

CONTEMPORARY TRENDS IN THE WORLD TRADE

PROF. KRUME NIKOLOSKI PHD

GOCE DELCHEV UNIVERSITY - STIP, REPUBLIC OF MACEDONIA

E-mail: krume.nikoloski@ugd.edu.mk

M-R.VLATKO PACESKOSKI

GOCE DELCHEV UNIVERSITY - STIP, REPUBLIC OF MACEDONIA

E-mail: vlatko.paceskoski@ugd.edu.mk

Abstract

In this paper there is an accent on the current conditions and trends in world trade. Also, an analysis of the exchange's circumstances in the world economy is going to be implemented. In fact, there are analyzed the conditions of exchange in the world trade and presented the structure of the export stocks according to basic groups of products for the period from 1937 to 2013 year. Furthermore, there is an accent on many reasons that caused to this alter in the structure of stock exchange. In this paper, the actual conditions and trends in international trade are analyzed. In particular, an emphasis is given to the growth of the international trade for separate groups of countries according to the level of achieved economic development. At the end are given recommendations, directions and suggestions for increasing the effects and uses of the international trade for less developed countries.

Keywords: international trade, developing countries, financial architecture, world economy

JEL Classification: F1, F2, F3, F4, F6

1. INTRUCTION

From a modernization perspective, foreign trade is perceived as ‘the road’ to market expansion and economic growth. Multinationals (MNCs) understand the need for FDI to introduce modern technology and production skills. Without integration, liberals suggest developing countries will find economic growth slow as trading within a domestic market results in a poor balance of payments. Liberals would suggest that a free market economy promotes growth and can provide the solution for developing countries to integrate into the world economy. Liberal advocates of open, global markets suggest that the free market guarantees optimal economic growth and in the long term will bring about improved living standards for everyone.

Integration can be in terms of trade, capital flows and an increased interconnectedness. Thus, integration into the world economy from a liberal perspective is a positive development for developing countries. Trading in the world economy allows countries to use their comparative advantage, producing what they produce best and most cheaply in comparison to others for the international market. MNCs can facilitate the creation of a comparative advantage by capitalising on one of the most readily available resources in developing countries; cheap labour. By industrialising and creating labour intensive manufacturing jobs, MNCs can effectively ‘kick start’ integration into the world economy through the trade flows required for business by MNCs.

Liberals suggest that developing countries should be expected to follow the same developmental path taken earlier by developed countries in the West. They believe that industrialisation through MNCs combined with of a free market economy has allowed many previously agrarian based economies to grow out of poverty. A benefit of MNCs is their injection of capital into a developing country, bringing financial resources otherwise unavailable through their own capital and access to international capital markets.

MNCs contribute important foreign exchange earnings through their trade effect of generating exports. By producing goods for export, the balance of payments benefits and the developing country rises in the economic growth tables, becoming a more attractive prospect for further investment as well as contributing to the growing role of developing countries in world trade. MNCs provide immediate access to foreign markets and customers which would take domestic firms years of investment and effort to acquire for themselves. Developing countries have begun to see that control over the means to earning foreign exchange is held by MNCs and so competition is now intensifying between governments to construct the most attractive policies for MNCs.

Developing countries benefit from the introduction of technology it otherwise could not afford. “The desire to obtain modern technology is perhaps the most important attraction of foreign investment for developing countries [1].

It allows developing countries to benefit and profit from expensive research and development and gives access to technology that would otherwise be unavailable to developing countries. In a highly competitive world market, MNCs seek locations where they can establish themselves in a position that will give them a cutting edge in the pricing of their products. For the governments in developing countries, the prospect of industry established by large overseas companies is appealing. They provide employment and can enable the economy to move higher in the growth league tables.

In order to become integrated into the world economy, which has been shown to be beneficial to developing countries, there is a need to industrialise. MNCs provide the stepping stone for developing countries, enabling them to achieve far quicker growth than they would otherwise be able to achieve. The dependency theorists' strategy of protectionism is simply not a viable option in the context of the competition state. Conversely, a mercantilist approach that recognises developing countries need to embrace MNCs and open up the economy, establishing policy to attract investment is a much more pragmatic approach for developing countries.

2. THE CONDITIONS OF EXCHANGE IN THE WORLD TRADE

Intensive growth of international stock exchange in the world is a result of the influence of many factors from the world's economy development. Altered circumstances in the world economy after Second World War were a condition to make bigger inter-dependence and connection of separate national economy in the world. Therefore, necessarily it's covered the need of their bigger specialization for production and giving services where there are the biggest competing preferences, with an aim to achieve successful inclusion in the new figure of the international economy relations in the world. Talking about the circumstances of the stock exchange, it is of main importance to explore the structure of the world export- import of stocks, as well as the changes made to this structure during the world economy development.

Table 1: Structure of the export stocks according to basic groups of products for the period from 1937 to 2013 year [2]

Basic groups of products	1937	1969	1975	1988	2004	2013
Food (beverages and tobacco)	22,8	18,2	12,2	10,7	7,2	6,8
Raw materials	31,0	16,7	7,5	5,9	4,8	4,5
Mineral fuels	7,6	10,1	19,5	12,5	7,7	8,3
Products of processing industry	38,8	55,0	59,7	72,4	76,5	79,4
Equipment and transport	10,6	21,2	27,9	35,1	38,2	41,4
Chemical products	4,6	6,2	7,2	9,0	9,2	9,3
Other products of processing industry	23,6	27,6	24,6	28,3	29,2	31,3
Black and colored materials	10,6	9,0	7,3	5,3	6,6	6,4
Textile products	8,7	5,6	4,9	8,8	7,6	7,9

The data in the chart clearly show how the fast industrial and technical -technological development in the world influence the fast growth of the industrial stocks of export side's participants in the international exchange. At the beginning of 21-st century, the products of proceeding industries made above 2/3 (two thirds) of the total stock exchange in the world. Their participation in the side of the world export was twice smaller in the period before the beginning of the Second World War .In this period the products of proceeding industry took a part in the total export of stocks in the world almost equally with the export of raw materials. At the same time the primary products (raw materials and food products) made more than a half form the total exchange of goods/stocks in the world. The conditions are not much different on the side in the import of stocks in the framework of the international exchange.

There are many reasons that caused to this alter in the structure of stock exchange. The main reason is certainly incredible dynamic development of the technique and technology in the period from the Second World War on. The period of the so called postindustrial era led to creating a sophisticated technology that blow up the most up-to-date industrial equipment and led to automatic and computer settings of the whole phases of certain complex industrial productions. This caused a remarkable growth of the general level of productivity and efficiency of the production, and so the total costs for unit products are drastically reduced. In this sense it caused a remarkable reduction of spending raw materials and energy in the production for unit products.

It is a fact that above mentioned reasons remarkably influenced the reduction of primary products' relatively participating in the total export of stocks structure in the world, although their number in absolute numbers is multiply bigger than in the period before Second World War.

However, when a world stock export's structure is taken into consideration, we have to make allowances for one more fact, a is price movement of the final industrial products and those of the primary products. In the whole post-war

period the final products' prices had continuous growth on the international market. This is obviously clear when it's taken into consideration that they are complex products with a high level of finalization, that are produced with an up-to-date technology, which is unavailable for most of the countries in the world. According to it, there are unique products that are not listed at the international stock exchange, and there is a big request at the international market.

3. ACTUAL CONDITIONS AND TRENDS IN INTERNATIONAL TRADE

With the bigger regulation of the countries' external economical flows and the bigger use of political instruments at the world market lead to that exchange relations' to become power relations in which the richest and most powerful countries in the world dictate the circumstances, the way and structure of external- trade exchange.

The biggest damages from the use of protection measures in external trade exchange suffered the undeveloped countries in the world. The introduction of the protection measures in developed countries market's protection of products and services' import was one of the most important reasons, firstly for reducing the value of export in these countries, and then (because of reduced foreign currency incomes on that basis) and for reducing of their import, that all together had many negative consequences to the total development, but also to continuous process of reproduction. The reduction of the undeveloped countries' participation in the world trade shows the data according to which from 1970 to 2003 the percent of their participation in the world export is reduced from 34% to 21%, and the participation of the world import from 29,6% to 20,15% for the same period of time. .

The correlation of the participation and control of the developed countries to the total exchange flows in the world is very similar to the previously shown data. So, the developed countries are represented as carriers of more than 2/3 from the total world stock exchange, while undeveloped countries take a part with less than 20%. That is shown in the next chart in a very explicit way.

Table 2: The growth of the International trade for separate groups of countries according to the level of achieved economic development (expressed in million dollars and %) 1980-2013 year [3]

Year	1980	1990	2000	2010	2011	2012	2013
World	395.660	831.350	1.521.350	3.891.660	4.364.410	4.458.620	4.700.540
%	100,00	100,00	100,00	100,00	100,00	100,00	100,00
Population growth	..	18,81	5,99	9,70	12,15	2,16	5,43
Developing countries	73.390	150.390	352.040	1.102.760	1.246.770	1.344.220	1.419.950
%	18,55	18,09	23,14	28,34	28,57	30,15	30,21
Population growth	..	15,74	10,28	19,45	13,06	7,82	5,63
Countries in transition	-	-	20.190	91.100	108.900	116.880	129.440
%	-	-	1,33	2,34	2,50	2,62	2,75
Population growth	..	-	10,82	9,36	19,54	7,33	10,75
Developed countries	312.460	664.270	1.149.120	2.697.800	3.008.740	2.997.510	3.151.160
%	78,97	79,90	75,53	69,32	68,94	67,23	67,04
Population growth	..	19,55	4,66	6,16	11,53	-0,37	5,13
Developing countries without China	71.330	144.530	321.600	940.590	1.070.350	1.152.790	1.211.720
%	18,03	17,39	21,14	24,17	24,52	25,86	25,78
Population growth	..	15,32	9,77	18,50	13,79	7,70	5,11

%	17,75	17,59	22,68	27,70	27,89	29,46	29,48
Population growth	..	16,13	10,47	19,53	12,93	7,91	5,48
Developing countries without the least developed countries and China	68.170	140.390	314.560	915.740	1.040.840	1.122.180	1.177.410
%	17,23	16,89	20,68	23,53	23,85	25,17	25,05
Population growth	..	15,71	9,97	18,57	13,66	7,81	4,92
The least developed countries	3.160	4.150	7.040	24.850	29.510	30.610	34.310
%	0,80	0,50	0,46	0,64	0,68	0,69	0,73
Population growth	..	3,46	1,64	16,12	18,72	3,76	12,08

These data shouldn't be surprising when it is known that all technical progress, all production innovations, as well as all the new products are shown and developed in the very developed economies.

Taken into consideration the fact for the wealth and size of the part of the world income that adopts the very small number concentrated in these countries, so their pay ability and consumer capacity is very obvious. From this starts big participation of the developed countries, not only in the world export, in which they take part with products with a high level of finalization made in their industries with a high technology, but also at the side of world import where they take a part again with big amounts of money for bought sophisticated products.

The basic characteristic of the economy development, from international point of view, is his unevenness. Nevertheless, it seems that in historical epoch, till the phenomenon of industrial revolutions, the difference in the level of economic development was very little expressed. The process of industrialization, which started in the phase of liberal capitalism, led to creating remarkable differences in the economy development level among the economies that succeed to follow it and those that didn't managed to fit in it.

But, it seems that the most interesting moment in the analysis of the traditional, and we have to say and of all contemporary trade theories is the connection of the economic development rate with the participation of the international stock exchange. All the theories agreed that the counties that reached a high level of economic development and mark high steps of economic growth take very important positions in the total international exchange. In comparison to them, on the other hand, the participation of all developing countries in total stock exchange is not remarkable. In other words, the trade theories claim that the level of economic growth is in proportion to country's participation in international exchange.

According to previously shown analysis it can be freely accepted that in international trade system, regulated and controlled by WTO, the developing countries have a secondary position. DC doesn't have a power and level of economic development to confront the pressure of developed countries and of the transnational companies' greedy appetites.

To improve this condition in DC (developing countries) in international trade, the developing countries should:

- To stop making pressure to the developing countries and to take a direction towards liberalization of the industrial, agricultural products as well as a service sector;
- To let the DC to have a flexibility to choose by themselves to which level they will liberalize the industrial sector;
- To enable DC to make certain measures with an aim to protect their companies in a given period with an aim to become competitive at the international market and to make possible the aims for maintained development.

If the developed countries don't try to satisfy DC demands, then they must take the responsibility in front of the institutional structure (WTO) for not respecting the equal and egalitarian regime in the world trade. However, the DC

are not demanded to sacrifice their development at the expense of inadequate DC's offers and extreme requests. According to this research it is believed that it's better not to make agreements with WTO, than to make agreements that are damage for DC, and a profit for developed countries.

The results of many multilateral negotiations in the framework of WTO for liberalization of the world trade and more active participation of undeveloped countries in it are enough to emphasize the complexity and size of the problems, and also for the contrary attitudes and interests of WTO members.

In our opinion the main goal of these most remarkable results from the multilateral negotiations for liberalization of WTO is stopping the process of derogation and degradation of multilateral trade system, through compliance of external trade practice with rules and principles of WTO. For that purpose it is given a new specification and extension, and a special procedure is established that should provide multilateral discipline of the WTO members.

That, apart the other things, should means solving the problem of the raw materials' prices that are exported from undeveloped countries, increasing the import of products and services in developed countries, and that originated from undeveloped countries. When talking about the problem with raw materials, an integral program for raw materials was prepared in UNKTAD, that contains: forming of a raw materials' stock exchange because of the influence of the raw materials' market, forming of a special international fund for financing the raw materials from producers and customers, implementing a system of permanent indexing because of connection of the prices of raw materials with the prices of secondary products; and compensatory financing because of neutralization of lost, i.e. reducing the incomes from raw materials' export. ³ For increasing the import in developed countries with products from the developing countries, they should provide more favorable access at their markets, through eliminating the customs and non-customs barriers and narrowing of the spectrum of different kinds of monopolizations at their markets.

The realization of all these decisions, according to the research results, will means a real and a strong inspiration for development of the world trade and world economy, as well as for increasing or expanding of economic collaboration among the countries which will be benefit for all the countries in the world. But, still, there is an open question: Is it going to be a complete realization of these decisions in the estimated period for their implementation? The experiences till today from the use of the given decisions from the multilateral trade negotiations direct and warn of caution in a sense of giving a mark for the use of the WTO newest decisions.

Taken into consideration the above mentioned, as well as the reasons that led to that, it is thought that these decisions are not going to be a definite victory of the DC 's demands, but they are going to be a good basis for increasing the DC participation in international trade.

4. CONCLUSION

According to above given analysis it can be freely declared that in the actual trade system, regulated and controlled by WTO, the DC have a secondary position. In fact, that is manifested trough Marginal participation of less developed countries in the international trade. To improve this condition of the developing countries in the international trade, the developed countries on one hand should stop make a pressure to developed countries, and to let less developed countries to have flexibility to choose by themselves to which level they will liberalize the industrial sector on the other hand? If the developed countries don't try to satisfy DC demands, then they must take the responsibility in front of the institutional structure (WTO) for not respecting the equal and egalitarian regime in the world trade.

References

- [1] **Hart, J., and Spero, J., (2003).** The Politics of International Economic Relations. United States: Wadsworth;
- [2] <http://unctadstat.unctad.org/wds/ReportFolders/reportFolders.aspx2014>;
- [3] International conference for trade and development.
http://unctadstat.unctad.org/wds/ReportFolders/reportFolders.aspx?sCS_ChosenLang=en2014;
- [4] **Aigner D.J., C.A.K. Lovell and P. Schmidt., (2008),** Formulation and estimation of stochastic frontier production function models, *Journal of Econometrics*, 6(1), 21-37;
- [5] **Arora V. and A. Vamvakidis., (2014),** how much do trading partners matter for economic growth? IMF Working Paper, 04/26, Washington: International Monetary Fund;
- [6] **Balassa. B., (1986),** Policy responses to exogenous shocks in developing countries, *American Economic Review*, 1986(5), 75-78;
- [7] **Baltagi B.H. and J.M. Griffin., (2013),** A general index of technical change, *The Journal of Political Economy*, 96(1), 20-41;
- [8] **Campbell, O.A. and T.C. Agbiokoro, 2013.** Human capital and economic growth: A three stage least squares approach, SSRN Working Paper;
- [9] **Chi, W., 2008.** The role of human capital in China's economic development: Review and new evidence. *China Economic Review*, 19(4): 421-436;
- [10] **Battese G.E., (2012),** Frontier production functions and technical efficiencies: A survey of empirical applications

in agricultural economies, *Agricultural Economics*, 185-208;

[11] **Heshmati A. and W.S. Yang.**, (2006), Contribution of ICT to the Chinese economic growth, *RATIO Working Paper*, No. 91;

[12] **Terasvirta, T. and H. Anderson.**, 2012. Characterizing nonlinearities in business cycles using smooth transition autoregressive models. *Journal of Applied Econometrics*, 7(1): 119-136;

[13] **Kuo C.C. and C.H. Yang** (2008), Knowledge capital and spillover on regional economy growth: Evidence from China, *China Economic Review*, 19(4), 594-604;

[14] **Krugman, P.** 1981. “Trade, Accumulation, and Uneven Development.” *Journal of Development Economics* 8: 149–61;

[15] **Krugman, P. and M. Obstfeld.** 1992. *International Economics: Theory and Policy*. Upper Saddle River, NJ: Addison Wesley;

[16] **Lee J.W. (1995)**. Capital goods import and long-run growth, *Development Economics*, 48(1), 91-110.

[17] **Madely, J. Hungry.**, for Trade, how the poor pay for free trade, Zed Books, 2000 Page, S. *How Developing Countries Trade*, Routledge, 1994;

[18] **J. Spero and J. Hart.**, the Politics of International Economic Relations, Routledge, 1997;

[19] **R. Jackson and G. Sorensen**, *International Relations, Theories and Approaches*, 2010, Oxford University Press;

[20] UNCTAD, 2004a, “Trade and Development Report 2004”, UNCTAD/TDR/2004, 16 September 2004, Geneva;

[21] UNCTAD, 2004b, “Follow-up to UNCTAD XI: New Developments in International Economic Relations”, TD/B/51/6, 17 September 2004, Geneva;

[22] **Wang J.Y.** (2014), the evolution of China’s international trade policy: development through protection and liberalization, *Economic Development through World Trade*, 191-213;

[23] World Bank. (2008). *Global Consultations. Development and Climate Change: A Strategic Framework for the World*;

[24] WTO, 2005b “International Trade Statistics 2004”, Geneva;

[25] WTO (2006). Introduction to GATS;

Available at http://www.wto.org/english/tratop_e/serv_e/gsintr_e.doc;