

International Trade under Crisis Constraints

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Abstract. *Competitiveness of the world nations is due to the trade liaisons between these nations and proves how the economies manage the present, in the crisis conditions, but merely, their future. The entire world is now under the globalization features and the international trade is the main vector of this wholeness.*

The process of formation of regional economic entities is not opposite to that of globalization process. It is a complementary one. The entire world is already entered in recession, starting with the most developed countries.

Therefore, for all economies, including Romania, the main goal is to discover and to apply the most appropriate measures and policies in order to reduce the decline and to assure, at the same time, the competitiveness of national economic entities. The international trade must go on and create possibilities to a sustainable development of all components of the commercial circuit.

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Following the present phenomena and circumstances, the international trade is characterized by a series of highly important processes, such as:

a) The economic competitiveness of countries is ever fluctuating, being influenced almost decisively by the impact of actual crisis' features and by the evolution of the technical progress and by its implementation in the economic and social life.

The technical progress has deepened the international and technological labor division, emphasizing the intra-industrial and intra-product-like specialization, which has differentiated even more the economic development level of the countries.

b) The polarization of the trade exchanges, so that each country, by its geographic position, might have special trade relationships with its neighboring ones, in the first place, due to the existence of certain cultural, historical and political elements. This process is more and more highlighted by the broadening of the economic integration of the economies into economic regions or areas, which has freed the trade barriers.

The result obtained by the European Union has determined the states from various regions worldwide to follow its example (NAFTA in North America), MERCOSUR in Latin America, AFTA in South-East Asia etc.), even if the main objectives of the integration have not been fulfilled.

c) The strengthening of the financial markets involves, at a national level, a more severe control over the capital, acting as constraints upon the decision-makers in the field of trade policies, the errors being sanctioned much more rapidly.

d) The problems concerning the necessity of the environment protection must find their well-determined place within the working out process of the trade and economics policies, protecting thus two major trends:

1. One, of the supporters of the globalization process, which believe that only the market, by its free mechanism of self-regulation, of the balance between resources and needs, may solve the ecological issues and the entire exchanges between firms and their environment by means of negotiation and economic compromises;

2. The other one, the opponents of the globalization believe that the institution of market is the cause of the lack of balance and of the negative effects that manifest at the level of the environment, while protecting the nature is possible only by extra-economic means.

We do not believe any of these opinions to be fully true considering that for certain natural resources or certain ecological issues one may resort to the market to solve the problems, while for other one shall prefer the extra-economic ways.

The instruments of the trade policies will remain the same, also taking into account the possibility to appear new ones, adjusted to a reality that cannot

be anticipated. In the last decade of the 20th century, the main concern of the world trade policies was the liberalization of the economic and commercial activities. In fact, more or less, all the governments have taken measures to strengthen the role of the private companies and to eliminate the barriers that rise in the way of the commercial exchanges.

Analyzing the evolution of the international trade in the last two decades one may outline and forecast several features for the future:

First, the faster growth tendency of the world trade in comparison with the world output will remain steady, especially since certain premises have been created, capable to stir the world trade, such as: the existence of more open and more competitive markets, with a fully developing trade, the growth of the direct foreign investments, a low inflation rate, the reduction of the budget deficits in many countries and so on....

Secondly, the growth and the diversification of the services trade will continue, while their role in the states' economy will be more and more important and the implementation of the new technologies and of the modern telecommunication means will allow the development of this particular economic sector.

As well as this, the weight of the raw materials will continue to drop concomitantly with the increase of the manufactured products, with high level of inclusion of the technical progress. This evolution will determine the intensification of the growth process of the poorly developed countries' dependence, whose foreign trade is based on raw materials or on the products that are in the first working stages.

As a counter-weight, the intensification of the concerns regarding the integration of the different states within the free-trade areas might intensify the international cooperation related to the global trade, and a decrease of the external debt of the poorest countries (but these assumptions in normal conditions of the international development).

The *regionalization* tendencies have increased concomitantly with the tendencies of the globalization. *Regionalization* and the preferential agreements it supposes have come up either as a source of the fragmentation or as a negotiation weapon, or even as an intermediate way of the liberalization of the exchanges. In some specialists' opinion (Petiteville, 1997), regionalization has come out because the fear of a global failure of the multilateral negotiations has lead to a search for those solutions that might guarantee the liberalization of the regional trade.

However, *the globalization and the regionalization have to be seen as two complementary processes*. The regionalization should not lead to the fragmentation of the global system in blocks of opposing interests, but to the creation of economic and commercial areas within an open world economy. This can be taken as a transition process and not as an alternative for the

globalization. The option of the states to take part in cooperation action within the regional economic groups must be subordinated to the national interests of superior reevaluation of the material, human and technological potential.

One can righteously assert that since the beginning of the present century we witness to a “de-tensioning” process of “de-tensioning” the relations between *globalization* and *regionalization* (both of economic nature) in the meaning that both processes become “cooperating”, complementary and decisively influence world economy flows and structure. They even speak of *world economy management*, a distinctly important aspect under the conditions of ever more numerous and powerful inter-actions and integrative processes manifesting in today’s world. As great experts in the field asserted, Paul Krugman⁽¹⁾ being one of these, *economic integration took much the lead ahead the political one*, so that economic realities (punctually world economy integration) have developed much faster than managerial capacity to administrate new economic and technological forces within *knowledge-based economy*.

Presently, we’re witnesses of a thing inconceivable even half a century ago: *every world states trade (therefore, participate to world’s economy flows) but moreover, consume a significant part of their national income within international exchanges*. What I attempted to outline in the present article are *the economic springs (more precisely of the real economy)* that determine the significant inter-state relationships in the present epoch, the fact that international trade activity is considered the main form of present globalizing manifestation.

Globalization, of which I was saying it shows multidimensional manifesting forms: economic, social, political, and cultural, is very exactly depicted through analyzing *international trade* and the whole train of the aspects that define it:

- a. Intensifying economic relations between world’s states, in a context of space-time “compression” of such relations;
- b. De-localization and over(trans)-territoriality;
- c. Strong manifestation of technological innovations and, totally, of revolutionary IT&C technologies;
- d. Creation and good-functioning global markets.

What I have attempted in the present paper was depicting techniques and devices determinant for an efficient and equitable trade. The problems one should comprehend are linked also both to the fact whether out of globalization manifestations, by means of commercial relations, *the poorest and least developed may gain, if elements of opportunity evaluation and equity may arise too* (Sen, 2002).

Moreover, I attempted to underline the importance of regulations of international bodies in the field through permanent analysis of the nature of a reasonable anticipation of the trade policies of all states participating to

international trade as well as the impact of these relations on the well functioning of regional and multilateral commercial system.

I outlined the role and functioning of the world's main economic region, European Union, due not only to the fact that Romania is part, since January the 1st 2007, of this economic region and must integrate as fast and harmonize its norms and procedures with the community's ones.

Then, the *present depression* is considered by very many experts, and not only by them, as being artfully created and maintained, *a crisis appeared on the order of the forces that lead*, in fact, today's world. Only one name and example in this respect is that of David Rockefeller, for a long time President of Chase Manhattan Bank, who developed, within an operational militarized system, his abilities of a leader and creator of an information and influence network. He is considered to be one of those who planned world globalization at today's dimensions.

But, the crisis itself has so far had only a moderate impact on world trade. The first two economies of Europe – Germany, which is powered by exports, and France, have determined a business confidence falling down during this period. The consumers in these countries, but also in the other rich states, are cutting their spending, due the level of prices (raw materials in the first place) and to the fear of lowering pensions and to the situation of their financial assets.

Therefore, several European economies are slowing or falling into recession, provoked by the pricking of housing “bubbles”, or the financial crisis in the cases of Ireland, Spain and Great Britain. Speaking about Europe, we must say that the trade between European countries accounts for one third of the world total. As a result, the WTO is likely to revise down its projection of trade growth this year from the six-year low of 4.5 percent it forecast in April 2009 when it reviews the figure next month.

And last but not least, for Romania situation becomes ever harder. Lowering with the decline situation of our whole exterior trade of this year's January when *imports decreased by one third*, and *exports by about one quarter*, Romania's trade deficit being diminished with 60.3%. The most important diminishing in import were registered from relations with extra-EU countries of about 45%, and also with EU member states an important decrease was also registered of about 34.1%.

In export, the situation is as complicated, taking into account the Leu's continuous depreciation face both to Euro and to US Dollar. Thus, export decrease on non-EU relation was 38%, while in export with the other 26 states of EU the diminishing was smaller, around the value of 19.1% As to the import and export structure, we can notice that transport machineries and equipments are situated on the first place, in both activities, with average values around 35%.

On the other hand we have to be cautious about the prognosis of our external trade achieved by the National Statistics Institute⁽²⁾ that point out permanent in deficit FOB-CIF commercial balance⁽³⁾ face to the previous year, with values with about (-)25, (-)26 thousand million Euros. Everything depends, in assuring the continuity of external trade activity, on the concrete assistance the state can lend to the companies that carry out exports as well as through permanent and loyal informing exchange with the other OCDE members through which international trade flows should be monitored and operative measures of correcting and supporting all those in difficulty, but without infringement contract obligations the economic agents had signed.

Notes

- (1) Paul Krugman (born 1953), professor at Princeton University, USA, is the 2008 laureate of the Sveriges Riksbank in Economic Sciences in Memory of Alfred Nobel. He was awarded for „his analysis for trade patterns and location of economic activity”.
- (2) Data from „*Almanahul crizei 2009*” (*Crisis Almanac 2009*), p. 26.
- (3) In international trade conditions, the most defavourable situations are the following (in use by the Romanian agents): FOB for imports and CIF for exports, because the importer, in the first case, pays the fees from the port (or place) of loading, and the exporter, in the second one, pазs all the fees until the port (or place) of discharge in the buyer's country.

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