

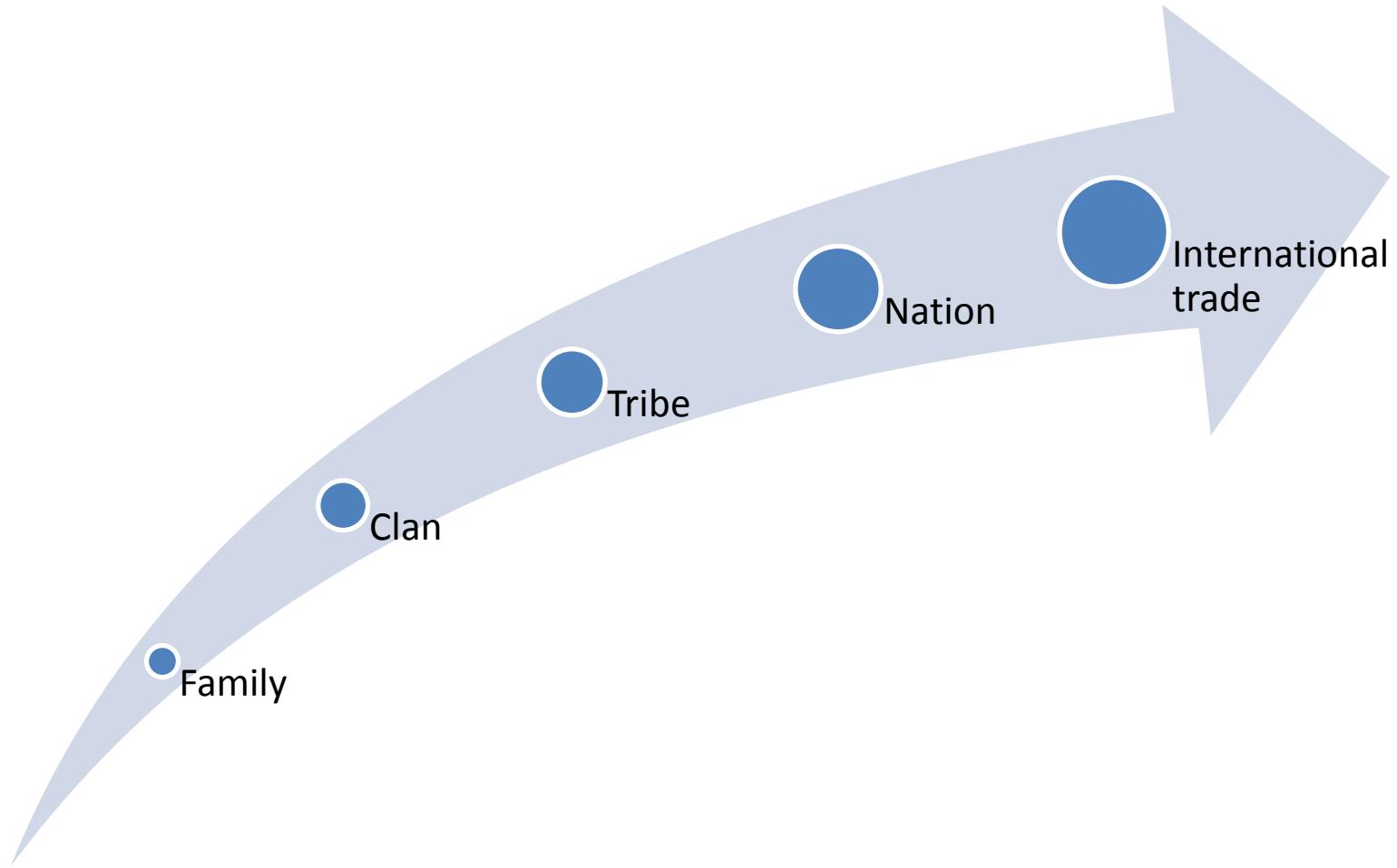
International Trade Law

Module one (History and sources of international
trade law)

Unit one (History of trade)

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Marketplace

mar • ket • place also **market place** (marÙkVt-plÙsÙ) *n.* **1.** An open area or square in a town where a public market or sale is set up. **2.** The world of business and commerce. **3.** A situation or place in which values, opinions, and ideas are put forward for debate or recognition: *a marketplace for new ideas; the literary marketplace.*

(American Heritage Dictionary of the English Language)

Marketplace – the real meaning



Trade and Great Civilizations



Rivers eg. Nile, Tigris and Euphrates, Indus, Yellow River



Mediterenaan Sea, Red Sea, Bay of Bengal, Baltic Sea



Deserts and plains

Hanseatic League and Gdańsk



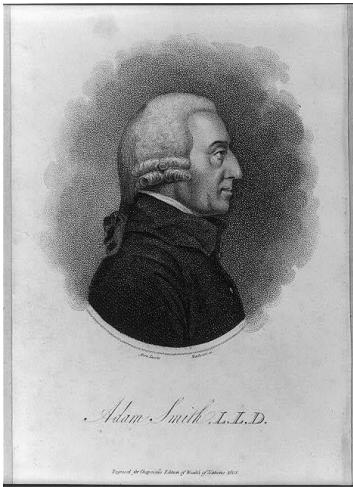


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Theory of absolute advantage



If a foreign country can supply us with a commodity cheaper than we ourselves can make it, better buy it of them with some part of the produce of our own industry employed in a way in which we have some advantage. The general industry of the country, being always in proportion to the capital which employs it, will not thereby be diminished ... but only left to find out the way in which it can be employed with the greatest advantage.

Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations*
B.IV, Ch.2, Of Restraints upon the Importation from Foreign Countries

<http://www.econlib.org/library/Smith/smWN13.html#B.IV, Ch.2, Of Restraints upon the Importation from Foreign Countries>

The ability of a country, individual, company or region to produce a good or service at a lower cost per unit than the cost at which any other entity produces that good or service. Entities with absolute advantages can produce a product or service using a smaller number of inputs and/or using a more efficient process than another party producing the same product or service.

Theory of comparative advantage



Hours of work necessary to produce one unit		
Country	Cloth	Wine
England	100	120
Portugal	90	80

To produce the wine in Portugal, might require only the labour of 80 men for one year, and to produce the cloth in the same country, might require the labour of 90 men for the same time. It would therefore be advantageous for her to export wine in exchange for cloth. This exchange might even take place, notwithstanding that the commodity imported by Portugal could be produced there with less labour than in England. Though she could make the cloth with the labour of 90 men, she would import it from a country where it required the labour of 100 men to produce it, because it would be advantageous to her rather to employ her capital in the production of wine, for which she would obtain more cloth from England, than she could produce by diverting a portion of her capital from the cultivation of vines to the manufacture of cloth. par. 7.16

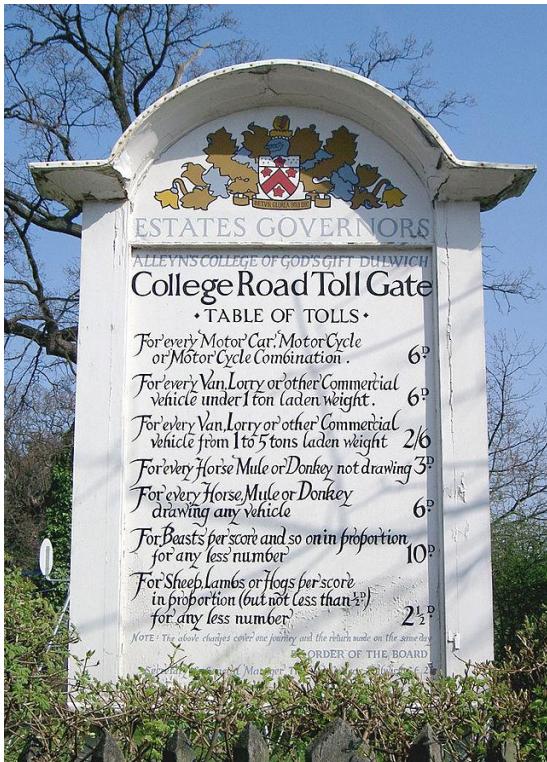
David Ricardo. *On the Principles of Political Economy and Taxation* London 1819

A country is said to have a comparative advantage in the production of a product „A” if it can produce product „A” at a lower opportunity cost than another country. The opportunity cost of product „A” production is defined as the amount of product „B” that must be given up in order to produce one more unit of product “A”.

Alpine trade culture vs. Maritime trade culture

Alpine culture

- Strict regulation of market with (market) freedoms



A table of tolls in pre-decimal currency for the College Road, Dulwich, London SE21 tollgate.
http://en.wikipedia.org/wiki/Toll_road#/media/File:Table-of-tolls-College-Road-London-SE21-Tollgate.jpg
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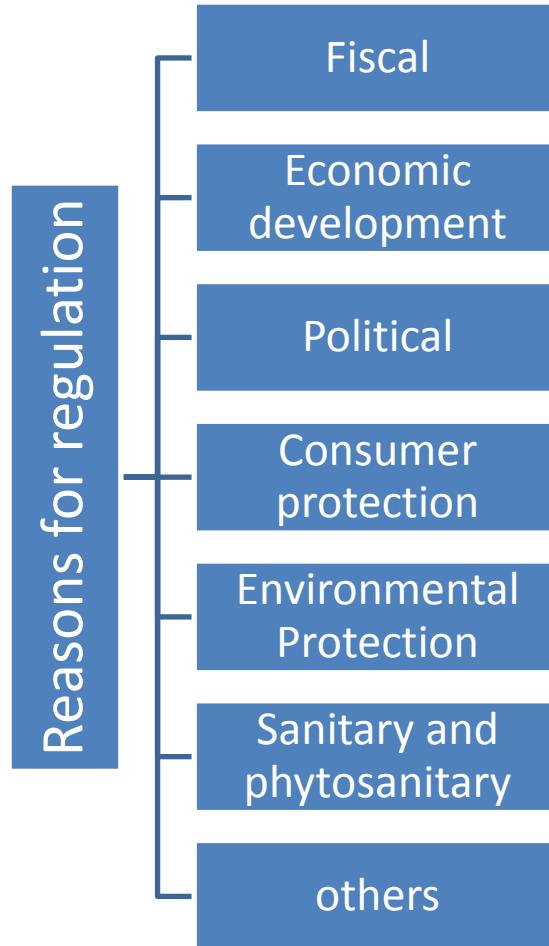
Maritime culture

- Free market with regulatory exceptions



H. Cornelisz Vroom (1562/1563 – 1640) Ships bearing the flags of the Dutch, the English and the Spanish in a bay, believed to be in the East Indies. (Royal Museum Greenwich <http://collections.rmg.co.uk/?ID=BHC0727&picture=1#content>)
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Regulation of trade



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