International Trade and Foreign Direct Investment

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Main Points of Articles

In the article Foreign Investment and U.S. National Security, the authors explain the issues as the western states and the United States are reassessing the foreign investment regulations amid the Chinese interest in strategic dimensions. The United States significantly benefits from foreign investment as it accounts for approximately 12 million jobs and 8.5 % of the labor force. The critical aspect highlighted by economist are the ramifications of imposing restrictions on FDI inflows can cause other states to respond with stringent regulations. In the second chosen article namely Back to Basics: Why Countries Trade, the author underpins the critical factors responsible for fueling trade between states and international trade. The author advances to assess the factors on the basis of the comparative advantage and competition in the international market. The international organizations as the World Trade Organization (WTO) are striving to engage in complex efforts to reduce the cuts of trade barriers and enhance the labor shift and capital toward efficient industries in several states.

Analysis of Articles and Chapter

In the chapter, a comprehensive account is offered of the trends of international trade, the direction of investment and essential theories related to FDI. Both the chosen articles highlight the significance of FDI and the rationale to conduct international trade. The first article discusses the significance of the foreign investment for the United States (“Foreign Investment and U.S. National Security,” n.d.). The chapter of the book also affirms the rational and approves it with empirical evidence as the overall exports of goods and service in the US surged from $1.1 trillion to $1.6 trillion from 2001 to 2010. It indicates that the rise was 65% in the decade. It is mentioned in the chapter that supplying to the overseas market is essential to several organizations in the US. However, the small corporations also play an instrumental role and approximately account for a significant amount of 98% of all the exporters. The article basis the idea on this aspect as Washington has endeavored to collaborate and engage on international platforms to confront barriers for expanding the multinational business ventures and an organization international system for trade. Foreign direct investment is crucial for the state which is highlighted as foreign firms offer higher salaries in comparison to the domestic competitor and are also involved disproportionately in manufacturing.

In addition, the article on FDI underpins the key factors responsible to ensure a healthy FDI inflow and can be assessed to find the question asked in the chapter as the reason behind the unbalanced growth in trade. The security officials and lawmakers have become gravely concerned about the surge in Chinese investments over the past years in the US corporations. In the past six years, they have exceeded $100 billion. Several states have imposed restrictions on several trade provisions including the US under the influence of security and the acquisition of public infrastructure. These restrictions can prove fatal for states and can be a potential impediment toward sustainable international trade and FDI.

In the second article, the rationale for conducting international trade is offered which is based on the premises of comparative advantage (McDonald, n.d.). In the chapter, a detailed analysis is offered in the direction of trade. More than half of the exports of the developing states are directed toward the developed states, the proportion has witnessed a drastic decline over the past forty years. It accounted for 72% in 1970 and reduced to 50% in 2010. The article manifests that comparative advantage is the trigger which fuels trade and can be identified as the prominent reason states have cut the exports toward developed states. The models used for economic assessment often overlook the consequences of the competitive forces and expansion of services or changes in the international market. Besides, the chapter offers facts and charts to elaborate the increase in the trade and the absolute increase in dollar volume of the products and services exported. The article indicates the expansion in the tread since World War II is driven by the reduction in trade reforms. Primarily, these trade reforms comprised cutting the tariffs and removing the barriers. The range of tariffs differs from sector to sector as it is higher in clothing and agriculture among developing states. Communications, transportation, and other financial sectors are utilized as the potential platforms to construct barriers while some states shun these barriers and encourage foreign competition.

Conclusion

The chapter indicates the implications of the expansion in international trade and FDI. The article chosen assesses FDI relation with security in the United States while the other article delineates the fundamental purpose to conduct international trade. International trade has assumed an instrumental role and FDI has become imperative for states to expand their industries and small and big corporations to increase labor, enhance salaries and accelerate the overall economic development of the states. The United States relies heavily on foreign investment but the imposition of barriers is a critical phenomenon which can cast adverse impacts. On the other hand, China is keen to determine and pursue a productive direction of trade with the United States, the Asian region and the European region. The second chosen article postulates comparative advantage drives states to engage in trade and it is crucial in comparison to absolute advantage.

References

Foreign Investment and U.S. National Security. (n.d.). Retrieved May 22, 2019, from Council on Foreign Relations website: https://www.cfr.org/backgrounder/foreign-investment-and-us-national-security

McDonald, B. (n.d.). *Why   Countries Trade*. 2.