Introduction and services across borders. most proponents of abstract are very hi...

Introduction

Economic growth of any country depends on how good that country allocates and utilizes its scarce resources, the rate at which the population is growing as well as the technological and institutional organizations of that country. Different countries vary in their resource endowments and this brings out the different trade relationships. The issue of diversity in economic growth performance has attracted arguments among the economics scholars with some indicating that aspects of government economic policies, particularly the trading policies generate the growth rate dispersion.

Trade liberalization is the free movement of goods and services between countries. It refers to lifting of market barriers and opening up to free flows of goods and services across borders. Most proponents of trade liberalization argue that opening up of industries and markets will enhance economic growth of developing economies through export demand; also produce positive effects on domestic employment. Critics against trade liberalization, on the other hand, argue that it serves to the advantage of the developed economies while the less developed economies continue to suffer as they are likely to lose out in global market competition. There is a third side to the debate; those who argue that free trade might be beneficial for developing economies if the opening up is well-managed and strategized by the developing economy’s government policies. The protectionist years, historically known as the ‘ lost decade’, were characterized by deficit in budgetary allocation which was aggravated by the high level of inflation.

While high performing economies benefit from liberalization of trade, countries which are import oriented have been trapped in the cycle of inflation, stagnant exports, and slow productivity growth. This is due to the fact that the developed economies can most of the times flood the market with cheap products and services which has been enabled by their superior technologies which aids them in achieving economies of scale faster than the less developed economies. While the contrasting growth patterns cannot be explained by trade liberalization, it is obvious that it has had negative effects (Kawai 375). In this paper we shall cover how trade liberalization has changed business opportunities and economic development in Latin America. With barriers of trade having been reduced as a result of trade liberalization, the less developed economies within Latin America region have struggled to stay afloat. Despite the lost job opportunities, there are also new jobs which are created in the manufacturing sector. With trade liberalization, developed economies have shifted their industries from their homeland to the less developed economies in the Latin America region due to the availability of labor thus creating new and sometimes even better paying jobs.

Trade liberalization serves as an advantage to countries whose costs of productions are very high. Due to trade liberalization, government of less developed economies in Latin America have been able to import cheap products from better endowed trading partners and this has given the citizens of these countries to afford goods and services they could not have afforded without liberalization of trade. According to the Ricardian model of international trade, countries tend to specialize in producing goods and services which require the minimal costs. Due to the comparative advantage exhibited by the different capital endowments different countries within the Latin America region possess, countries have been able to specialize in what they can produce cheaply thus attaining economies of scale earlier than if they could try to produce everything by themselves and then they import those goods and services which they other countries have specialized in producing and in return this has led to low prices of goods and services in the market serving as an advantage to the majority. The informal firms have also of late come under increased pressure to legitimize their operations an issue most are against as this would expose them to unfair competition from big firms (Fandl 10).

Works Cited

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