

# The International Trade in Global Economy



**Ion Botescu**

*Ph.D. Senior Lecturer*

University „Ovidius” of Constanța

***Abstract.** The intensification of the globalization of the world economy is the result of the amplification and diversification without precedent of the material, financial and human flows between the world's states.*

*The international commerce has known in the last period a strong expansion, almost uninterrupted, surpassing the industrial production growth and PIB on a world scale.*

*Among the PIB evolution and the evolution of the world commerce there is a strong relationship of correlation, fact shown by the linear correlation coefficient.*

*The structure on exports of country categories confirms the fact that the process of globalization has been fully completed in the world.*

*Romania, through its achieved economic opening, has boosted its participation to the international economic trades. In this way there is a chance for Romania's economy in the future to become more competitive, even though in the present our country faces serious problems concerning the strong deficit of the foreign trade balance.*

**Key words:** global economy; linear correlation coefficient; competitiveness; trade balance; economic opening.



Globalization is a trendy concept in social sciences, a term frequently used by economists, a reality politicians often pertain to. The beginnings of globalization started with the first exchanges of merchandise between the various regions of the world and finally between national states. Basically, what we considered for a very long time to be world economy was grounded only on the exchange of merchandise and services made by the countries of the world.

We can appreciate that globalization is an evolutionary process. In a commercial aspect, the amplification of the export and import activities emphasizes the actual process of globalization.

The last 285 years, with a sole exception recorded between 1913 and 1950, were characterized by the rapid

growth of the international commercial exchanges, in comparison to the world economic growth. During 1720-1913 the growth of the international commerce was 1.3 times larger than the GDP increase. The period 1913-1950 included the two world wars and the great economic crisis of 1929, fact that led to an outmatch of the international commerce growth by the economic growth on the level of promoting protectionism, with the latter being pretty anemic. Throughout the last 55 statistically emphasized years, the international merchandise commerce has evolved in value from 61 billion dollar in 1950 to 10,120 billion in 2005, which represents a multiplication of approximately 166. This accentuated dynamics was partly due to the growth of the physical volume of the merchandise traded

outside the border and on the other hand to the growth in the prices of these merchandises or the depreciation of the exchange rate, especially the American dollar. The evolution of the annual average growth rhythms of the world commerce in this last period was as follows: 6.4% (1950-1960); 9.3% (1961-1970); 20.3% (1971-1980); 8% (1981-1990); 6% (1991-2000); 14% (2001-2005). For comparison we must mention that the increase recorded by the exports of merchandises was approximately 1.65 times larger than the growth afferent to the global production.

When analyzing the evolution of the value of exports we must consider the tendency of the prices, which is generally growing. Thus the average growth of the international prices in 2005 in comparison to 2004 was 6.5%, which can be considered to be reduced if we take into account that in 2004 an average increase of 11% was recorded in international prices, unlike in 2003. In 2005 the international prices grew in comparison to the previous year, varying from 3% with produces to 35% in the case of oil and derived products.

The territorial distribution of the growth of merchandise exports was, by far, considered to be uniform. During 1950-2005 western Europe (from 31% to 39%) and Asia (from 13% to 28%) recorded growths of the weights of their own exports in the world total and decreases were recorded by north America (from 27% to 14%), Latin America (from 12% to 3.5%) and Africa (from 7% to 3%). After a significant increase recorded in Central and Eastern Europe in exports with merchandise in the 70's, the former socialist countries

in this area recorded a sudden decrease of the value of exports, holding, in 1991, a weight of only 2.6% of the world total. The evolution of the 19 countries straightened – 8 of them accessed the EU in 2004 – in regard to exports, whose weight in the world total reached 7.7% in 2005.

The accentuation of the international interdependencies through commercial fluxes resulted from a major mutation, which took place in the area of world commerce: the cross from basic products types of reports structures versus manufactured products (interdependencies between sectors, characteristic to the first half of the century) to manufactured products types of structures versus manufactured products (interdependencies between sectors) and then to the exchange of products within branches of the industry or within groups of products (industrial interdependencies). The development of the industrial commerce mirrors the progressive deepening process of the international work division in the decades that followed the ending of the last global conflagration.

On the other hand, the statistic data concerning the distribution of the world commerce on categories of countries show that the process of internationalization did not take place homogenously in the global economy. In 2004 the weight of various groups of countries in the international merchandise commerce was as follows: developed countries – 63.0%, developing countries – 33.5% and countries with economy in transition from south-eastern Europe and CSI – 3.5%.

The structure of the global export of merchandise on categories of countries

Table 1

Economic regions	Years										
	1980	1990	1995	1997	1998	1999	2000	2001	2002	2003	2004
World	100	100	100	100	100	100	100	100	100	100	100
Developed Countries	65.27	72.04	67.78	68.03	69.98	68.77	65.72	66.29	65.54	64.84	63.07
Developing Countries	29.47	24.26	27.61	29.31	27.65	28.98	31.64	30.93	31.64	32.09	33.46
South-Eastern Europe and the CSI	5.26	3.70	2.62	2.66	2.37	2.24	2.64	2.78	2.82	3.07	3.47

Source: World Trade Report 2006.

The analysis of the global commerce of services must always start from their characteristics, namely: they can not be stocked, there is simultaneity between their production and use, they can not be resold etc. For this reason the weight of services in the total global exports is relatively small: 19.3% in 2005. During 1990-2005 the multiplication coefficient of the value of exported services (2,9 times) was relatively close to the one recorded by

exported merchandise (2.8 times). We must not forget that due to the fact that services are not transferable, the majority of FDI stock entries on a world level (61%), at the end of 2004, endorsed this sector of activity.

A significant liberalization of the national markets took place in the last 20 years, in the services area. Be that as it may, we can say that except for financial services there are few global markets in this domain.

## The evolution of merchandise and services exports on regions

Table 2

The Region	The Category of Export	Years							
		1991	%	1995	%	2000	%	2005	%
World Total	Products	3515	80.9	5122	81.1	6430	81.4	10121	80.7
	Services	826	18.1	1191	18.9	1465	18.6	2415	19.3
	Total	4341	100	6313	100	7895	100	12536	100
Europe	products	1712	80	2404	80.9	2774	79.2	4642	78.5
	services	428	20	566	19.1	726	20.8	1268	21.5
	total	2140	100	2970	100	3500	100	5910	100
North America	products	549	76.6	777	77.6	1058	77.3	1478	77.8
	services	167	23.4	224	23.4	310	22.7	420	22.2
	total	716	100	1001	100	1368	100	1898	100
Latin America	products	145	87.5	229	83.8	359	85.6	351	83.7
	services	31	12.5	44	12.2	60	14.4	68	16.3
	total	176	100	273	100	419	100	419	100
Africa	products	100	84.0	112	81.1	148	82.6	296	83.8
	services	19	12.5	26	18.9	31	17.4	57	16.2
	total	119	100	138	100	179	100	353	100
Middle East	products	123	100	152	100	261	88.1	529	90.7
	services	-	0	-	0	35	11.9	54	9.3
	total	123	100	152	100	296	100	583	100
Asia	products	886	83.0	1448	81.3	1830	85.7	1826	83.7
	services	181	17.0	331	18.7	303	14.3	548	16.3
	Total	1067	100	1779	100	2133	100	3374	100

Source: calculated based on the World Trade Report 2003 and 2006.

There is a direct connection between the dynamics of global exports and the dynamics of the global GDP. The fact that throughout the entire analyzed period – except for the period between the two world wars – the annual average growth rhythm of merchandise and services exports outmatched the one recorded by the GDP, entitles us to say that the global market's ability of absorption increased.

In order to emphasize the connection between the dynamics of the global GDP and that of global exports, during 2001-2005, we can use the linear correlation coefficient:

$$C_c = \frac{\sum_{i=1}^5 (e_i - \bar{e})(p_i - \bar{p})}{\sqrt{\sum_{i=1}^5 (e_i - \bar{e})^2} \times \sqrt{\sum_{i=1}^5 (p_i - \bar{p})^2}}$$

Where:

$C_c$  – linear correlation coefficient;

$e_i$  – the deviation (growth or decrease) of the value of export in the year  $i$  in comparison to the year  $i-1$ ;

$\bar{e}$  – the arithmetic mean of the annual deviations of exports in the five analyzed years;

$p_i$  – the deviation of the value of GDP in the year  $i$  in comparison to the year  $i-1$ ;

$\bar{p}$  – the arithmetic mean of the annual deviations of the GDP in the five analyzed years.

The meaning of the results is the following:

- $0 \leq C_c < 0,2$  - there is no significant connection;
- $0,2 \leq C_c < 0,5$  - there is a weak connection;
- $0,5 \leq C_c < 0,7$  - there is a medium intensity connection;
- $0,7 \leq C_c < 0,95$  – there is a strong connection;
- $0,95 \leq C_c \leq 1$  – there is an extremely powerful connection.

## The evolution of the annual global deviations of exports and the GDP during 2001-2005

Table 3

Indicator	years				
	2001	2002	2003	2004	2005
The annual deviation of exports ( $e_i$ )	-251	405	1313	1904	1403
The annual deviation of the GDP ( $p_i$ )	-524	1223	3944	4422	3714

Source: estimates made by the author based on the data offered by UNCTAD.

$$\bar{e} = \frac{-251 + 405 + 1313 + 1904 + 1403}{5} = 954$$

$$\bar{p} = \frac{-524 + 1223 + 3944 + 4422 + 3714}{5} = 2555$$

$$\begin{aligned} \sum_{i=1}^5 (e_i - \bar{e})(p_i - \bar{p}) &= (-251 - 954)(-254 - 2555) + \\ &+ (405 - 954)(1223 - 2555) + (1313 - 954)(3944 - 2555) + \\ &+ (1904 - 954)(4422 - 2555) + (1403 - 954) \\ &(3714 - 2555) = 7234155 \end{aligned}$$

$$\begin{aligned} \sum_{i=1}^5 (e_i - \bar{e})^2 &= (-251 - 954)^2 + (405 - 954)^2 + \\ &+ (1313 - 954)^2 + (1904 - 954)^2 + \\ &+ (1403 - 954)^2 = 2986408 \end{aligned}$$

$$\begin{aligned} \sum_{i=1}^5 (p_i - \bar{p})^2 &= (-254 - 2555)^2 + (1223 - 2555)^2 + \\ &+ (3944 - 2555)^2 + (4422 - 2555)^2 + (3714 - 2555)^2 = \\ &= 18012756 \end{aligned}$$

$$C_c = \frac{7324155}{\sqrt{2986408} \times \sqrt{18012756}} = 0,98$$

The result that fits the last category of evaluation shows that there is a determining connection between the evolution of global exports and the evolution of the global GDP.

The intensification of the international commercial relations in the contemporary period is the result of various factors, such as:

- The technical and scientific revolution generated, through technical progress, a deepening of the international work division with direct consequences on production specialization;

- Promoting a liberal politics in the international exchanges area, GATT/OMC playing a decisive role in the elimination of cost barriers from the commerce between countries;
- The amplification of the regional economic integration processes, which took place in all the corners of the world, at a different extent, including all the categories of countries.

In regard to the territorial expansion, but especially in regard to the intensification of the commercial exchanges, we can state that the world is globalized. Comments must be widened with appreciations concerning foreign direct investments fluxes, international migration of work force, the activity of multinational firms on foreign markets etc.

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