 100

$= \frac{6500}{4000} \times 100$

$= 162.5\%$

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c) Terms of trade (T.O.T) $= \frac{export\ price\ index}{import\ price\ index} \times 100$

$= \frac{120}{162.5} \times 100$

$= 73.8\%$

This implies that Kenya is importing from China more than it is exporting, leading to unfavourable terms of trade i.e. when the percentage is less than 100%, it implies unfavourable terms of trade.

China (work out)

The average prices is the various prices of the individual export or import items divide by their number

Factors that may lead to either favourable or unfavourable terms of trade

The country is experiencing a favourable terms of trade if:

- The prices of imports decline and those of export remains the constant
- The prices of imports declines while those of exports increase
- The price of imports remains constant while those of exports increase
- The prices of import and export increases but the rate of increase in export is higher
- Both prices decrease but the decrease in import prices is higher

The country will experience unfavourable terms of trade if;

- Prices of import increases while those of exports decline
- Prices of import remains constant while those of export declines
- Prices of import increase as the export remains constant
- Both prices increase, but for imports increases at a higher rate than export
- Both prices decrease, but for export decreases at a higher rate than import

Reasons for differences in terms of trade between countries

The terms of trade may differ due to:

i. The nature of the commodity being exported. If a country exports raw materials, or unprocessed agricultural products, its terms of trade will be unfavourable, as compared to a country that exports manufactured goods

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ii. Nature of the commodity being imported. A country that imports manufactured goods is likely to have unfavourable terms of trade as compared to that which imports raw materials or agricultural produce
iii. Change in demand for a country's export. An increase in demand for the country's export at the world market will make it have favourable terms of trade as compared to those with low demand at the world market
iv. Existing of world economic order favouring the products from more developed countries. This may make the developing countries to have deteriorating terms of trade
v. Total quantity supplied. A country exporting what most countries are exporting will have their products trading at a lower price, experiencing unfavourable terms of trade as compared to a country that export what only few countries export
vi. Trade restrictions by trading partners. A country with no trading restrictions is likely to import more products, leading to unfavourable terms of trade, as compared to if it impose trade restrictions

Balance of trade

This is the difference between value of country's visible exports and visible imports over a period of time. If the value of visible/tangible export is higher than the value of visible/tangible imports, then the country experiences favourable terms. If less than the invisible value, then the country is experiencing unfavourable. The country is at equilibrium if the value of visible export and import is the same

Balance of payments

This is the difference in the sum of visible and invisible export and the visible and invisible imports. If positive then it means the country is having favourable terms, while if negative, then it means unfavourable It goes beyond the balance of trade in that it considers the following

- The countries visible/tangible export and import of goods (visible trade)
- The countries invisible/services exported and imported in the country (invisible trade)
- The inflow and outflow of investment (capital goods)

Balance of Payment account

This is the summary showing all the transactions that have taken place between a particular country and the rest of the world over a period of time. The transaction may arise from

a) The export of visible goods
b) The import of visible goods

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c) The export of invisible goods/services
d) The import of invisible goods/services
e) Flow of capital in and out of the country

Components of balance of payments account

The balance of payment account is made up of the following

a) Balance of payment on current account
i) Balance of payment on capital account
ii) Official settlement account/Cash account/foreign exchange transaction account

Balance of payment on current account

This is the account that is used to determine the difference between the value of the country's visible and invisible imports and exports. That is Balance of payment on current account = (visible export + invisible export) – (visible import + invisible import)
In the account, the payments for the visible and invisible imports are **debited** while the receipts from visible and invisible exports are **credited** that is

Dr **current account** Cr

Payments for imports (Visible and Invisible)	Receipts from exports (Visible and Invisible)

The balance of payment on current account may be;

- In equilibrium i.e. if Dr = Cr
- Unfavourable i.e. if Dr > Cr (-ve)
- Favourable i.e. if Dr < Cr (+ve)

For example;
A given country had the following values of visible and invisible export and import during the year 2004 and 2005

Trade	2004 (shs)	2005 (shs)
Visible export	18926	29954
Visible imports	22780	32641
Invisible exports	6568	19297
Invisible imports	5239	16129

Required
Prepare the country's balance of payments on current account for the years 2004 and 2005 and comment on each of them.

Dr **current account year 2004** Cr

	shs		Shs
Visible imports	22780	Visible export	18926
Invisible imports	5239	Invisible export	6568
Total	~~28019~~	Total	~~25494~~

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		Deficit	**2525**

The country experienced unfavourable balance of payment on current account in the year 2004, since they imported more than they exported

Dr **current account year 2005** Cr

	shs		Shs
Visible imports	32641	Visible export	29954
Invisible imports	16129	Invisible export	19297
Total	28019	Total	49251
Excess	**481**		

The country experienced favourable balance of payment on current account in the year 2005, since they exported more than they imported

Balance of payments on capital account

This account shows the summary of the difference between the receipt and payments on the investment (capital). Receipts are income from investments in foreign countries while payments are income on local investments by foreigners paid out of the country.

The capital inflow includes investments, loans and grants from foreign donors, while capital outflow includes dividends paid to the foreign investors, loan repayments, donations and grants to other countries.

In the account the payments are debited, while the receipts are credited. That is;

Dr **capital account** Cr

Payments	Receipts

The account may be;

- In equilibrium i.e. if Dr = Cr
- Unfavourable i.e. if Dr > Cr (-ve)
- Favourable i.e. if Dr < Cr (+ve)

The combined difference on the receipts and payments on both the current and capital accounts is known as the overall balance of payments.

The official settlement account

This account records the financial dealings with other countries through the IMF. It is also called the foreign exchange transaction account, and is always expected to balance which a times may not be the case. That is;

- Incase of surplus in the balance of payment, the central bank of that country creates a reserve with the IMF and transfer the surplus to the reserves account.
- Incase of a deficit in the balance of payment, the central banks collect the reserves from the IMF to correct the deficit, and incase it did not have the reserves, the IMF advances it/give loan

Balance of payment disequilibrium

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This occurs when there is either deficit or surplus in the balance of payments accounts. If there is surplus, then the country would like to maintain it because it is favourable, while if deficit, the country would like to correct it.

Causes of balance of payment disequilibrium

It may be caused by the following;

- Fall in volume of exports, as this will reduce the earnings from exports leading to a deficit.
- Deteriorating in the countries terms of trade. That is when the countries exports decreases in relation to the volume of imports, then her payments will higher than what it receives.
- Increasing in the volume of import, especially if the export is not increasing at the same rate, then it will import more than it exports, leading to a disequilibrium
- Restriction by trading partners. That is if the trading partners decides to restrict what they can import from the country to a volume lower than what the country import from them, it will lead to disequilibrium
- Less capital inflow as compared to the out flow, as this may lead to a deficit in the capital account, which may in turn leads to disequilibrium.
- Over valuation of the domestic currency. This will make the country's export to very expensive as compared to their import, making it to lose market at the world market
- Devaluation of the currency by the trading partner. This makes the value of their imports to be lower, enticing the country to import more from them than they can export to them.

Correcting the balance of payment disequilibrium

The measures that may be taken to correct this may include;

- Devaluation of the country's currency to encourage more exports than imports, discouraging the importers from importing more into the country.
- Encouraging foreign investment in the country, so that it may increase the level of economic activities in the country, producing what can be consumed and even exported to control imports
- Restricting the capital outflow from the country by decreasing the percentage of the profits that the foreigner can repatriate back to their country to reduce the outflow
- Decreasing the volume of imports. This will save the country from making more payments than it receives. It can be done in the following ways;

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i) Imposing or increasing the import duty on the imported goods to make them more expensive as compared to locally produced goods and lose demand locally
ii) Imposing quotas/total ban on imports to reduce the amount of goods that can be imported in the country
iii) Foreign exchange control. This allows the government to restrict the amount of foreign currencies allocated for the imports, to reduce the import rate
iv) Administrative bottlenecks. The government can put a very long and cumbersome procedures of importing goods into the country to discourage some people from importing goods and control the amount of imports

- Increasing the volume of exports. This enable the country to receive more than it gives to the trading partners, making it to have a favourable balance of payment disequilibrium. This can be done through;
    i) Export compensation scheme, which allows the exporter to claim a certain percentage of the value of goods exported from the government. This will make them to charge their export at a lower price, increasing their demand internationally
    ii) Diversifying foreign markets, to enable not to concentrate only on one market that may not favour them and also increase the size of the market for their exports
    iii) Offering customs drawbacks. This where the government decides to refund in full or in part, the value of the custom duties that has been charged on raw materials imported into the country to manufacture goods for export
    iv) Lobbying for the removal of the trade restriction, by negotiating with their trading partners to either reduce or remove the barrier put on their exports

Terms of sales in international trade

Here the cost trading which includes the cost of the product, cost of transporting, loading, shipping, insurance, warehousing and unloading may be expensive. This makes some of the cost to be borne by the exporter, as some being borne by the importer. The price of the goods quoted therefore at the exporters premises should clearly explain the part of the cost that he/she is going to bear and the ones that the importer will bear before receiving his/her goods. This is what is referred to as the terms of sale

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Terms of sales therefore refers to the price quotation that state the expenses that are paid for by the exporter and those paid for by the importer.

Some of the common terms include;

(i) Loco price/ex-warehouse/ex-works. This states that the price of the goods quoted are as they are at the manufacturers premises. The rest of the expenses of moving the good up to the importers premises will be met by the importer

(ii) F.O.R (Free on Rail). This states that the price quoted includes the expenses of transporting the goods from the seller's premises to the nearest railway station. Other railways charges are met by the importer

(iii) D.D (Delivered Docks)/Free Docks. This states that the price quoted covers the expenses for moving the goods from the exporter's premises to the dock. The importer meets all the expenses including the dock charges

(iv) F.A.S (Free Along Ship). States that the price quoted includes the expenses from the exporter's premises to the dock, including the loading expenses. Any other expenses are met by the importer

(v) F.O.B (Free on Board). States that the price quoted includes the cost of moving the goods up to the ship, including loading expenses. The buyer meets the rest of the expenses

(vi) C&F (cost & freight). The price quoted includes the F.O.B as well as the shipping expenses. The importer meets the insurance charges

(vii) C.I.F (Cost Insurance & freight). The price includes the C&F, including the insurance expenses

(viii) Landed. The price includes all the expenses up to the port of destination as well as unloading charges

(ix) In Bond. The price quoted includes the expenses incurred until the goods reaches the bonded warehouse

(x) Franco (Free of Expenses). The price quoted includes all the expenses up to the importer's premises. The importer does not incur any other expenses other than the quoted price

(xi) O.N.O (Or Nearest Offer). This implies that the exporter is willing to accept the quoted price or any other nearest to the quoted one

Documents used in International trade

i) Enquiry/Inquiry. A letter sent by an importer to the exporter asking about the supply of the goods and the terms of sale.

ii) Order of Indent. This asks the supplier to supply goods. It may specify the goods to be supplied and suggest the preferred mode of transport for them. An indent may be open or closed

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- Open Indent. Here the importer does not specify the supplier and the goods to be bought and therefore the exporter or export agent is free to choose the supplier
- Closed Indent. Here the importer specifies the supplier and the goods to be bought

iii) Letter of Credit. A document issued by the importers bank to the exporter's bank to assure the exporter of the payment for the goods ordered. The exporter can then be paid by his bank on the basis of this letter.

iv) Import Licence. A document issued by the country to allow the importer to buy goods from abroad.

v) Bill of Lading. A document of title to goods being exported issued by the shipping company to the importer who should use it to have goods released at the port of entry.

vi) Freight Note. A document prepared by the shipping company to show the transportation charges for goods.

vii) Certificate of insurance. A document issued by the insurance company or agent, undertaking to cover the risk against the loss or damage to goods being exported.

viii) Certificate of Origin. A document that shows the country from which the goods are being imported have originated from.

ix) Commercial Invoice. A document issued by the exporter to demand for the payment for the sold on credit to the importer.
It shows the following;
- The name and address of the exporter
- The name and the address of the importer
- The price charged
- The terms of sale
- The description of the consignment
- The name of the ship transporting the consignment

x) Consular Invoice. A document that shows that the prices of the goods that have been charged is fair as certified by the consul with the embassy of the exporting country.

xi) Proforma Invoice. A document sent by the exporter to the importer if he/she is not willing to sell goods on credit. It may be used to serve the following purposes;
- Serve as a formal quotation
- Serve as a polite request for payment before the goods are released for the customer
- To enable the importer to initiated the clearing of the custom duty early enough to avoid delays
- Used to by the importer to obtain permission from the Central Bank to import goods

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xii) Airway Bill. Issued by the airline company to show the charges for the goods being transported

xiii) Letter of Hypothecation. A letter written by the exporter to his/her bank authorizing it to resell the goods being exported. This occurs if the bank fails to get payment on the bill of exchange drawn on the importer that it has discounted for the exporter. Should there be a deficit after the resale, the exporter pays the deficit

xiv) Weight note. A documents that shows the weight and other measurements of the goods being delivered at the dock

xv) Shipping advice note. A document issued by the exporter to his/her shipping agent containing instruction for shipping goods.

International Financial Institutions

Some of the institutions that play a role in international monetary system include;

i. International Monetary Fund (I.M.F)
ii. African Development Bank (A.D.B)
iii. African Development Fund (A.D.F)
iv. International Bank For Reconstruction and Development (World Bank)

i. International Monetary Fund (I.M.F)

This bank operates like the central bank of the central banks of the member countries. Its objective includes the following;

- Ensuring that the member country maintains a stable foreign exchange rates for their currencies. This it does by advising the country to raise or increase the supply of their currency to devalue them or increase their value internationally
- Provide financial support to the member country to alleviate poverty and boost their income.
- Relieving heavily indebted countries of debt repayment so that it can use that fund to raise the living standards of its people.
- Providing funds to the member countries to finance the deficits in their balance of payment.
- Provide forum through which the member country can consult and cooperate on matters concerning trade among them
- Maintaining currency reserves of the different countries, enabling member countries to buy foreign exchange to be used to import goods and services.

ii. African Development Bank (A.D.B)

This bank was formed to promote the economic and social progress of its regional member countries in Africa. It main source of finance is the

members' contributions and the interest charged on the money they lend members.

Its functions include;

- Providing loans for economic and social development to member countries
- Provide technical advice in planning and implementation of the development plans
- Assist member country to appropriately exploit it resources
- To encourage co-operation among African countries in order to bring economic growth
- To co-operate with various economic institutions in order to bring about development especially in Africa countries

iii. African Development Fund (A.D.F)

This was formed to provide long term financial assistance to the low income countries that cannot obtain loan from other financial institutions at the prevailing terms and condition. Their loans may recover a longer repayment periods with no interest except the commitment fees and service charge which is minimal. They fund activities, which includes;

- Education and research activities
- Offer technical advice to the member countries

iv. International Bank For Reconstruction and Development (World Bank)

The World Bank was formed to carry out the following functions;

- ✓ Giving loans to countries at very low interest rates to finance economic development activities.
- ✓ Provision of grants to finance the provision of social amenities and basic infrastructural development in developing countries.
- ✓ Fighting against corruption and poor governance which may lead to misuse of public funds in different countries.
- ✓ Advancing money to countries to finance balance of payment deficit.
- ✓ Giving advice on economic challenges that country may face.
- ✓ Availing technical assistance and personnel to help countries run their economic programmes

Economic Integration

This occurs where two or more countries enter into a mutual agreement to cooperate with each other for their own economic benefit. They may do this by allowing free trade or relaxing their existing trade barriers for the member countries.

Economic integration may occur in the following forms;

A. Free Trade Area

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This is a case where the member countries agree to abolish or minimize tariffs and other trade restrictions but the individual countries are free to impose restrictions on non-member countries. They includes; Preferential Trade Area (P.T.A), European Free Trade Area (E.F.T.A), Latin America Free Trade Area (L.A.F.T.A), etc.

B. Custom union
   This is where the members of the free trade area may agree not only to abolish or minimize their tariffs, but also establish a common tariff for the exchange of goods and services with the non member countries. They include; Economic Community of West Africa States (E.C.O.W.A.S), East Africa Custom Union (E.A.C.U), Central Africa Custom and Economic Union (C.A.C.E.U)
C. Common Market
   This is where the member countries allow for free movement of factors of production across the boarders. People are free to move and establish their business in any member country. They include; East Africa Common Market (E.A.C.M), European Economic Community (E.E.C), Central American Common Market (C.A.C.M), Common Market for Eastern and Southern Africa (COMESA)
D. Economic Union
   This is where the members of the common market agree for put in place a common currency and a common central bank for the member countries. They even develop common infrastructures which includes railways, communication networks, common tariffs, etc

Importance of economic integration

Economic integration will ensure the following benefits for the member countries;

- Availability of wider market for the goods and services produced by the member countries. This enables them to produce to their full capacity
- It enables the country to specialize in the goods they produce best, making them to effectively utilize their resources
- It leads to promotion of peace and understanding among the member countries through interaction
- It leads to high quality of goods and services being produced in the country due to the competition they face
- It allow members to get access to wider variety of goods and services which satisfy different consumer needs

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- It leads to creation of employment for individuals living within the region, as they can work in any of the member country
- It increase the economic bargaining power in trading activities by the countries forming a trading bloc
- Improvement of the infrastructure in the region due to increased economic activities.
- It brings a bout co-ordination when developing industries, as the members will assign the industries to each other to create balance development and avoid unnecessary duplication

Free Trade Area

This is a situation where there is unrestricted exchange of goods and services between the countries. It has benefits/advantages similar to those of economic integration.

Disadvantages of free trade area

Some of the problems it is likely to bring include;

- It may lead to importation of inferior goods and services to the country, as the member country may not be able to produce high quality as compare to other non-member countries
- It may discourage the growth of the infant industries due to competition from well developed industries in other countries
- It may lead to reduced government revenue because no tariff may be charged on the goods and services
- A country may be tempted to adopt technology not suitable for its level of development.
- If not controlled, it may lead to unfavourable balance of payment, where a country imports more than it export
- It may lead to importation of harmful goods and services, that may affect the members health such as illegal drugs
- It may lead to lack of employment opportunities especially where more qualified people have moved from their country to secure job opportunities in the country
- It may expose the country to negative cultural practices in other countries, interfering with their morals. For example the exposure to the pornographic materials.
- Compromising political ideologies especially where member countries with different ideologies wants to fit in to the bloc
- It may lead to over exploitation of non-renewable economic resources such as minerals

Trade Restrictions

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These are deliberate measures by the government to limit the imports and exports of a country. They are also known as protectionism and includes the following;

- Tariffs which include taxes levied on both import and export. It can be used to increase or decrease the level of both import and export
- Quotas which is the restriction on the quantity of goods to be either imported or exported. It can be increased or decreased to increase or decrease the level of import or export respectively.
- Total ban (zero quota) where the government issues a direction illegalizing either the import or export of the products
- Complicated import procedure in order to discourage some importers from importing
- Subsidies on locally produced goods to discourage imports
- Legislation against importation of certain goods
- Setting the standards of products to be imported

Reasons for trade restrictions

- To prevent the inflow of harmful goods into the country, that may be harmful to the lives of the citizens
- To protect the local infant industries that may not be able to compete favourably with well established industry
- To give a country a chance to exploit its natural resources in producing their goods
- To protect strategic industry, since their collapse may make the country to suffer
- To minimize dependency of the country to other countries for their stability
- To create employment opportunity to its people by establishing the industries to produce the goods and services
- To prevent dumping of goods in the country by the developed partners which may create unfair competition
- To correct balance of payment deficit by limiting import
- To protect good cultural and social values which may be influenced by unaccepted values they are likely to acquire from other country through interaction
- To expand market for locally produced goods by restricting the number of foreign goods in the market.
- To enable the country earn foreign exchange through imposing taxes and other tariffs

Advantages of trade restrictions

- It promotes self reliance as industries have an opportunity to engage in the production of goods and services that were previously imported

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- It protects the local industries from stiff competition that they may have faced from the well developed countries
- It may help to correct the balance of payment deficit
- It restrict the entry of harmful goods into the country as it controls the inflow of imports in to the country
- It enables the country to conserve their valuable social and cultural values from the external influence
- It help in creating more job opportunities through diversification in the production
- It promotes the growth of local/infant industries in the country.

Disadvantages of trade restriction

- There will be availability of limited variety of goods in the country that will limit the consumer's choices
- May lead to production of low quality goods as there will be no competition for the producing firms
- Other countries may also retaliate, leading to reduction in export from their country
- There is likely to be high prices charged on the locally produced goods, since the small firms which produce them may not be enjoying the economies of scale
- The country is likely to be exposed to small market, should all countries restrict which may lead to reduction in trade.
- As a result of the continued protection, some industries may develop a tendency of remaining young to still enjoy the protection, which limits the level of development
- It may lead to emergence of monopoly as the protected industry may end up remaining alone in the market, bringing about the problems of monopolies

Trends in International Trade

i. Liberalization that has led to removal of many trade restriction among the countries, increasing the levels of trade
ii. Development of E-Banking which has enable the international trader to get access to their bank accounts from wherever they are in
iii. Development of export processing zones (EPZ) by the government to allow the industries involved just concentrate in the exported goods only. It enable the country enjoy the following benefits (advantages of EPZ)
    - It creates job opportunities to the citizens
    - It creates market for locally produced raw materials that they use in their production

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- It encourage the foreign investors to invest in the countries, i.e. in the processing zones, increasing the level of investment in the country
- Encourages export in the country as the incentives given to them by the government makes them to produce more and more for export
- It stimulates industrialization in the country in all sector including the ones producing for local consumptions

However EPZ's have the following problems/disadvantages

- Most of them employs foreigners in their management team, denying the locals a chance to get employed
- They do not generate revenue to the government, especially during tax free periods
- They are concentrated in few towns, bringing about imbalance regional development
- Some of them encourages social evils such as prostitution in areas where they are developed

iv. Development of e-commerce/website trading which has promoted the selling and buying of items through the internet, with payments made online.

E-commerce has the following benefits/advantages:

- ✓ One is able to access the market world wide, as the countries are connected to the internet
- ✓ There is no discrimination, as both the small and large industries are able to transact through the internet
- ✓ It is fast to transact the business through internet, as it saves on travelling time and therefore suitable for urgent transaction
- ✓ It is cheap especially on the cost of sending, receiving and storing information
- ✓ It is easy for firms to share valuable information about production

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