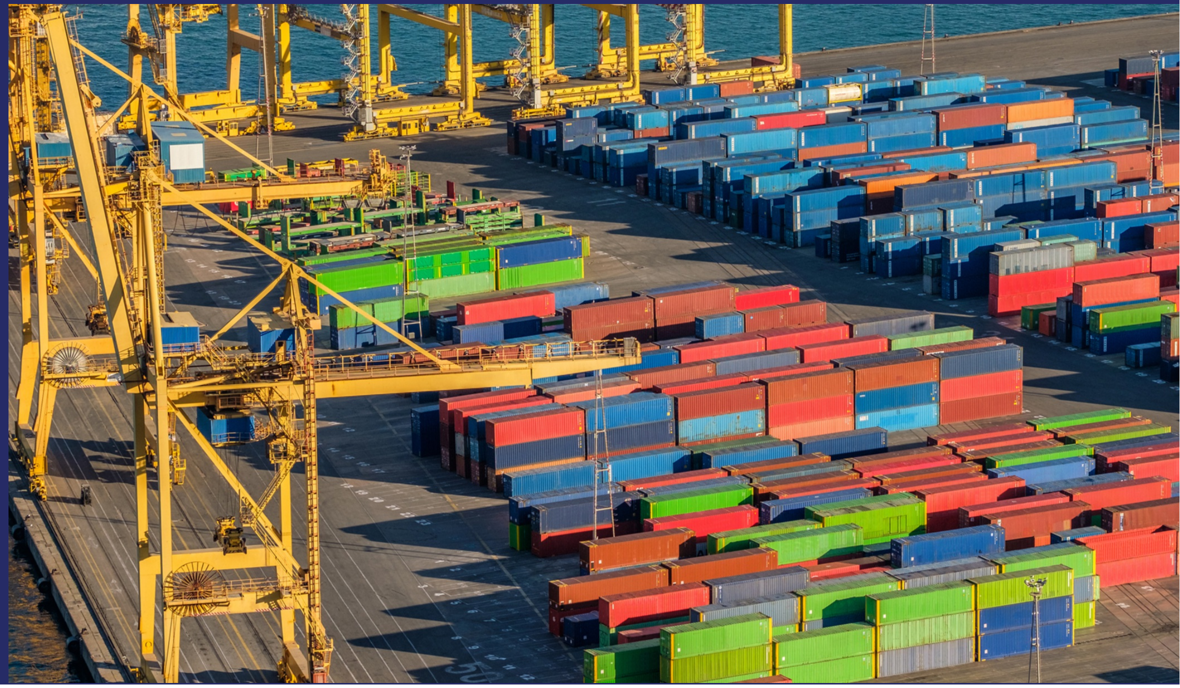
Acceptance of open markets is of great importance. But there is a growing public concern about some aspects of trade liberalization that need to be carefully studied. For those who believe that global integration is reducing costs, it would not be wise to ignore these issues. Perhaps, the answer lies in the balance between open markets and complementary policies alongside international initiatives that better manage the risks posed by globalization. However, it's the best to draw conclusions through research reviews and thus analyze the results.



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Globalization, Trade Liberalization and Business Dynamism

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CHAPTER I

GLOBALIZATION AND INTERNATIONAL TRADE

Globalization as a term refers to the growth of interdependence between countries, resulting in increased integration of trade, finance, people and ideas in a common global market. International trade and cross-border investment inflows are main elements of this integration. As a process, globalization began after World War II and has accelerated significantly since the mid-1980s. It is considered to be governed by two main factors.

The first one, includes technological advantages that have reduced transportation, communication, and deployment costs. These advantages are usually economically feasible for companies that locate different stages of production in multiple countries. The other factor relates to the increasing liberalization of trade and the capital market. Namely, a growing number of governments are refusing to protect their economies from foreign competition or from the effects of import tariffs and non-tariff barriers such as import quotas, export restrictions and legal bans.

Numerous international institutions established during World War II, including the World Bank, International Monetary Fund, and GATT, succeeded in 1995 through the WTO (World Trade Organization), all playing an important role in promoting protectionism to be replaced by free trade. Empirical evidence suggests that globalization has significantly boosted economic development in economies of East Asian such as Hong Kong (China), the Republic of Korea, and Singapore. But not all developing countries equally participate in globalization or are in a position to benefit from it. In fact, except for most countries in East Asia and some in Latin America, developing countries are rather passive in their integration into the world economy. For example, Sub-Saharan Africa's share of world trade has declined steadily since the 1960s, as the share of major oil exporters plummeted as oil prices fell in the early 1980s.[1]

Overall, countries that actively participate in the process of globalization, the benefits come with new risks and challenges.

1. Balance of globalization costs and benefits

The balance of globalization costs and benefits for different groups of countries, as for world economy, is one of the most attractive topics for the development of many debates, the specific separation of costs and benefits of free trade.

For participating countries, the main benefit of unrestricted foreign trade is the increased access of their participants to larger, international markets. For the national economy, this approach means an opportunity to benefit from the international division of labor, on one hand, and the need to face stronger competition in the world market, on the other. Domestic producers produce more efficiently due to international specialization as well as the pressure imposed by foreign competition. Consumers enjoy a different range of domestic and imported goods at lower prices. Countries that actively trade, the benefits of new technologies flow to them from their trading partners, as well as through the knowledge embedded in the imported production equipment. These technological spillovers are of particular importance to developing countries. This importance stems from the ability to be closer for developed countries in terms of productivity.

Former centrally planned economies have missed out many benefits of global trade. This was due to their politically imposed isolation from market economies. Today, they seek to reap the benefits through reintegration into the global trading system. But active participation in international trade also implies risks, especially

[1] www.worldbank.org/depweb/beyond/beyondco/beg_12.pdf

of national trade (exports and imports) in its GDP or GNP. Through such measurements, it is seen that globalization has, on average, doubled since 1950. In the last 30 years, exports have grown almost twice as fast as GNP. As a result, since 1996 the proportion of world trade and world GDP (according to purchasing power parity) has reached almost 30% on average around 40% in developed countries and about 15% in developing countries.[2]

2. Composition of globalization and international trade

Geography and composition of globalization and international trade are important in identifying certain conditions in countries at different times.

Namely, in the last ten years, the directions in the international trade are favorable between the developed and the developing countries. Developed countries mostly trade between them. The share of their exports has increased from 20% to 22% in the last decade. At the same time, developing countries are increasing trade between themselves. But developed countries remain their main export trading partners, and their main source of imports. In most developing countries, trading conditions deteriorated in the 1980s and 1990s. The reason for that is the price of primary goods (which have the largest share of exports to developing countries), relatively decreased with the price of products. Or, between 1980 and 1995, the real price of oil fell almost fourfold, the price of cocoa threefold, and the price of coffee twice.[3] There is debate as to whether this relative decline in commodity prices is permanent or short-lived. Developing countries that depend on the export of these goods have already suffered heavy economic losses. These losses have slowed their economic growth and development.

[2] www.economics.about.com/dynamics%20of%20trade%20liberalization.pdf
[3] DRAFT ONLY:aggarwal dynamics of trade liberalization, Feb.3,2005.doc

trading partners to other countries. These are the reasons that give rise to the interest of countries to be part of the World Trade Organization (WTO). WTO membership allows countries to protect themselves from significant barriers, especially quotas that make it difficult for them to export "sensitive goods" to developed countries.

There are products such as agriculture, iron and steel, clothing and others so that countries in transition can have comparative advantages. Joining the WTO will not only advise economies in transition but will require them to meet certain obligations such as maintaining low or moderate tariffs and removing non-tariff barriers. This implies diversification of the export structure especially for developed countries. The goal is to support international trade, which means that countries are part of it, and thus part of global trends. It is traditionally stated that developing countries are importers of technology, while developed countries are exporters. With the improvement of the investment climate and the large consumer base, developing countries are becoming major players in these processes.

In this context, some trade issues that arise and are considered, the international community recommends:

1) Focus on several areas where short-term synergies already exist.
2) Abolition of tariff and non-tariff barriers to increase the spread of clean technology in developing countries
3) Streamlining intellectual property rights, setting rules and building domestic policy to stimulate the branched assimilation of clean technology in developing countries
4) Exploring even greater potential for promoting trade between developing countries.[5]

This is the conclusion reached according to the report from the World Bank, on international trade and changes in the environment from an economic, legal and institutional perspective. It states that the liberalization of the global trading system

[5] www.economics.about.com/globalizationtrade/Globalization_International_Trade_Recources.htm

is a key factor for developing countries, which helps them adapt to such "climate" changes that affect the situation of countries. Prompted by this, could be concluded that the area where countries successfully cooperate on a long-term multilateral level is the liberalization of international trade.

4. Conclusion

Integration into the world economy is proving to be a powerful way for countries to achieve economic growth, development and poverty reduction. Changing the environment is a global challenge that requires international cooperation. Globalization change and international trade have been considered on their own for years, despite their commonly supported goals. Spreading global and global trade goals to be common political goals for most countries gives them the right to be seen as two sets with the same goals and challenges. The future improvement of human well-being should be seen as a common goal of both international trade and the global regime. It must be acknowledged that these "global" issues require common international solutions, and can be a potential source of trade tensions if some countries receive "unlimited use" of certain benefits at the expense of others. In addition, such an imbalance could lead to conflict over how negotiating member states implement measures under global treaties, which would be binding on WTO members and not part of the same international treaties.

Therefore, through international trade and global change, a comprehensive effort is being made, and that is through their synergy to understand their goals from an economic, legal and institutional perspective. It is no coincidence that various studies are constantly exploring what are the possible problems and what are the possible actions to be taken at the national and multilateral level. The aim is to help developing countries build their capacity to prevent any conflicts between international trade and the regimes imposed by globalization, and to take advantage of new opportunities.

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