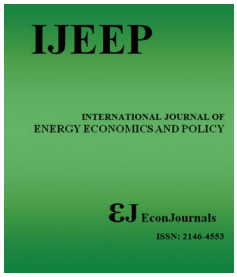

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Impact of Global Energy Politics on International Trade

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ABSTRACT

The aim of this paper is to affect the global energy politics on international trade. Energy is crucial to financial advance and social improvement and energy utilization around the world has multiplied, contributing essentially to exceptional financial development. Data for this study were obtained from existing literatures on international trade of energy politics. The methodology heavily relied on existing previous literatures on the subject being dealt with. The findings indicate that international trade affects energy for many factors, including energy demand and consumption, distribution of natural resources and energy price. Further, politics of energy can affect international trade by government policy such as protectionism or trade barriers which are tariff and non-tariff like quotas and subsidies as well as currency control or currency exchange rate of a country.

Keywords: Energy Politics, International Trade, Multilateral Exchange, Protectionism, Energy Price
JEL Classifications: P48, Q42

1. INTRODUCTION

Energy plays a vital and broad part in all economies of the nation. It decides the quality of our lives and is one of the foremost imperative driving powers of economic advancement (Mukherjee, 2009). Energy is crucial to financial advance and social improvement (Wua, 2017). Energy utilization around the world has multiplied, contributing essentially to exceptional financial development and enhancement over the last 35 years (BP, 2016).

Energy is the basis for the advancement of the country's economy and power products, and its imports and exports play a key part in financial participation between countries. The dispersion of energy production and the utilization of diverse energy cause the requirement for energy trade. The energy trade network is shaped through energy imports and exports in numerous nations (Xiaoqing, 2014). World trade has developed exponentially in latest decades, driven by dynamic liberalization and rising request for energy resources. Between 1980 and 2010 exchange good values expanded more than six overlay and trade volume more than doubled to meet desires of the developing and more affluent worldwide populace (Khosl, 2015). The energy needs of the past, the present, and the future are driven by three key variables that are population development, economic advancement, and technological progression energy is playing an inexorably significant role in politics. Voters have consistently been keen on decreasing their energy bills, yet as environmental change awareness has expanded, voters and the overall population have additionally expressed support for clean renewable energy sources.

Energy, in any case, has been very recently historical driver of transnational trade and global competition. Energy, for a large portion of mankind's history, was a local issue: a product obtained and utilized in closeness. Energy, when it started to be used to transform life, political-military might and wealth, turned into motivation to create population centers, and the extraordinary incident of coal, iron metal, and water made compelling "produce urban communities," for example, Liege and Brescia.

Yet, the really incredible international trade energy as commodity were changed the world, and to make the premise of current modern culture, when Spanish dealers started to adventure, and

transport in the nineteenth Century, the extraordinary guano stores of Peru back to Europe, where guano as a compost empowered a monstrous increment in rural efficiency. Ostensibly, normal compost was, with coal, a huge early type of transportable force for financial efficiency. Both likewise with oil and gas and other carbon-based combustibles, and uranium, etc. are types of inactive energy which lend themselves to surface transportation and capacity to be utilized when, and where, they are required. The adoption of policies that encouraged the rate of farmers' contact with extension agents will improve the manner of fertilizer utilization which in turn increases the level of efficiency (Danlami et al., 2018; 2019). Variables like; degree days, electric water heater, electric clothes dryer, dish washer, number in house, family income, age of respondents, nature of employment, municipality of residence, expenditure per capita, private water connection, age of household head, were found to be positively significant related to household energy choice and consumption (Danlami et al., 2015).

Energy moreover plays a progressively critical part in politics as the government plays a significant part in policy making. Solving the crisis of energy will take numerous social activities combined with government back. The rising of energy's cost is at long last beginning to drive worldwide pioneers to discover choices and give the funds to form changes. Politics and energy are inherently connected. Cutting edge life goes from the generation of merchandise, to travel and excitement, to the war-torn strategies depending on energy access (Grubler, 1998). The country's capacity to obtain and utilize its control enormously decides its financial condition, national security, and the quality and supportability of its environment. The supply of energy can be the premise for regional participation, but it can moreover be a source of strife among energy searchers and between manufacturers and buyers (Yichen, 2018).

For decades, energy trade has been respected as a special case of worldwide trade, in differentiates to the trade and other products divisions as energy plays a critical part within the advancement of any economy and gives an unequal conveyance of energy, particularly fossil fuels, as an imperative component in universal trade (Gosh, 2014). Global trade in energy can be influenced by numerous components includes political factor. In this paper, the objective is to analyze the effect of global energy politics on international trade.

2. LITERATURE REVIEW

According to Mitchell (2013), to translate energy, and more unequivocally than oil, is to recognize the differences of materials and technology. In spite of the fact that now and then alluded to as the "global energy system," energy can be categorized in numerous ways that recognize between secondary and primary fuels. Fossil fuels, such as oil, gas, coal and renewable energy, solar photovoltaic (PV), inland and seaward wind and biofuels, can all be classified as primary fuel. Secondary, fuel comes from changing over primary sources, counting electricity power and gasoline. Securing of basic and secondary energy bolsters an assortment of exceptionally essential socio-economic capacities. In the meantime, Geels (2010) expressed, in spite of the fact that closely connected, each set of sub-sectors too has its claim mechanical standards, supply chains, counting an assorted subsystem of generation, transportation, modeling and utilization, as well as its claim inserted rules, social standards and control relations.

Concurring to Enerdata (2018), it is critical to remind ourselves of the long-term control of fossil powers. Oil makes up 32% of the world's energy utilize, with coal at 27%, gas at 22%, biomass 10% and power 9%. Generation natural gas and crude oil kept on develop, with major makers remaining in Saudi Arabia, the Joined together States, Iran and Russia. In expansion, there are still numerous capital botches tied to fossil fuel companies which in reality, in 2017, they shaped six of the world's best ten companies as measured by income. In show disdain toward of this clear dominance of fossil fuels, noteworthy changes have been made in terms of producers, request profile, and the sort of fossil fuel delivered (Kuzemko, 2019). In terms of changes in production profile, it is significant that US worldwide oil and gas production yield is anticipated to extend essentially, due to the "revolution" of oil and gas (flotsam and jetsam), with generation levels anticipated to twofold between 2005 and 2025 (IEA, 2012). This would take off Saudi Arabia and Russia in a less prevailing position within the worldwide oil advertises. At the same time, on the request side, whereas desires are that oil request will proceed to develop until 2040, this development rate is anticipated to proceed to decay.

Within the consider of politics of energy and security of energy in modern universal academics, numerous researchers have centered on geopolitical viewpoints, looking at geopolitics as a hypothetical device and analyzing energy politics and energy security to undertake to shape geopolitics based on geopolitical energy issues (Yichen, 2018). Insufficient supply and conveyance of energy have given rise to their geopolitical energy issues. According to Berreby (1980), the oil economy incorporates a worldwide nature. It must accomplish territorial harmony, so it must have a particular geo-strategic hypothesis. "The geo-strategic hypothesis is based on dangerous characteristics and uneven dissemination of oil assets." Participation, competition, struggle and indeed war between distinctive nations and domains on the issue of natural production and utilization will happen. Geopolitics has, in this manner, ended up one of the key hypothetical establishments for governments and major oil companies to create their policies of energy.

The geopolitics of energy, which is considered the driving writing on geopolitical energy ponders. Both academicians emphasize that, "Get to crude materials, particularly get to energy, may be a need of universal political relations." The ability to get this critical product is now not subject to colonial relations or traditional military assurance, but depends on geological and political components to form choices. Nations that have control over resources or assets will control those who depend on assets, which is able lead to extending worldwide relations (Conant and Gold, 1978).

Each economy within the world is included, to a more noteworthy or lesser degree, in worldwide trade. Trade, and the weight it makes, can offer assistance increment the efficiency of natural and human assets, especially labor and land, and the proficiency of local generation, creating employments and salary (Gosh, 2014).

According to United Nations Trade and Development Conference (UNCTAD), "trade remains the foremost solid and beneficial way to coordinated the worldwide economy and bolster the endeavors of destitute nations to gotten to be less subordinate on help. There is assumption that liberalization of trade will enhance economic movement and energy utilizes. Concurring to Pauwelyn (2010), all nations require energy, but only a number of have it, and thus energy exchange particularly oil is fundamental to meet worldwide energy needs. Universally, there's more oil exchange than anything else. Gault (2010) expressed half of the world's trade in services profoundly energy dependent." In any case, General Agreement of Trade and Tariffs (GATT) or the WTO has verifiably not been active with energy trade. Exceptionally few energy-rich nations see the need to connect with the GATT or WTO clubs, given the diminishment in import limitations one of the main objectives. According to Selivanova (2009), the multilateral trade framework is not an issue when it comes to Saudi Arabia's energy, the world's leading energy producer, joined the WTO in 2005 and numerous producers of energy are still non-WTO individuals, and all shapes of energy are subject to the same rules can be portion of the WTO agenda within the close future.

Energy trade is covering many viewpoints and issues of transnational trade, counting exchange in products, services exchange, investment issues, intellectual property, subsidies, and so on. In expansion, it includes different sorts of energy products, counting oil, gas, coal, hydroelectric, nuclear, and renewable energy, among others (Gosh, 2014). Be that as it may, the foremost imperative "line" in energy trade, both historically and presently, is exchange in fossil fuels, oil and gas. In 2010, fossil fuels supplies accounted for more than 80% of worldwide energy supply (IEA, 2012). Forecasts, for a long time to come, the world's energy system will remain a fossil-based system.

3. IMPACT OF GLOBAL ENERGY POLITICS ON INTERNATIONAL TRADE

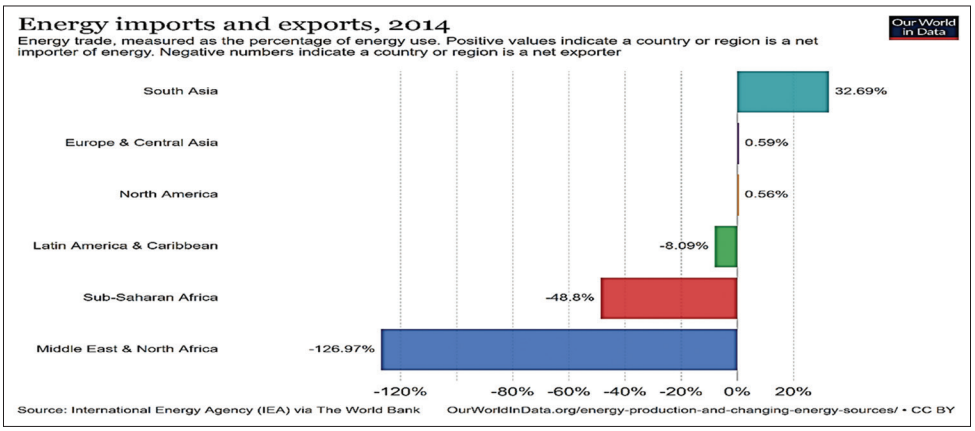
3.1. Energy and Trade

The countries of the world have been exchanging in products and services from each other since the starting of history. In advanced times, and particularly since the foundation of GATT, multilateral exchange has developed and delivered financial thriving and political solidness among trade accomplices (Abboushi, 2010). Exchange natural products have energized each nation to connect the trade community and to request for participation in universal trade organizations knowing that they will compromise their sway and be dependable for trade directions ordered by representatives of outside governments (Abboushi, 2010). Sometimes, trade could be a result of poor understanding, insufficient cooperation with certain protected businesses, and difficult socio-economic disengagement within the household economy. However, and in spite of its inadequacies, trade has developed consistently and now and then quickly, and made a noteworthy result in which world exchange development out performs the development of the world economy. Worldwide trade alludes to the trade of products and services between distinctive nations. This shape of trade leads to worldwide economic development where supply and demand are affected by distinctive global occasions (Abboushi, 2010).

Energy usually refers to natural resources. The country is rich in the type of natural resources and the degree to which it directly affects the international trade of the country in the main product. Dispersion of energy resources can have a clear effect on energy exchange around the world. Another vital calculate in energy exchange is the level of domestic energy utilization (Ritchie, 2018). In case you are a nation wealthy in resources but too have a high level of household utilization, you will have small energy to trade. Same goes with a case a nation contains a low level of energy utilization, it may still be a net exporter of energy in spite of its relatively low levels of assets. Other impacts on energy exchange may be geopolitical. For illustration, a few nations may need to talk about fuel sources to preserve future levels of energy security, technological change, and the environment (Ritchie, 2018).

In Figure 1, on a continental basis, we see energy trades from the Center East and North Africa to be a net exporter of 127% of its utilization. Interests, Sub-Saharan Africa are additionally a major exporter of clean energy in spite of having low levels of coal and as it we redirect levels of oil and gas are likely due to least domestic utilization. North America and Europe and Central Asia reach energy equality viably adjusting utilize with trade. South Asia could be a net merchant of energy, bringing in approximately a third of its energy utilization.

Figure 1: Energy imports and exports, 2014



Source: International energy agency

In view of the developing GDP direction and world populace, demand of energy is anticipated to extend by nearly a third by 2035. Much of this development will come from expanded energy request by developing economies, whereas there will be no noteworthy changes in energy utilization by created nations (BP, 2016). Energy blend is anticipated to alter, with stocks of coal and oil declining whereas natural gas and renewable sources are anticipated to rise. In specific, US natural gas production is anticipated to extend from 21.6 trillion cubic feet in 2010 to 27.9 trillion cubic feet by 2035. Nearly all of these increases will be due to shale gas generation, which can develop from 5 trillion cubic feet in 2010 to 13.6 trillion cubic feet by 2035. Fossil fuels will proceed to meet most of the world's future energy needs, which make up 75% of world energy sources. Natural gas will contribute the foremost to energy request development. In spite of the fact that the share of renewable energy in ads up to energy utilization will increase to 15% by 2035, it will not be able to meet the expanding energy request by itself. An important concern for international trade is long-term advancement of energy prices (Auboin, 2013).

In terms of the conceivable effect on international trade, the fast advancement of shale gas within the United States will make an "ocean alter" in worldwide energy streams and a design of international trade in oil (International Energy Agency, 2012). The United States will re-emerge as a major exporter and producer of energy not just importers and consumers. It will be a net exporter of natural gas by 2020. As a result, North America will be a competitive constrain and a net exporter of oil by 2035. Another nation that will have a major effect on the energy advertise is Iraq, with the IEA anticipating that it will be the biggest source development in worldwide oil exports by 2035. This would represent to a dramatic recuperation within the sector of energy driven by the country's sufficient reserves, low extraction costs and investor-friendly policies. In this way, both changes require Center East oil to discover an elective to the North American showcase, with the foremost likely scenario being that it will be diverted to consumers within the Asian market. Higher energy costs anticipated within the future might lead to changes in composition of trade as well. Expecting that there is a restricted scope for substitution in generation for other variables, such as capital, labor, energy-intensive businesses will be penalized more than other divisions with increasing energy costs. Past this, a few fundamental issues may proceed to be important or even more vital within the future. They include the utilization of export limitations by numerous resources nations to extend their market control in international trade, the utilization of subsidies to supply incentives in finding choices to fossil fills and more (Auboin, 2013). Table 1 appears the vitality blend or equalizations of moment and trade within the world by 2017.

Table 1: Energy production, imports and exports worldwide by 2017

Energy products	Energy unit	Production	Import	Export
Coal	ktoe	3,773,421	825,067	−851,613
Crude oil	ktoe	4,477,212	2,453,086	−2,381,804
Oil products	ktoe	-	1,364,755	−1,477,490
Natural gas	ktoe	3,162,893	986,140	−1,029,842
Nuclear	ktoe	687,481	-	-
Hydro	ktoe	351,029	-	-
Wind, solar, etc.	ktoe	256,830	-	-
Biofuels and waste	ktoe	1,324,112	26,278	−21,107
Electricity	ktoe	-	62,418	−62,731
Heat	ktoe	1,918	6	−5
Total	ktoe	14,034,897	5,717,750	−5,824,592

Sources: International energy agency statistics

3.2. Global Energy Politics and International Trade

Political factors have implications on energy trade. In the context of world politics, the policy of a country also has a major impact on international trade where governments mediate in exchange for a combination of economic, social, political and cultural reasons. Politically, the state government may look for to ensure certain employments or industries. A few businesses may be considered critical for national security particularly within the energy segment (Kemper, 2001). Trade in energy is extraordinary. Maybe more than any other item, any talk about energy generation, supply and utilization leads to numerous concerns and sensitivities. Whereas trade liberalization in most of the items delivered may have clear bolster to a huge parcel of the populace but household competitors, showcase liberalization and energy trade may confront numerous deterrents. National and social welfare concerns and environment protection regularly got to be weighed against the economic significance of energy and the benefits that liberalizing the energy division will bring (Selivanova, 2007).

Regulatory choices within the energy division frequently include numerous approach goals. Energy is still seen as a figure in political stability and a component of national sovereignty. Nations need to guarantee the security of their energy supply, particularly within the past where energy is for the most part considered a scarce item. Too nowadays, the recent rise in oil costs reminds numerous nations of the political significance of a steady and consistent energy supply. In expansion, energy plays a vital part within the economy (Kemper, 2001). Most, in case not all, of the financial segment needs energy as input. Diminishing energy costs can lift all other divisions of the economy. At the same time, in any case, the quality and order of energy supply to financial administrators may be fair as critical (Selivanova, 2007). A third thought and a progressively critical thought in deciding energy approach is the natural debasement caused when creating and expending certain energy items. A few are more naturally friendly than others, in spite of the fact that their generation may be more costly. By marking the Kyoto Protocol to the UN Framework Convention on Climate Change, nations have made a lawfully official diminishment commitment to six major greenhouse gasses, counting carbon dioxide (CO_2). In this manner, when it comes to energy policies, nations must too take into consideration their universal environmental commitments. At last, given the significance of energy to consumers and family units, energy policies are additionally called for to fulfill social capacities to guarantee that everybody, wealthy and destitute, youthful and ancient, working and unemployed, has secure access to energy at a sensible cost (Selivanova, 2007).

National security issues such as energy issues can influence the country's imports and exports, as a few governments may not

need progressed innovative data for deal to outside interface. A few governments utilize trade in striking back on the off chance that other nations are politically or financially unjustifiable. Instead, the government may impact exchange to compensate nations for supporting politics on worldwide things. In spite of the fact that the final century has seen a major move towards free trade, numerous governments proceed to intercede in exchange (Shih, 2008). The government has a few key arrangements ranges that can be utilized to make regulations and rules to manage and control trade. There are numerous political perspectives of the effect of global energy on international trade. A few of them are protectionism and currency controls or exchange rates. The level of fuel diversification, while having shown improvement, was less than expected. Further incorporation of renewable energy in the future may hold the key to a genuine and more successful energy diversification for Malaysia (Dharfizi et al., 2020).

3.2.1. Protectionism

There are many ways in which the international trade is affected by politics of global energy. One of the factors is protectionism. Protectionism occurs when one country introduces a form of restriction, such as tariffs, quotas, or regulations, on the importation of goods and services from another country (Abboushi, 2010). Boundaries to tariffs as well as non-tariffs are two shapes of protectionism. Protectionism could be a set of government trade arrangements pointed at making a difference of domestic manufacturers against foreign producers in a specific industry, by expanding the cost of foreign items, bringing down the costs for household makers, and limiting outside producers' access to the local market (Abboushi, 2010). Strategies for accomplishing such assurance incorporate tariffs, charges on imports that proceed to be utilized in spite of significant advances beneath GATT, quota on amount of outside items sold within the household showcase, which limits supply and raises costs of imported items, regulatory barriers that put deterrents within the way of imported items such as perpetual item classifications and postings and details, endowments to household makers comprising of tax exceptions for coordinate cash installments, and money controls to constrain access to overseas currency or control trade rates to blow up remote item costs and lower household item costs (Abboushi, 2010).

First of all, tariffs. Tariffs are charges forced on imports. There are two sorts of rates, certain rates, charged as fixed charges, and valorem advertising rates, which are calculated as percentage points (Abboushi, 2010). Many governments still apply valorem advertising rates as a way to control imports and increment income for their funds. Energy tariffs are the types of taxes assessed on energy products. For example, energy tariffs may apply to the sale or purchase of oil, electricity, coal, and gas. Energy taxes may be imposed by local, state, regional or federal governments. Energy products are taxable at different rates from country to country. Even within the same country, energy rates often vary from city to city or province to province (Abboushi, 2010).

To promote sustainable energy policy, some countries offer individuals and entities tariff-rate credit to use renewable energy sources. For example, private citizens who use solar, wind, or biofuel as a source of energy can receive income tax credit in some countries. Other countries provide company tax exemptions for use of renewable energy equipment or for sustainable business practices. Some countries try to reduce the use of non-renewable energy sources by imposing tariffs on non-renewable energy products, such as petroleum or natural gas. Regulations, customs tariffs, and sanctions are often used for energy products imported or exported between countries. These types of taxes and restrictions are often trade-specific or product-specific. To comply with import and export laws, importers and exporters may need to obtain country-specific certification, licenses or documentation (Abboushi, 2010).

Before importing or exporting international energy products, importers and exporters must understand whether import tariffs or export tariffs will apply to such transactions. Energy export tariffs are the types of customs tariffs imposed on imported energy products into the country. Energy import tariffs, on the other hand, can be imposed on foreign-born energy sources (Abboushi, 2010). Some countries require importers and exporters to obtain licenses to exchange energy goods between countries. Priority duty rates may apply to certain energy products, depending on whether a preferential trade agreement exists between the countries involved in energy import or export transactions. In addition to assessing import and export tariffs, some countries charge energy for imported and exported products. As a country, for example, imposes an anti-dumping duty levy on energy products. Within the worldwide energy trade market, numerous nations utilize a concord ant duty plan when evaluating energy duty expenses (Selivanova, 2007). These plans can offer assistance encourage the calculation of trade taxes. In expansion, a harmonious duty schedule can offer assistance guarantee the proper expenses are connected to energy items by permitting nations to classify energy items utilizing worldwide numbers and names. High tariffs on imported and exported goods will increase prices hence international trade will be restricted.

The second is subsidies. Subsidies of energy are measures that keep costs down for consumers underneath market levels or for producers over market levels, or decrease costs for buyers and producers. Subsidies are shapes of government payments to issuers (Bigdeli, 2009). These sorts of subsidies incorporate charge breaks or low intrigued credits, both are common. Subsidies can moreover be cash grants and government value cooperation, which are less common since they require direct utilize of government assets. Under WTO regulations, subsidies may be prohibited, actionable or non-actionable (Safi, 2010). The WTO prohibits most subsidies related to export volume. Subsidies can be considered as protectionism or trade barriers by making domestic goods and services competitively competitive against imports. For example, many governments have embraced renewable energy such as solar energy in response to global warming. By generating electricity from the sun, these governments aim to reduce the dependence on coal-fired power plants that generate billions of tons of carbon dioxide each year. The problem with renewable energy is that they are not often economical as conventional energy. The government solves this problem by providing subsidies, or funds provided to help the industry or business so that commodity prices or services can be low or competitive. Subsidies are not unique to the solar

industry. Solar subsidies vary between countries, which have been a source of conflict. After all, countries with high subsidies can produce ultra-cheap solar panels compared to countries that offer lower subsidies, creating unfair trade imbalances. This subsidy conflict led to a recent trade war that had a significant impact on investment. For example, car tires have been a source of ongoing trade conflict between the United States and China (Safi, 2010).

Thirdly, is quotas of import and limitation of voluntary export? Import quotas and VER are two methodologies to restrain the amount of imports to a nation. The bringing in government manages the consequence share, whereas the VER is forced at the tact of the trading nation in conjunction with the consequence (Abboushi, 2010). Quotas, in international trade, limitations are forced by the government on amount, or in remarkable cases of esteem, merchandise or services that can be traded or imported inside a certain period (Abboushi, 2010). Quotas are more viable at blocking trade than tariff, particularly in case household dem and for commodities are not delicate to rising costs. Since the effect of quantities cannot be balanced by outside cash deterioration or send out endowments, quotas may be more troublesome to worldwide trade instruments than tariffs. Selected specifically in different nations, quotas can too be a capable financial weapon (Abboushi, 2010).

Trade boundaries such as quotas, tariffs and subsidies are trade limitations forced by the nation on all imported items. Typically done or practiced for an assortment of reasons counting the requirement for the government or state to secure local producers and the infant industries. In this way, barriers can influence global trade by discouraging the stream of products and services from producers to buyers (Abboushi, 2010). Where obligations, taxes and quotas block the stream of merchandise, they eventually affect the benefit or efficiency of the customer in spite of the truth that they regularly wander into other markets without any obstacle. Barriers of trade influence the efficiency of producers around the world. Subsequently, producers wander into the market with no boundaries driving to low benefits. To ensure their economy, numerous nations force taxes, tariffs, quotas, trade controls and subsidies and other barriers to imported items. Utilizing protectionism, a nation can effortlessly secure it by securing infant companies, securing fabricating and dumping companies but instep, they can have issues such as repatriation, misconception and need of financing (Abboushi, 2010). In terms of international trade, nations advantage from comparisons which is an outright advantage.

With trade boundaries, worldwide trade tends to extend the number of products that domestic buyers can select from. This decreases the prices of the item through expanded competition and permits domestic companies to transport their items abroad. Whereas all of these show up to be free trade benefits, they are not broadly acknowledged as advantageous to all. According to economic specialists, the impacts of exchange on worldwide trade barriers can be well clarified by comparative advantage hypothesis (Abboushi, 2010). This hypothesis centers on free trade which includes evacuating all barriers but for those considered sound for international trade. In any case, for nations that hone free trade, items are intensely subsidized.

Trade boundaries in this respect influence global trade in nations that are developing. Well off nation players set policies of trade that driven to worldwide market instability and intemperate production. Nations will proceed to diminish costs for certain products. In expansion, barriers of trade have a more noteworthy potential to diminish the benefits of international trade than taxes. They drive to the creation of small economic assets, particularly those that were avoided from the production of unmistakable merchandise. Subsidies of export can moreover be utilized to offer preferences to domestic producers over overseas or global manufacturers (Bigdeli, 2009). Subsidies as trade boundaries have a negative effect since in expansion to influencing the assignment of resources; they have a critical effect on the worldwide economy. These barriers only work by expanding the costs of imported merchandise, driving domestic producers to wander into the worldwide market. In other cases, they have to be lowered their costs of products due to expanded competition (Abboushi, 2010). Domestic consumers still are paying more and this limits the sum of imports and, eventually, influences international trade.

3.2.2. Energy prices and currency exchange rates

Energy costs as well as currency exchange rates can influence international trade. Energy especially oil affects currency exchange rates because natural resource prices tend to be volatile. Oil price volatility can decrease flows of trade because it makes strides the dangers confronted by importers. Businesses that are involved in import-export trading have experienced increased exchange rate volatility in recent years. Globally, there are many reasons for this. But for some countries, a very important phenomenon is the relationship between the trade rate and the worldwide cost of oil and commodities. When the country's primary trades are oil or commodities, the rate exchange of currency tends to track the worldwide cost of the export. As prices rise, so does exchange rates. Higher worldwide costs tend to draw in speculation and assets into the extractive industry, whereas other trade businesses battle due to high trade rates. This marvel is known as the "Dutch disease," where the economy is progressively subordinate on its extractive industry (Alotaibi, 2016). As oil costs and commodities drop, the currency exchange rates of the trading nations proceed. Cash that actually tracks oil and product costs is known as "product currency." For example, both Canada and Australia saw their exchange rates fall sharply as their primary export prices dropped as oil and commodity prices dropped sharply.

Governments around the world are very concerned about the adverse effects of appreciation and devaluation of currency on different things such as imports, exports and local items. If the national currency increases due to the decline in foreign exchange rates, domestic countries can import goods at lower price (Alotaibi, 2016). On the other hand, in case the currency of the country declines due to rising exchange rates then the country's imports will decline due to the rising prices of other countries as well. If the domestic currency increases due to a decline in the rate of exchange, the country's exports will result in high overseas exchange for the country and vice versa (Kandil et al., 2007).

Exchange rate is the rate at which the money is traded between nations. It is additionally known as the money of one nation in

terms of the money of other nations. For example, the exchange rate for Japanese 91 yen (JPY, ¥) to US dollar (US $) would mean that ¥ 91 would be exchanged for US $ 1 or US $ 1 would be exchanged for ¥ 91. If the exchange rate drops, the price change relative import and export (Alotaibi, 2016). Exports will look lower in other currencies, and imports will look more expensive. Because we buy imports, they are included as part of the retail price index, and if prices go up, this could be inflation. Impact on aggregate demand can complicate the impact of inflation. As exports are relatively cheap overseas, this should boost their demand. In addition, demand for imports has to fall. Consequently, the exchange rate affects international trade.

4. CONCLUSION

In conclusion, energy is one of the most important elements of modern daily life. As a result, for every country, trade in energy constitutes a major sector of international trade. International trade in energy plays a crucial role in development of country's economy. Besides energy is closely related to economic aspect, energy also is related to political aspect. Politics of global energy means that there is also government intervention in energy policy making. International trade can be affected by energy for many factors, including energy demand and consumption, distribution of natural resources and energy price. While politics of energy can impact international trade by government policy such as protectionism or trade barriers which are tariff and non-tariff like quotas and subsidies as well as currency control or currency exchange rate can also impact imports and exports or international trade of a country.

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