

<p>Regionalism of International Trade in the Global Menagment</p>		<p>Economics</p> <p>Keywords: regionalization, integration of regional economy, international trade and trade indexes and trade polarities.</p>
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Abstract

The term “regionalism” has been interpreted in different ways. According to Alan Winters “regionalism is a policy designed in a way that should have reduced the trade barriers between the subjects in one country or between certain national economies regardless the fact whether once they have been closed to other economies in the world”. According to Andrew Harell, regionalism has been manifested in different forms: one of them is regionalization – phenomenon of economic interdependence in certain geographic area, such as between Mexico and California. Other form is the regional self-conscience, for example the belonging that feel the people in the Balkan due to their identical or similar historic, cultural and traditional affiliation. The third form is the regional collaboration between the countries (form of formal grouping such as Mercosur), while the fourth form refers to the integration promoted by the countries building concrete policies, such as the case with the European Union for global menagment. According to Alan Abot and Dins, regionalism is “an extension of the actual multilateral trade system” i.e. ”political strategy” directed to improvement of the competitive capacity of countries, and namely it is “structural response” to the problems that in global economy arise as a consequence of globalization processes.

Introduction

Regional connectivity within the triad continues, even in terms of the decline in worldtrade - a trend that has lasted for several years. Estimates of the growth of trade in the 2016-2017 obtained through the model of WTO Secretariat for the OECD members predicted a decline in imports of goods and services for approximately 8.5% (technically "on the basis of the balance of payments"), as implemented in practice. South and Central America, along with Europe had slow growth in 2008 compared to 2012, but this was partly a result of the devaluation of the exchange rate of euro during the year. Export grew by 12%, to \$ 6.5 trillion, while import rose by 12% to \$6.8 trillion. Community of Independent States recorded strong growth of export and import, based on the strength of regional manufacturing industries. Exports grew to 35% to \$ 703 billion, while import increased to 31% to \$ 493 billion.

1. Regionalism of International Trade in the Global Menagment

Our approach to regional integrations will be very simple. We will be focused on observing international economic integrations in terms of attempts done by the countries in integrating the economies of two or more countries in direction of abolishing the economic barriers for global menagment. The realization of these attempts was enabled through the construction of certain integration schemes that each differed in the level of formal integration as was the European Economic Community-EEC, or the North American Free Trade Zone-OIL.

These efforts have been spotted by the economic interests that favoured the member states (raising the level of life standard), but also for political reasons (contributed for the construction and maintenance of stable and peaceful relations and cooperation between member states).

International economic integration in the world, recently has appeared as one of the most important issues, not only because of the fact that the number and the role of regional economic integration is more increased, but also due to the fact that certain number integration schemes have not showed the expected results, thus it has been inevitable to imply the issues of for their further existence, particularly in circumstances of enforced construction of multilateral trade system for global menagement.

In 2014, intra – trade included more than a half (51%) of the export by the North American Free Trade Agreement – NAFTA). In 2015, this share was 56%. However, with the growth of trade in countries outside the NAFTA with a slightly faster pace of intra-NAFTA trade, this share was decreasing. Other trading blocs, as MERCOSUR, the Andean community or ASEAN, showed vague integration. Countries of MERCOSUR brought only about 14% of its trade with other countries of the contract, Andean community only 8%, and ASEAN a quarter.

Brazil, India and China were an illustration of a clear trend of strong growth among numerous emerging economies. While this growth has implied an increased share in world trade, the share of world exports remained relatively low for most growing economies separately the share of Brazil, for example, was still just over 1%, while China's share was approaching to 10%, and in 2017, Brazilian commodity export was worth of about \$ 161 billion.

Graph 1. Brazil: Regional Commodity Export, 2015



Source: World Trade Developments 2015, p.70

With import of \$ 127 billion, Brazil realized positive trade balance of \$ 34 billion.

Since 2010, Brazilian export has risen an annual average of 17%⁸. Its main partners were in Europe, receiving almost 27% of Brazilian export. South and Central America absorbed almost a quarter of its export, North America one fifth and Asia included almost 16% of Brazil's total

⁸ Jackson, J.: WTO and the Trading System, Law and Policy of Internal Economic Relations, SEC.ed., The MIT Press, Cambridge, England, 2016.

export of goods for global management.⁹ Export of goods in India reached \$ 145 billion in 2017, with annual growth of 19% since 2016. More than 30% of its export went to Asia, with Europe as the second largest trading region (23%)¹⁰. Middle East absorbed 17% of Indian commodity exports, while North America received about 15%.

Graph 2. Regional Export of Goods, 2015



Source: World Trade Developments 2015, p.14

In 2015, Indian exports reached 217 billion dollars, resulting with negative trade balance of 72 billion dollars.

Graph 3. China - Export of Commodities, 2017



Source: World Trade Developments 2017 ,19

After becoming a member of the WTO in 2016, China has increased its export almost four times and considering its imports, it has tripled. In 2017, its import-export difference reached 262

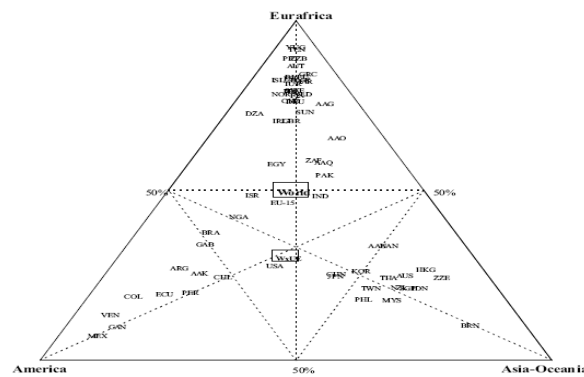
⁹ Pilbeam and M. Corbridge: *People Resourcing - Contemporary HRM in Practice*, 3rd Edition, Prentice Hall, Upper Saddle River, 2016.

¹⁰ Jackson, J.: *WTO and the Trading System, Law and Policy of Internal Economic Relations*, SEC.ed., The MIT Press, Cambridge, England, 2016.

billion dollars¹¹.

About 45% came from Asia, while Europe and North America received 21% each of Chinese exports. It should be noted that the Chinese customs service documented the country of origin in the import procedure and the country as the final export destination for global management.¹² However, if the country of final destination could not be determined, the exports were noted on the last known country of delivery. International trade flows have been more intense among neighbors and this naturally has led to general direction in which most trade flows have been realized within the geographic regions. Given that the distance was a barrier to trade, it was not a surprise that the countries more intensively traded with their neighbors. As a consequence, external trade regionalization was natural, in the sense that countries tended to trade, in large part, with the countries belonging to the same "region". Of course, there is no clear and unique definition of what constitutes a region. In any case, this regional polarization of trade is well illustrated in the triangle, which represents the polarization of the foreign trade of each country within the Triad regions (Picture 1).

Picture 1. Trade Polarization within Triads of Countries, 2016



Source: www.wto.org

The diagram, within the triangle, showed the proportion of each country's foreign trade (export + import) generated with the partner who belonged to each of the three main geographical regions, namely: America, Asia-Oceania and Euro Africa. Only ten of the 80 countries belonged within the sided triangle, which means that 70 of the 80 countries, more than half of its foreign trade, concentrated within one region of the triad. The remaining ten countries were mainly large

¹¹ Jackson, J.: *WTO and the Trading System, Law and Policy of Internal Economic Relations*, SEC.ed., The MIT Press, Cambridge, England, 2016.

¹² Pilbeam and M. Corbridge: *People Resourcing - Contemporary HRM in Practice*, 3rd Edition, Prentice Hall, Upper Saddle River, 2016.

countries, such as USA, Japan, China, India, Brazil and the EU-15 countries in the global menagment (excluding trade within the Union).¹³

It should be noted that the world trade is fairly balanced between regions of the Triad when trade is not included within the EU. Regional polarization was particularly strong in Euro Africa. The region contained more than 75% of the foreign trade of most countries of Western Europe, the countries of Central and Eastern Europe and the Baltic countries in the global menagment.¹⁴

The index of relative trade intensities measures "trade closeness" between partner countries by comparing the respective bilateral flows (as percentage of the world trade) with the theoretical flows (the product of the total relative weight in world trade), which reflects the total capacity of the trade partners. Thus, this index eliminates the effects of size, in order to reveal what is specifically related to the bilateral relationship. Practically, the relative trade intensities are ratios of the respective trade flows towards "natural" flows.

The formula No. 1 or explains that the trade flows are determined with geographic distribution of the world trade in relation to a relative importance of the export and import appropriately: where $V_{i,j}$ is the trade between the country i and the country j , V_i is the total trade of the country and V_w is the total world trade:¹⁵

$$RTI = \frac{\frac{V_{i,j}}{V_w}}{\frac{V_i \cdot V_j}{V_w^2}} = \frac{V_{i,j} \cdot V_w}{V_i \cdot V_j}$$

Because of the result of the differences in the size and openness, the volume of regionalization for the business flows cannot be viewed only through a comparison of the business portions.

Regional connecting within the Triads as part of the course continues, even in conditions of decrease of the world trade-trend which has lasted for several years.

The estimation for the growth in the trade in 2016-2017 reported by the model of the WTO Secretariat for the members of the OECD predicted a decrease in import of goods and services by about 8.5% (technically "on the base of payments balance"), realized in practice.¹⁶ Viewed by regions, North America registered the lowest growth of trade in goods in the export and import

¹³ Bagwell K. and Staiger R.W: The economics of the World Trading System, The Mit Press Cambridge Massachusetts, London, England, 2015

¹⁴ M. Mendenhall, B. J. Punnett and D. Rick: *Global Management*, Blackwell Publishers, Cambridge, 2015.

¹⁵ Begg D. Fisher S, Dornubish R (2014), "Economocs Fourth edition me Graw mill Bokk Company", London.

¹⁶ John McMillan "Does Regional Integration Foster Open Trade Economic Theory and GATT'S Article xxiv" regional Integration and the global trading system, Hemel Hempstead.2016.

side. Exports also increased by 10% to \$ 2 trillion in 2008, while the import was increased by 7%, to 2.9 trillion dollars.¹⁷

South and Central America, along with Europe, had slow growth in 2016 compared with 2017, but this was partly a result of the rate of the devaluation of euro during the year. Exports were increased by 12% to 6.5 trillion dollars, while the import was increased by 12% to 6.8 trillion dollars.¹⁸ The communities of independent states registered huge increase in imports and exports, based on the strength of the regional manufacturing industries. The export increased to 35% to 703 billion dollars, whereas the import was increased to 31%, i.e. to 493 billion dollars. The information above confirm that the majority of trade in goods and services takes place within regions, where European Union in particular stands out. This trend is expected to continue in future, given the import-export association of countries within each of the three major regions, geographical proximity, which entails lower costs of trade transactions in global management and most of all, the political connection of the regions in trade integration that gives legitimacy to further strengthen regionalization within the international trading system led by the World Trade Organization.¹⁹

Counlusion

In terms of imports, the United States remained in first place, with import growth to 7% to \$ 264 billion (10.5% of worldwide imports of commercial services), Germany was the second largest importer with \$ 285 billion (8.2% on global level).¹ The three largest importers of services are as follows: UK third place (\$ 199 billion or 5.7% of world trade), Japan fourth (\$166 billion, 4.8%) and China fifth (\$ 152 billion or 4.4%). The only change in ranking the top ten importers was the addition of the Republic of Korea on the tenth place, replacing the Netherlands, which fell to the 11th place. The information above confirm that the majority of trade in goods and services takes place within regions, where European Union in particular stands out. This trend is expected to continue, given into consideration the import-export association of countries within each of the three major regions, geographical proximity, which entails lower costs of trade transactions and most of all, the political connection of the regions in trade integration that gives legitimacy to further strengthen regionalization within the international trading system led by the World Trade Organization

¹⁷ Begg D. Fisher S, Dornubish R (2004), "Economocs Fourth edition me Graw mill Bokk Company", London, 2014.

¹⁸ John McMillan "Does Regional Integration Foster Open Trade Economic Theory and GATT'S Article xxiv' regional Integration and the global trading system , Hemel Hempstead. 2016.

¹⁹ M. Mendenhall, B. J. Punnett and D. Rick: *Global Management*, Blackwell Publishers, Cambridge, 2015.

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