Impact of international trade for developing Sub-Saharan countries

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ABSTRACT

International Trade, it is usually referred to exchange of goods and services across international borders and country territories. In most nations it represent a significance of the gross domestic product (GDP). In 2010 the value of international trade achieved 19 trillion US dollars, i.e. about 30% of the world’s GDP that is, about one third of the produced goods and service share exchanged globally. Nations appears to trade with themselves and too little with each other. (John McCallum 1995; Daniel Trefler 1995; John Helliwell 1998). Present Times have seen rapid growth of the world economy. This growth has been driven in part by the even faster rise in international trade. The growth in trade is in turn the result of both technological developments and concerted efforts to reduce trade barriers. Some developing countries have opened their own economies to take full advantage of the opportunities for economic development through trade, but many have not. Remaining trade barriers in industrial countries are concentrated in the agricultural products and labor-intensive manufactures in which developing countries have a comparative advantage. Further trade liberalization in these areas particularly, by both industrial and developing countries, would help the poorest escape from extreme poverty while also benefiting the industrial countries themselves. Just as developing countries are beginning to overcome some major hurdles in their quest to expand trade with industrial countries, another is rearing its head. As a result of agreements negotiated at the World Trade Organization (WTO), traditional trade protection measures such as tariffs and quotas are falling away. But to some extent they are being replaced by domestic technical regulations that permit countries to bar products from entering their markets if the products do not meet certain standards.

These obstacles include measures ostensibly aimed at protecting citizens from everyday food hazards, known in WTO language as sanitary and phytosanitary measures (SPS). High tariffs remain a significant barrier, says South African Finance Minister Trevor Manuel, but “non-tariff barriers, such as arbitrarily imposed phytosanitary rules, further limit goods” exported to the Organization for Economic Cooperation and Development (OECD), a grouping of 30 wealthy nations. International Trade and the world’s economy, Integration into the world economy has proven a powerful means for countries to promote economic growth, development, and poverty reduction. Over the past 20 years, the growth of world trade has averaged 6 percent per year, twice as fast as world output. But trade has been an engine of growth for much longer. Since 1947, when the General Agreement on Tariffs and Trade (GATT) was created, the world trading system has benefited from eight rounds of multilateral trade liberalization, as well as from unilateral and regional liberalization. Indeed, the last of these eight rounds (the so-called “Uruguay Round” completed in 1994) led to the establishment of the World Trade Organization to help administer the growing body of multilateral trade agreements. The turnout integration of the world economy has raised living standards around developing and developed countries. Most developing countries have shared in this prosperity; in some, incomes have risen dramatically. As a group, developing countries have become much more important in world trade—they now account for one-third of world trade, up from about a quarter in the early 1970s. Many
developing countries have substantially increased their exports of manufactures and services relative to traditional commodity exports: manufactures have risen to 80 percent of developing country exports. Moreover, trade between developing countries has grown rapidly, with 40 percent of their exports now going to other developing countries. However, the progress of integration has been uneven in recent decades. Progress has been very impressive for a number of developing countries in Asia and, to a lesser extent, in Latin America. These countries have become successful because they chose to participate in global trade, helping them to attract the bulk of foreign direct investment in developing countries. This is true of China and India since they embraced trade liberalization and other market-oriented reforms, and also of higher-income countries in Asia like Korea and Singapore, that were themselves poor up to the 1970s. But progress has been less rapid for many other countries, particularly in Africa and the Middle East. The poorest countries have seen their share of world trade decline substantially, and without lowering their own barriers to trade, they risk further marginalization. About 75 developing and transition economies, including virtually all of the least developed countries, fit this description. In contrast to the successful integrators, they depend disproportionately on production and exports of traditional commodities. The reasons for their marginalization are complex, including deep-seated structural problems, weak policy frameworks and institutions, and protection at home and abroad.

Further, according to “Global Policy Forum”, till 2030, about 60% of the global economy will be exchanged globally, that is the share of the rest of the world in each national economy will be more than the share of its own domestic economy. Many current clues are in line with this forecast. For example either country in the world is now member of at least one international trade agreement, That is the level of income, employment, wages, growth and developments in a country is not only a result of its domestic policies, but also determine its position in the global economy.

REFERENCES


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