

Free and unrestricted
global trade benefits
the majority of the
world's populatio...



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‘ FREE AND UNRESTRICTED GLOBAL TRADE BENEFITS THE MAJORITY OF THE WORLD’S POPULATION, REDUCING POVERTY AND IMPROVING HUMAN RIGHTS’ Free and unrestricted global trade permits economic freedom and independence, facilitates economic development and protects and promotes human rights and freedoms.

Strategic co-operation among global firms facilitates the effective processing of novel business information, thereby enhancing innovation. A change in the perception of the costs and benefits of co-operation can induce an increase in co-operative links between producers and traders. Free and unrestricted trade is based on co-operation between global companies which increase the transaction costs of co-operation and fasten integration processes. Whether or not global corporations co-operate, depends, in this view, on the perceived balance of the costs and benefits of inter-firm cooperation. This is in turn influenced by the historical lessons learnt in a cluster, expressed in a collective mental model of how to run a business successfully.

Free trade promotes cooperation and integration between global companies. Over time, the traditional advantages of free and unrestricted trade become tacit components of globalization. Hence, the type of free trade is crucial for how producers reflect upon past experiences. For instance, the feasibility of vertical division of labor between firms depends on the trade-off between market incentives and transaction costs, the outcome of which varies across different market situations and institutional settings (Hirst and Thompson 1999).

In addition, subcontracting occurs in varied forms depending on the characteristics of the relevant market and the technological environment. A third point is that a process of spatial integration of global corporations in developing countries may be largely a defensive and local phenomenon, and the business information available to firms of local origin. Producers' perceptions are then mostly based on local business experiences. Under these circumstances, path and context dependence may produce the 'entropic death' of the local entrepreneurial milieu (Asgary and Walle 2002).

Following Bhagwati (2004), free trade is a dynamic process and therefore, it is necessary to assess the dynamic capabilities of clustered producers, preferably through repeated observation. In addition, a range of driving forces can stimulate a process of spatial clustering, resulting in different sources of national competitiveness. However, there are two main models of clustering processes. On the one hand, clustering can be due to a few common denominators behind the once-only location decisions of entrepreneurs. This is the case where the principal goal of locating in the cluster area is to passively benefit from.

The presence of a multitude of competitors implicitly influencing each other in investment and commercial decisions (and thus reducing short-term commercial risks as well as long-term uncertainty associated with investments in fixed capital) is another example. National producers automatically enjoy these advantages, that is technological externalities and pecuniary effects (Brown and Lauder 2001). According to Hirst and Thompson (1999), free and unrestricted trade may also result from a

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collective process including the developing of complementary and co-operative linkages with other nations. Free and unrestricted trade promotes competition between international companies.

Competition compels producers to upgrade their ties with suppliers, clients, competitors, banks and research centers in order to offset the disadvantages that characterize most small- and medium-sized enterprises, e. g. high cost of information and cognitive constraints to innovation. In other words, producers aim at finding solutions to competitive problems on the basis of co-operative learning (technical, managerial and entrepreneurial) and innovation (with regard to products, processes and organization).

Process innovations may, for example, result from a technical/commercial dialogue between users and producers of intermediary products (vertical linkages), while quality improvements are but one result of co-operation between producers making similar products (Friedman 2000). Free and unrestricted trade has a great impact on cultural identity and social processes in less developed countries. Current efforts are directed toward finding ways in which a minority can have partial autonomy over issues which are vital to it but not threatening to the national integrity of the state as presently structured (Hirst and Thompson 1999). This could be done in many different ways, depending on the nature and extent of the integration of that particular minority in the mainstream of the dominant society, and the areas in which separateness is vital to that minority. The management of such compromises should be made not only on the basis of the perception of the security and national interest of those who control the government, but

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on appropriate sovereign behavior informed by human rights (Yip, 1995).

Corporations and similar groupings are not natural entities, but artifacts.

They are limited in a twofold sense in that they aim to realize specific goals only and affect certain aspects only of the lives of people. On the other hand we have the inclusive “ natural” communities (“ natural” in the sense that these communities have not been created purposely and with a view to certain objectives) that offer their members the inclusive framework for social integration. This may be the clan or the tribe, and in our world it is usually a nation or people, organized in a state. These inclusive natural communities form, therefore, the greater society in which groupings as mentioned before (corporations, churches, trade unions, universities, etc.), in short the entire human existence with its whole range of social aspects, are embedded (Stiglitz, 2002). Free trade facilitates human rights and equality, democratic principles and freedoms of press and privacy issues.

The other components that are part of the logical schema of the rights idea, namely content and addressees, can then be supplemented rather easily as regards rights of inclusive “ natural” communities: concerning content it will be, first, a matter of collective goods that have, among others, the quality of being indivisible, which means that they cannot be split up into parts and divided among individual users, In other words, goods that cannot be seen as aggregates of individual goods, but can only be enjoyed in common (Wade et al 2006). To specify further it will be, second, a matter of such collective goods as are essential for a continued existence and the well-being of the entire community, that is goods like peace and external security;

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political self-determination; opportunities for freely exercising the community's cultural identity; occupying a specific piece of land ("territory") where people can live their own common way of life; development; a healthy environment; having control over the community's own natural resources, etc (Hirst and Thompson 1999). Free trade benefits the world population as it joins developed and underdeveloped regions of the world. Global enterprises develop in between agriculture and the formal, primarily urban economy and thus depend on the development of both. However, most theories of small enterprise development tend to focus either on the urban informal sector and relate it to the short-run swings in the formal urban economy or to focus on rural non-agricultural activities and relate them to the long-run structural changes in the rural economy resulting from processes of commercialization, industrialization and urbanization (Hirst and Thompson 1999). Clearly some sub-sectors, like tailoring, do compete with industrial products (whether nationally produced or imported) and have been forced to reduce their level of activity or restructure.

However, in general, small enterprises have disappeared neither in the industrialized nor in the developing countries. The problem with the argument and most of the empirical studies of scale economies is that the small and large enterprises are assumed to be doing the same thing in direct competition. However, the small enterprises generally do not do the same as the large ones. They tend to find niches in the input or product markets where the large enterprises cannot exploit their scale economies and therefore cannot compete (Levitt, 1983). They specialize in distribution to

peripheral or low-income areas where the distribution costs of the large-scale sector are prohibitive.

A positive balance facilitates inter-firm division of labor and co-operation in business networks; a negative balance prevents entrepreneurs from moving in these directions. In a situation where the clustering process has, for a long time, been based on predominantly passive clustering advantages, the local mental model may work against inter-firm co-operation in business networks. Market incentives will be misunderstood and transaction costs overestimated, resulting in a negative trade-off between the perceived benefits and costs of inter-firm co-operation, leading to lock-in and stagnation (Wade et al 2006). In planning production, information spill-overs from several sources are helpful. It is common practice in the cluster to purchase and disassemble competitor's products, analysing and assimilating the strong points. Sometimes, this boils down to straightforward copying of goods (Perraton 2006).

Most producers lack formal technical knowledge of pattern making, standard sizes, and other basic skills and the products of competitors (Wade et al 2006). At times of trade liberalization, free and unrestricted business relations effects are of particular importance. For the world, learning is a condition for innovation, which, in turn, enhances the chances of survival at times of competitive shocks and lays the basis for sustained competitiveness over time. Learning is not a rational process (Hirst and Thompson 1999).

This is due, firstly, to standard problems that give rise to transaction costs, such as opportunism on the side of suppliers of business support services, <https://assignbuster.com/free-and-unrestricted-global-trade-benefits-the-majority-of-the-worlds-population-reducing-poverty-and-improving-human-rights/>

and a limited width, depth and variety of data collection capabilities in global companies. During the period of free and unrestricted trade, it is more common to see them walking around the neighborhood, scanning fashion trends and the market penetration of new products. If a novelty appears to be very popular, it is purchased and copied (Ohmae, 1985). In sum, free and unrestricted trade promotes integration and cooperation between global companies and nations; it facilitates national competition and human rights.

The evidence thus is that clustering advantages which facilitate product planning and lower transaction costs are largely responsible for the observed performance gap, in every size category, between clustered and dispersed producers. Thus, the diffusion of still-tacit knowledge and work-in-progress through direct observation is facilitated by the high density of clothing activities in the cluster. These advantages are important for small firms which, from an individual point of view, face diseconomies of scale and scope in their transactions. REFERENCES * Asgary, N, & Walle, A. 2002, Cultural impact of globalisation: economic activity and social change', Cross Cultural Management, 9 (3), pp. 58-75.

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