

# CONSIDERATIONS ON COMMERCIAL GLOBALIZATION (II – SPECIALIZATION AND COMPETITION – DEFINING FEATURES OF THE RECENT EVOLUTIONS)

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*Abstract: There are three big tendencies identified in the commerce of manufactured products along the past decades. The first refers to the regional polarization of the international commerce. The second big tendency is the shift of the gravity centre of the international commerce from the Atlantic towards the Pacific, which triggers the increase of the power of the Far East and of its privileged connections with the North American market, to the detriment of the Western Europe. The third major tendency regards the regionalisation of the rapport centre-periphery, in other words the formation of specific zones of influence of each of those three major world economic powers (the US, the EU and Japan), respectively the Latin America, the Far East and South Asia, the Eastern Europe, the Near East and Africa for the EU.*

*Key words: globalization, commerce, evolution*

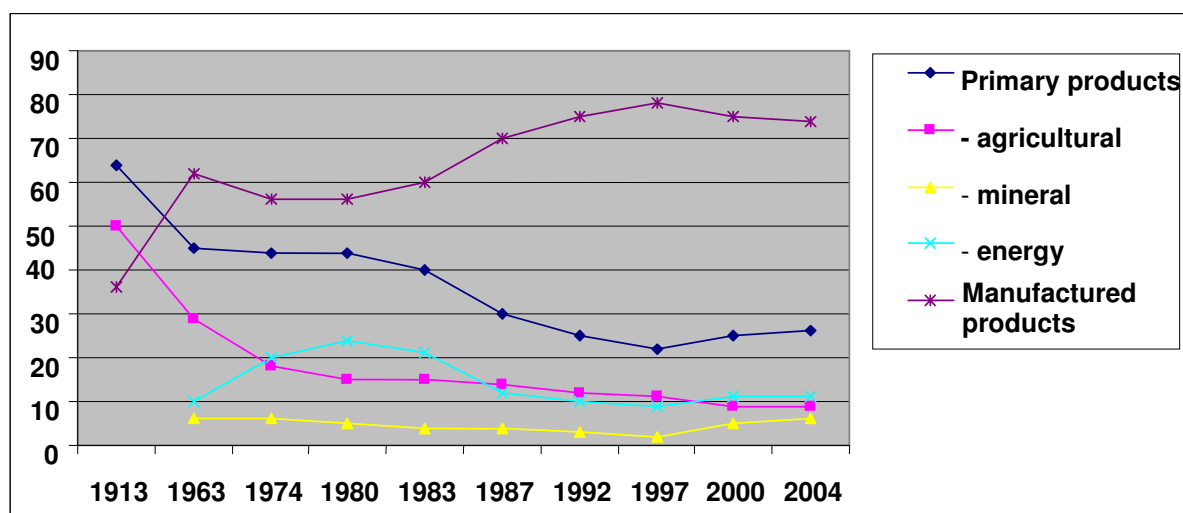
## **1. The role of the competition and of complementarities in the international commerce**

While the expansion of the international commerce and its role for the economic growth are not recent phenomena, the after-war period brings a series of qualitative and structural changes in what the international trades are concerned. Whereas until the 18<sup>th</sup> century the freight capitalism based its expansion on the exploitation of the geographical differences in prices, on the disparities of rarity in various regions of the world, once the industrial revolution occurred and the importance of the productive capital increased, the essential variable is not space anymore, already about to be surrendered, but time, the work time more precisely, a fundament of value in the classical view (Adda, p. 63).

In the era of industrial capitalism, the profits do not derive mostly from the rarity disparities, but from the differences in production costs, which relate essentially to the differences in production time and in the salaries expressed in national currency. From a debate centred on the natural assets (agricultural, mining) and the factorial ones (labour, capital), the step is made towards the debate based on productive and effective structures. The prevalence of the competition principle, long hidden under the approaches in terms of international division of labour, now brings into first position the analysis of the determiners of the competitiveness. This leads to the emphasis on the quality of international specialisation, assessed not only by comparison with the conditions of the offer but also considering their adaptation to the global demand. It thus outlines the decisive nature of the state's intervention in promoting strategic activities for the development of the economies on a long term.

The international trade undergoes the interplay of two contrary principles: the specialisation principle, which generates complementarities, and the competition principle. The former made the object of several famous theoretical studies within the classic and then neoclassic school, forming the basis or the concept of the international division of work. The latter comes to remind us that it is primarily the battlefield of a fight of everybody against each, attempting to appropriate the best remunerated segments of production. The international specialisation is not, by and large, more than "the *a posteriori* penalty for these commercial fights, an outcome permanently revived by the consequences of the competitive play" (Adda, p. 64).

Nevertheless, the trade of complementarities has not vanished. It regards mostly the products of the soil and of the mines, for which the natural assets play a vital role. These trades constitute however a net descending fraction in the international commerce. In less than a century, from 1913 to 2004, the rate of the agricultural products, of the mineral ones and of the raw materials for energy, in the global exports decreased from two thirds to one fourth (see table 2.2).



**Figure no. 2.5. The evolution of the global exports, 1913-2004, on categories of commodities**

Source: GATT and WTO, *International Trade*, Annual Report

**Table no. 2.2. The structure of the global exports, 1913-2004 (in % of the total)**

	1913	1963	1974	1980	1983	1987	1992	1997	2000	2004
Primary products:	64	45	44	44	40	30	25	22	25	26
- agricultural	50	29	18	15	15	14	12	11	9	9
- mineral	n.d.	6	6	5	4	4	3	2	5	6
- energy	n.d.	10	20	24	21	12	10	9	11	11
Manufactured products	36	62	56	56	60	70	75	78	75	74

Source: GATT and WTO, *International Trade*, Annual Report

At the beginning of the 1960s, the rate of these products was still 45%, from which 10% for energy. The stabilization of this rate in the 1970s is explained by the impact of the two oil shocks upon the value structure of the trades. In constant prices, the decline of the primary products, and especially of those in the mine and energy area, is continuous for this entire period. On getting over the oil counter-shock in 1986, which would bring the real price of the oil at the level it had had before 1973, the rate of the combustibles in the global commerce got back to 10%.

However, even in this field, where the complementarities principle should play an important part, competition draws its effects upon the medium and long term evolutions. This fact is obvious in the oil sector, where the high prices policy led by OPEC (The Organization of the Petroleum Exporting Countries) in the 1970s encouraged the development of a competitive offer and stimulated the substitution and the energy saving, driving to a decrease in the demand for oil addressed to OPEC. The same evolution holds true for the agricultural and mineral raw materials, whose demand is negatively affected by the efforts of reducing the costs directed by the users, that makes them prefer a the new materials, more robust and cheaper than the crude products. The depreciation, on a long term, of the demand (and thus of the relative prices) of primary products drives a great many countries to restrain, as far as possible, from this specialization.

The complementarities trade also involves, theoretically, the goods which involve in their production factors (labour, capital) with uneven international distribution. The neoclassical theory of the international commerce, which reminds of names such as Eli Heckscher, Bertil Ohlin and Paul Samuelson, sees in the differences of factorial endowments the very base of the international trade (the HOS theorem). Taking forward Ricardo's opinion, they attempt to explain the existence of the comparative advantages by the relative abundance of the labour or capital factors with the trade partners. As opposed to Ricardo, who considered one production factor only, the labour, of variable productivity, the three researchers take into account the existence of more factors but

assume that the production techniques and thus the levels of productivity are the same in each country. The differences in costs are explained then by the relative abundance of each production factor. For instance, a country rich in the factor capital will produce less expensively goods intensive in capital, as the cost of capital will be low here. Hence, each country has an interest in specialising in the production of goods that incorporate the production factors that country is rich in. In this circumstance the demand for capital (and so its price, too) will grow in the rich countries but with a small population, while the demand for labour force (together with its price) will grow in the countries lacking capital but having a big population. The prices of the production factors will, this way, tend to come even at an international level, and this, in the absence of any international mobility of the production factors.

The neoclassic view comes thus to an explanation of the trade founded on the relative rarity, i.e. complementarity, and not on the compared productive efficiency, the competition. The complementarity principle, undertaken and abided, also plays an important role in the trades of manufactured goods. In the year 200, a little more than a third of the global trades of these products regarded areas of different levels of development (table 2.3).

**Table no. 2.3. The matrix of the global industrial trades between the areas with different levels of development, in 2000 (in % of the global commerce with manufactured products)**

Destination Origin	Developed countries	Asian developing countries	Other developing countries	Eastern Europe	World total	Balances
Developed countries	60	8	7	3	78	+3
Asian developing countries	11	4	1	0	16	+4
Other developing countries	2	0	1	0	3	-6
Eastern Europe	2	0	0	1	3	-1
World total	75	12	9	4	100	0

Source: CEPIL, *World Economy* 2001

The international division of work and the complementarity trade applies especially to this type of "vertical" trades, founded on major differences in salary costs. It is less pertinent in the case of "horizontal" trades between the developed countries, for which the competition principle prevails. This does not mean, of course, that the manufactures exports in the developed areas are no competitors for the traditional industries in the developed countries. There is no doubt, anyhow, that this type of production (textile, leather, wood industry, toys, electronic materials) is bound, in the absence of major technical investments, to be delocalised towards the areas with small salaries and that the traditionally industrialised areas that delay the restraint from it risk the regression to a marginal statute.

The dynamism of the global commerce is due primarily to competition, a fact proved by the prevalence of the trade in similar products between the developed countries. The intensification of the competition is, still, not limited to the manufactured products, but extends over the trade in agricultural products, whose liberalisation was stipulated by the Uruguay Round (1994). Instead, it is less perceptible in the extractive activities, inclusively in energy, the trades of which evolve, in the best case, at the same level and rhythm as the production. The international competition grows, at the same time, in the field of services, domain which comprises the incomes from traditional activities, such as: tourism, travels, international insurances; activities more directly linked to the movement of internationalisation (distribution, consultancy, publicity, engineering, telecommunications); the incomes from placed capital, lent or invested abroad, and the emigrant labour force's fund transfers. If the incomes from capitals are excluded, as well as those form the transfers with no counterparties, the rate of the trade of commercial services gets from 2.1% of the global GDP in 1970 to 4.1% in 1992, 4.2 in 1995 and 4.9 in 200,

presenting differences on groups of countries, as it can be seen in the grid below:

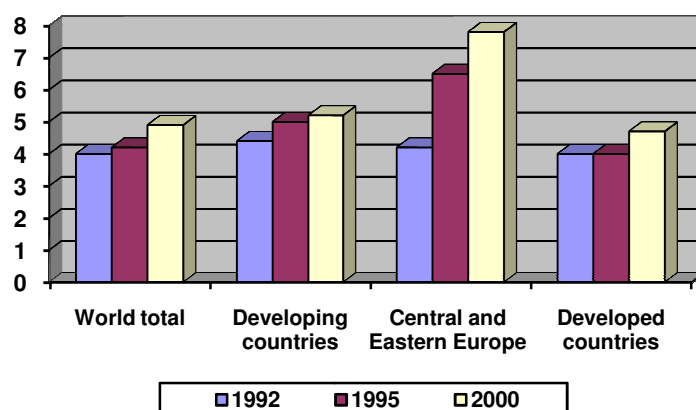


Figure no. 2.6. The exports of services in % of GDP

Source: author's production on the basis of data from *Trade and Development Report*, UNCTAD, [www.unctad.org](http://www.unctad.org)

At its most, the international commerce drives its dynamism from the trade in manufactured products. Or, it is these very trades that represent 3/5 of the trades between the industrialised countries. And in this commerce, more than a half of the trades are crossed trades of similar products (for instance the automobile industry or the one of the electronic goods of mass consumption), also called intra-branch trade.

In a significant manner, the studies concerning these crossed trades show that the higher and more comparable, i.e. of identical structures, the levels of the development of the participant countries are, the more intense these trades. Thus, the rate of the intra-branch commerce in the total of the manufactures trades reached 80% with Germany, France and Great Britain in 1991, in a massive increase in the last 30 years (OCDE 1994). The phenomenon is typical for the trades between developed countries, for which the specialization principle is at least partially surpassed by the much more active competitive one.

It should not be deducted that specialization plays no role in the North- North trades, the same way as competition has its part in the North- South trades. As Adda stated, in the industrial trades between the developed countries international specialization is nothing more than the *ex post* outcome of an *ex ante* active competition. On the contrary, the logic of complementarity is more active *ex ante* in the North- South trades in manufactured goods, because of opposite factoring endowments (Adda, p. 70).

This intensification of the competition at a global scale is accompanied by a permanent regrouping of the networks of international trades. These are, at the same time, sensitive at the differences in growth between the various markets (the competition principle) and at the strategies of localization of the productive activities implemented by the firms (the specialization principle).

## 2. Tendencies in the evolution of the international commerce of manufactured products

There are three big tendencies that can be identified in the commerce of manufactured products along the past decades. The first refers to the **regional polarization of the international commerce**. Centred on Europe for a long time, the world commerce has become bipolar, with the hegemonic assertion of the United States, after WWII. The development of the economic power of Japan, then of the newly industrialised countries in Asia (Hong Kong, Taiwan, South Korea, Singapore), and recently of China, is accompanied by the formation of a third regional production pole and by trades that tend to expand to the ensemble of the Far East. In table 2.4, the world trades in manufactured products are assessed on the basis of the big regional poles: North America, Western Europe and the ensemble comprising Japan, Oceania and the developing Asia:

**Table no. 2.4. The matrix of the world industrial trades broken down on the major regional poles in 1980 and 2000 (in % of the world trade in manufactured products)**

2000						
Destination Origin	North America (NAFTA)	West Europe	Japan and the developing countries in Asia	Other regions	World total	Balances
North America (NAFTA)	10	4	3	2	19	-5
West Europe	5	32	4	6	47	2
Japan and the developing countries in Asia	8	6	10	3	17	9
Other regions	1	3	1	2	7	-6
World total	24	45	18	13	100	0
1980						
Destination Origin	North America (NAFTA)	West Europe	Japan and the developing countries in Asia	Other regions	World total	Balances
North America (NAFTA)	6	4	3	4	17	0
West Europe	5	39	3	11	58	9
Japan and the developing countries in Asia	5	4	6	3	18	6
Other regions	1	2	0	4	7	-15
World total	17	49	12	22	100	0

Source: CEPII 2000, *World Economy 2001*; the author's calculations

For each of these three poles, the intra-zone trades are on the first place both from the exports' point of view and from that of the imports'. In 2000, the internal trades at each of the three poles represented more than half of the world commerce of manufactured goods, as compared to 30 % for the trades between themselves. At contrast, the commerce with the other regions (Latin America, Africa, Near East and Eastern Europe) represents not more than 16% of the world commerce of manufactured products as compared with 21% as it was in 1980. Of a significant manner, commerce between these other regions was insignificant in 2000 and in continuous regression as compared to 1980, especially because of the disintegration of the Soviet block.

The second big tendency is **the shift of the gravity centre of the international commerce from the Atlantic towards the Pacific**, which triggers the increase of the power of the Far East and of its privileged connections with the North American market. This shift comes to the detriment of the Western Europe, whose exports of manufactured products decrease from 19 % to 15% of the international commerce between 1980 and 2000. With 27% of the world industrial exports in 2000, but with only 18% of the imports, the Far East now has a rate in the

world trade much greater than North America. Taking advantage from the openness of the American and European markets, this area remains partially open to the manufactured products from its partners, hence a substantial commercial excess, a source of permanent tensions in its relationships with the other two major areas. The increased power of the East is not perceivable at the level of its commercial trades alone. Measured in terms of buying power the global GDP of the area exceeded with 20% to 30% those of NAFTA and of the West Europe in 2000 (CEPII 2001). Moreover, despite its demographic mass, this region sees a progress tendency in its income per capita of 3-4 times more rapid than that of the other two large areas. In this rhythm, the difference in buying power per capita between the three poles (\$5300 in 2000 for the Far East as compared to 16000 for the European Union and 21000 for NAFTA) could disappear by 2035, approximately (CEPII 2001).

The third major tendency regards the **regionalisation of the rapport centre-periphery**, in other words the formation of specific zones of influence of each of those three major world economic powers (the United States, the European Union and Japan), respectively the Latin America for the USA, the Far East and South Asia for Japan, the Eastern Europe, the Near East and Africa for the European Union. Perceivable at the level of the world trades (see table no.2.5), this tendency also exists in what the geographic orientation of the direct investments and of the financial fluxes from North to South is regarded. In conjunction with the prevalence of the intra-regional trades within the three major poles of the world economy – “The Triad” – it means a “verticalization” of the world economy, which comprises in itself the risk of a fractioning of the international area in case of a major crisis between the big economic powers.

**Table no. 2.5. The matrix of the world commerce of all products on the big ensembles North-South in 2000**

Destination Origin	North and Latin America	Europe, Africa, Near East	Japan, Asia, Oceania	World total	Integration rate*
North and Latin America	13	5	4	22	59
Europe, Africa, Near East	6	41	6	53	77
Japan, Asia, Oceania	8	7	10	25	43
World total	27	53	20	10	
Integration rate*	48	78	53		

\* the rate of the internal trades of each major group in the total trades (in %)

Source: CEPII, *World Economy 2001*; the author's calculations

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