

19th International Scientific Conference; Economics and Management 2014, ICEM 2014, 23-25
April 2014, Riga, Latvia

The assessment of the manifestation of economic globalization: the international trade factor

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Abstract

International trade is not only one of the major driving forces of economic globalization, but also one of the most conspicuous manifestations of globalization process, i.e. the country's international trade development has a direct impact on the level of economic globalization of the country. The article examines the indicators of international trade in this context, and discusses which ones best reflect the level of economic globalization of the country or individual sector of economy.

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Peer-review under responsibility of the Kaunas University of Technology.

Keywords: international trade; economic globalization; assessment of economic globalization.

1. Introduction

The scientific problem. In recent decades, the processes taking place in the global economy are very often associated with globalization. The most prominent aspect of globalization process is growing interdependence of national economies entailed by increasing integration of trade, finance, people and ideas in the global market. Economic globalization manifests through connectivity and interdependence of individual national economies. Participation in the globalization process induces the development of trade, technology diffusion and innovation, gives opportunities to expand markets and to participate in the exchange of knowledge and experience, to increase and improve production and well-being of nation. The main drivers of economic globalization are international trade, foreign direct investment, activity of international companies and transfer of technology.

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International trade is one of the most important economic activities in the world and a major factor of international cooperation between the national economies. International trade volumes are growing faster than the gross output in the most countries of the world, and the importance of international trade for the countries' economy is getting more and more significant. With the increasing liberalization of trade and capital markets, governments reduce the protectionist measures such as import tariffs and non-tariff barriers (import quotas, export restrictions, prohibitions) which are meant to protect their economies from foreign competition.

Traditionally the indicators of international trade are used to assess the level of the process of globalization. Morrison and Roth (1990), Kobrin (1991), Gersbach (2002), Juscius (2004), Pekarskiene and Susniene (2012) and other authors used the indicators of international trade to measure the level of globalization. However, there is some disagreement how to assess the volumes and trends of the international trade development, because the tendencies of international trade may be treated differently depending on the choice of the indicators. Therefore, selection of the set of international trade indicators is a very important issue, because the indicators of international trade are of big importance for measuring economic globalization. There is a debate among scientists: whether globalization is increasing, or decreasing? Perraton (2003) emphasizes that international trade and gross output ratio reached an unprecedented scale. These changes led to the formation of the global markets of goods and services and led to changes in product and labor markets. By submitting an analytical approach to globalization, author argues that there is a clear evidence of ongoing unprecedented fundamental transformation of the world economy, and these changes affect the development of states and their citizens' well-being. Soubbotina and Sheram (2000) present an opinion based on empirical research that the process of globalization expands rapidly through the channel of international trade. Bernatonyte and Normantiene (2009) assert that globalization and integration processes have had a significant impact on the development of international trade. International trade is now a rapidly growing activity of global economy. And it is an international trade specifically which is one of the key factors of globalization that formed the assumptions for globalization spread.

On the other hand, some authors (Neves, 2012; Hirst & Thompson, 2003) argue that international trade is not growing unprecedentedly and the global economy is far from being fully integrated and interdependent as it is defined and large regions and big sectors remain behind the ongoing dynamic process. They emphasize that in today's turbulent international environment the importance of the state's national policies, which are meant to protect from the global governance of international forces, may increase. Growth of international trade can be affected by the limitations resulting from the influence of national borders. Thus, the distance remains a very important factor influencing the decline in the volume of international trade.

Different authors (Kobrin, 1991; Gersbach, 2002; Dreher, 2007; Kearney, 2007; Juscius & Lekaviciene, 2007; Pekarskiene & Susniene, 2012) in their conducted quantitative researches find that the level of globalization is increasing. However, Sutcliffe and Glyn (2003) point that the extent and the importance of globalization is overestimated due to the use of inappropriate statistical indicators, and upward trends are attributed to variables with a very small number of reliable data. Authors motivate their opinion with empirical research which proves that globalization is a consistent, not a sudden process, and it is far from exceptional unprecedented level. There is also a lack of consensus in evaluation the extent of the diffusion and rate of economic globalization. There is a disagreement regarding which quantitative indicators more accurately assess the extent and the speed of the economic globalization. The adequate set of indicators would provide an opportunity to assess the impact of globalization on economic development of the country or its individual sector.

The purpose of the article is to systemize the efforts of the scientists to assess the level of globalization in the aspect of international trade and to base a methodology ascertaining the international trade indicators best reflecting the level of economic globalization.

The article is theoretical, and its research methodology is a systematic comparative analysis of concepts and findings published in academic literature, and logical generation of conclusions.

2. Results

New theories of international trade opposed to classical approach in the context of globalization

An accelerating process of globalization has a direct impact on the structure of international trade and inevitably leads to new theories of international trade. Classical theories of international trade (the theories of absolute and

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