

TREND IN GLOBAL TRADE AND ITS IMPACTS ON LABOR

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Abstract

Globalization is one of the defining features of the contemporary world, but there is considerable controversy regarding its nature, impact, and future trends. Globalization has resulted in rapidly growing international flows of import and export goods, capital and direct investments.

The services sector nowadays has expanded in scope beyond the traditional activities in finance, transport, travel and telecommunication and audio-visual services to a host of professional services such as software and information services, engineering and legal services, e-commerce and other internet-based service offerings. After post second world war period, this growth of services have shown a dramatic increase in most of the developed countries of the world.

Improving information and communicating technologies (ICT) intensified international interaction, increased competition and volume of global trade, while creating new challenges for labor. The purpose of his study is to show the dynamics of globalisation and its effects on international trade and labor force, providing some policy outcomes for the world in general, and Turkey.

Keywords: Globalisation, International trade, Labor, ICT.Services sector

Özet

Küreselleşme günümüz dünyasının açıklayıcı özelliklerinden birini oluşturmaktadır ama yinede küreselleşmenin yapısı, etkileri ve gelecek trendleri üzerine önemli tartışmalar yaşanmaktadır. Küreselleşme uluslararası ithalat ve ihracat ürünlerinin, paranın ve

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doğrudan yatırımların uluslararası hareketinin gelişmesi sonucunda oluşmuştur.

Hizmet sektörü günümüzde uluslararası bir çok alanda özellikle finans, ulaşım, seyahat ve telekominasyon ve e-hizmet, e-ticaret ve bilgi topluma dayalı geniş bir uygulama faaliyetleri kapsamaktadır. Özellikle ikinci dünya savaşından sonra gelişmiş ülkelerin bir çoğunda büyük bir artış hızı göstermektedir.

Bilgi ve iletişim teknolojilerinin(İCT) gelişmesi, uluslararası etkileşimin şiddetini arttırmakta bu da işçilik için yeni tehditler oluştururken rekabet ve küresel ticaret oranlarını arttırmaktadır. Bu çalışmanın amacı küreselleşmenin dinamiklerini ve küreselleşmenin uluslararası ticaret ve işgücü üzerindeki etkisini dünya genelinde ve Türkiye'deki çeşitli politikalar neticesinde göstermektir.

Anahtar sözcükler: Küreselleşme, Uluslar arası Ticaret, İşgücü, İCT, Hizmet ticareti

1. Introduction

Globalization has a variety of meanings, ranging from developing international trade, increasing foreign investments, creating financial sources and using them for cross-border portfolio investments, developing multinational institutions and initiatives (Akan and Arslan, 2007: 260).

Globalization can be defined as the closer integration of countries and people of world which has been brought about by the enormous reduction of costs of transportation and communication and the breaking down of man made barriers to the flows of import and export of goods and to a lesser extent, people across borders (Stiglitz, 2002: 12-21).

Time covering the last quarter of century is an exciting one for the economics of information and knowledge. Industrial economies of developed countries are moving to knowledge generation. Since knowledge is a public good and there are important externalities, exclusive or excessive reliance on the market may not result in economic efficiency (Stiglitz, 1999: 25-26).

In the global economy, a series of changes increases the importance of developments in information and communication technologies. Development in information and communication technologies after 1990s have caused service mobility composing an indispensable infrastructure. The difference between goods and services trade have been disappeared and services look for an infrastructure to mobilize. With the support of telecommunication networks and widening of internet, some import and export trade sectors have come into force, such as education, health, engineering,

secretary, banking and amusement. The purpose of this study is to show the importance of information and communication technologies on global trade.

2. Dynamics of Globalization

Globalization is currently a popular and controversial issue, though often remaining a loose and poorly defined concept. Sometimes too comprehensively, the term is used to encompass increases in trade and liberalization policies as well as reductions in transportation costs and technology transfer. As far as its impact is concerned, discussion of globalization tends to consider simultaneously its effects on economic growth, employment and income distribution often without distinguishing between countries, and inequalities within a country and other social impacts, such as opportunities for poverty alleviation, human and labour rights, environmental consequences, and so on (Lee and Vivarelli, 2006: 3).

Globalisation is generally used to describe the increasing global interdependence of national economies through trade, production and financial market linkages. At the current juncture, one aspect of intensifying trade relations is the increasing importance of low cost countries in international trade, with an impact on the domestic economies of developed countries (Pula and Skudelny, 2007: 2).

The neoclassical factor endowment model known as the Heckscher-Ohlin theory of trade postulates that trade arises because of the differences in labor productivity which they assume to be fixed for different commodities in different countries. According to this theory, the basis for trade arises not because of inherent technological differences in labor productivity for different commodities between different countries but because countries are endowed with different factor supplies (Antveiller, Copeland, and Taylor, 2001: 877-907).

Nowadays business sector have been developing rapidly. The structure of markets and customer choices, competition rules and management techniques have also been changing. Import and export of goods and services have been effected in different ways. Formation of new standarts and developments in technology has improved the supply chains between consumers and distributors. Acceleration of knowledge sharing has lessened the time of learning and specialization as well. Developments in information technologies (IT) has provided widening of markets, and increased the limits of the capacity. Product life cycles are so short in innovative markets that markets continuously live the growing phase instead of deterioration and stagnation (Bayraktutan, 2003: 176).

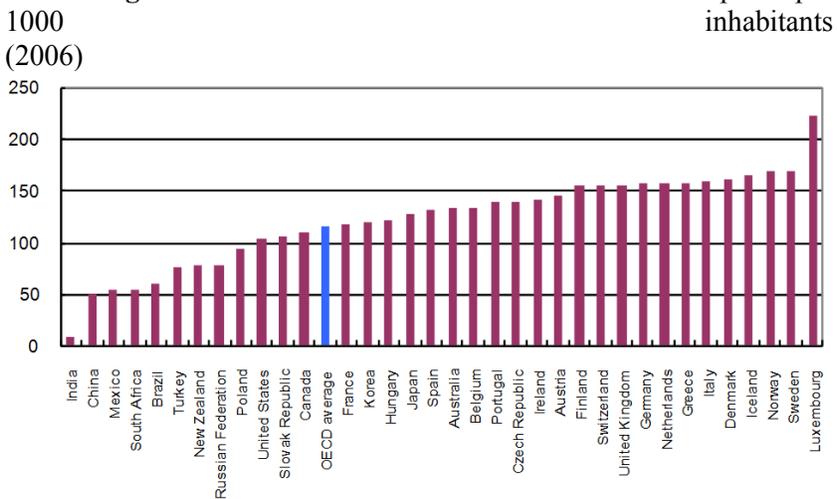
International trade literature presents the large potential gains from liberalization of trade in goods and services. Moreover, even exploiting the opportunities arising from trade liberalization will require better services (Hoekman, and Matto, 2007: 399-418). The growth of import and export sectors in advanced economies, as measured by rates of change in sales, value-added, or employment, has exceeded that of the goods-producing industries for several decades. Furthermore, for at least the first half of the 1980s, the number of jobs in goods producing industries in Canada and the United States actually declined: all of the net increase in employment during this period was accounted for by service industries (Stabler, and Howe, 1993: 30).

3. The Issue of International Trade Under Globalisation

Globalization generated strong impacts on import and export of goods and services. For firms and even for entire industrial branches improving competitiveness became a matter of survival, let alone development. This had direct and systematic consequences on import and export (Boratav, Yeldan, and Köse, 2000: 7-14).

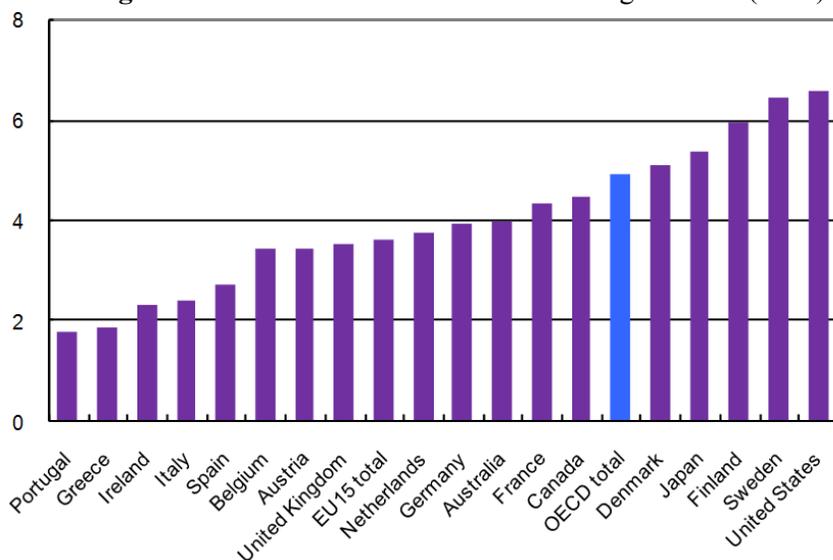
The impacts of imports and exports in overall output provides a ready measure of the extent of the globalization of goods and service markets. Although foreign goods are available in every country now more than ever before, the expansion of product market integration has not been continuous over time (Swagel, and Slaughter, 1997: 6-7). As indicated in Figure-1 and 2, developed nations and important exporters of the world have higher standards of telecommunication, and relatively high proportion of investment in knowledge related areas.

Figure-1: Number of Telecommunication Access paths per inhabitants



Source: <http://www.oecd.org/document/10.11.2008>

Figure-2: Investment in Knowledge (2006)



Sources: OECD, <http://lysander.sourceoecd.org/10.11.2008>

Import and export of goods and services, in general terms, is an activity made in return of a kind of payment includes the mobility of goods, capital and labor. International trade is one of the most developing sectors, especially in the fields of marketing, distribution, communication and tourism. In this context the views evaluating service trade as a prerequisite are gaining importance (OIK, 2000: 3-10). From the time of agreement till final payment, buyers, sellers, bankers, transporters, insurers, customs administration, etc. all hands are producing, forwarding, accepting and operating knowledge. These improvements support the consistency in service trade. Specifically, in conventional trade, for a shipment process 50 piece of documents are arranged and 360 copy of these documents are used in average. Information is demanded by the whole parts participating the operation besides the initiating actor. Furthermore, in this process many mistakes can be made and it takes so much time to forward to relevant authorities. For example, it takes approximately 3 months for a Western firm to contract with a Chinese firm in normal conditions and export process may take even longer time than manufacturing period. It is announced in the meeting of UN International Trade Facility that for conventional techniques operational costs consists of 7-10 % of world trade volume.

Table-1: Employment, Service Trade and ICT Data of

	Unemployment rate			Balance of Service Trade		ICT	Access to Internet	
	2005	2006	2007	2005	2006	2005	2005	2006
Australia	5,1	4,8	4,4	0,5	0,8	153	60	..

Selected Countries

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Austria	5,2	4,8	4,4	11,5	13,9	152	46,7	52,3
Belgium	8,5	8,2	7,5	5	6,3	35	50,2	54
Canada	6,8	6,3	6,0	-10	-13,4	129	64,3	..
Czech Republic	7,9	7,1	5,3	1,5	1,5	147	19,1	29,3
Denmark	4,8	3,9	3,8	6,4	6,7	175	74,9	78,7
Finland	8,3	7,7	6,8	1,8	0,5	168	54,1	64,7
France	9,3	9,2	8,3	13,2	10,4	137	..	40,9
Germany	10,6	9,8	8,4	-52	-47,9	156	61,6	67,1
Greece	9,9	8,9	8,3	19,5	19,3	163	21,7	23,1
Hungary	7,2	7,5	7,4	1,3	1,6	128	22,1	32,3
Ireland	4,3	4,4	4,6	-11,6	-9,3	149	47,2	50
Italy	7,7	6,8	6,1	-0,6	-1,9	175	38,6	40
Japan	4,4	4,1	3,9	-27,9	-20,1	135	57	60,5
Korea	3,7	3,5	3,2	-13,7	-18,8	143	92,7	94
Luxembourg	4,5	4,8	4,7	16,3	20,7	225	64,6	70,2
Netherlands	4,7	3,9	3,2	6,8	2,8	161	78,3	80,3
New Zealand	3,7	3,8	3,6	0,4	0,3	153	..	64,5
Norway	4,6	3,5	2,6	-0,2	1,5	165	64	68,8
Poland	17,7	13,8	9,6	1,9	2,2	107	30,4	35,9
Portugal	7,6	7,7	8,0	4,8	6,1	153	31,5	35,2
Slovak Republic				0,3	0,7	104	23	26,6
Spain	16,3	13,4	11,1					
Sweden	9,2	8,5	8,3	27,7	27,7	151	35,5	39,1
Switzerland	7,3	7,0	6,1	7,8	9,8	178	72,5	77,4
Switzerland	4,4	4,0	3,6	22,7	26,4	165	73,5	76,8
Turkey	10	9	11	15,3	13,4	89	7,7	..
United Kingdom				44,8	53,4	172	60,2	62,6
United States	5,1	4,6	4,6					
United States	8,8	8,2	7,4	72,8	79,7	123
Euro area	6,7	6,1	5,6	39,2	44,1	131	60,2	62,6
OECD	5,1	4,8	4,4	154,2	188,1	131

Sources: OECD, <http://www.oecd.org/dataoecd/10.11.2008>.

Improvements in ICT and accession to internet contributed to the increase in international trade to a great extent, especially in fields other than the traditional ones. In other words, new sectors and products which were traded internally or not traded at all appears to be the subject of international trade. This is reflected by the unemployment figures in Table-1 which indicate the tendency that the more the nation has access to internet, the less the rate of unemployment is.

4. Historical Developments in International Trade and Labor

Since the 1980s, the globalization process has seen individual domestic markets take striking steps towards strengthening connections with each other and integrating with the international financial system. Hence, all major industrialized countries commenced economic policy initiatives in order to liberalize their domestic financial markets. Most developing countries followed industrialized countries within this process (TCMB, 2002: 10).

The effect of globalization on international trade is mediated through its impact on overall and sectoral economic growth. With globalization, economic structure would tend to correspond more closely to the comparative advantage of the country. Sectoral shares will change in different ways depending upon the country's natural and human resource endowments, existing infrastructure and technological capabilities, and the degree to which the domestic economy has already been exposed to international competition in the past (ILO, 1996).

Table-2: Export and Import Data by Continents and Countries (2005)

Region/Country	Export	Import	Balances
European Union (EU)			
Austria	562	166	396
Belgium	1128	539	589
Cyprus	69	54	15
Czech Republic	127	73	54
Denmark	414	140	274
Estonia	11	3	8
Finland	495	138	357
France	2184	2432	-248
Germany	3631	2326	1305
Greece	323	78	244
Hungary	288	59	230
Irish Republic	3539	1088	2451
Italy	1137	821	316
Latvia	11	7	5
Lithuania	18	10	8
Luxembourg	585	103	482
Malta	19	10	9
Netherlands	3329	971	2358
Poland	127	70	57
Portugal	251	67	184
Slovakia	23	9	14
Slovenia	17	6	10
Spain	973	586	387
Sweden	617	724	-107
EU Institutions	15	1	14
Total European Union (EU)	19892	10480	9412
European Free Trade Association (EFTA)			

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	Iceland	42	5	37
	Liechtenstein	30	5	26
	Norway	696	267	429
	Switzerland	3040	864	2176
Total EFTA		3808	1141	2667
Other Europe				
	Russia	319	130	189
	Channel Islands	480	85	395
	Isle of Man	56	7	49
	Turkey	124	39	84
	Rest of Europe	275	151	124
	Europe Unallocated	1776	986	790
Total Europe		26730	13019	13711
Americas				
	Brazil	75	66	9
	Canada	590	234	356
	Mexico	118	18	101
	United States of America	11566	5686	5880
	Rest of America	2285	424	1860
	America Unallocated	213	95	117
Total Americas		14846	6523	8323
Asia				
	China	288	106	182
	Hong Kong	346	182	164
	India	315	278	36
	Indonesia	76	33	43
	Israel	267	116	150
	Japan	1542	668	874
	Malaysia	139	81	58
	Pakistan	74	33	41
	Philippines	27	21	6
	Saudi Arabia	1131	444	687
	Singapore	1783	276	1507
	South Korea	223	33	190
	Taiwan	144	133	11
	Thailand	71	51	20
	Rest of Asia	1344	610	734
	Asia Unallocated	189	60	129
Total Asia		7959	3126	4833
Australasia and Oceania				
	Australia	583	231	353
	New Zealand	81	28	53
	Rest of Australia and Oceania	52	21	32
	Oceania Unallocated	5	5	-
Total Australasia and Oceania		722	284	438
Africa				
	Nigeria	191	29	162
	South Africa	339	115	225
	Rest of Africa	590	221	369
	Africa Unallocated	84	27	57
Total Africa		1204	392	812
Total Unallocated and International		249	106	143

Organisations			
Total International Trade	51710	23451	28259

Source:

IMF,

<http://www.imf.org/external/datamapper/index.php/10.11.2008>.

Global trade and investment patterns are having a dramatic impact on employment relations and work arrangements around the world. But there is no single meaning of economic globalization for the global workforce. The impact can be both negative and positive and differs by the context, industry, and employment status. Some of those who work in the informal economy have been able to find new jobs or new markets for their products, while others have lost jobs or markets. Moreover, many workers have seen their wages decline, their working conditions deteriorate, or their workloads increase (Car, and Chen, 2001: 2).

Table-3: Export in Manufacturing for the OECD Countries by Technology Levels (%)

Countries	High		Middle -High		Middle -Low		Low	
	1990	1996	1990	1996	1990	1996	1990	1996
USA	27,6	26,8	843,9	945,9	911,5	511,2	216,0	15,4
Canada	10,4	10,8	844,5	544,8	817,0	017,3	327,2	26,6
Meksico	6,3	19,8	856,2	251,9	924,4	413,4	412,7	13,9
Australia	7,8	10,9	16,8	22,9	31,8	28,2	42,9	37,2
Japan	23,5	23,6	658,1	158,6	614,6	14,7	3,7	2,9
South Korea		23,7		34,6		21,9		19,8
New Zeland	1,1	3,4	8,4	412,8	814,9	911,0	075,3	72,5
Germany	9,9	11,3	57,0	57,9	17,3	15,7	14,5	13,7
Austria	9,5	9,6	41,3	42,0	23,6	21,5	24,8	22,9
Belgium	5,9	8,0	40,2	42,5	31,6	26,7	21,9	21,0
Cheq Rpublic		5,2		41,1		30,2		22,4
Denmark	11,6	12,9		29,9	16,7	16,7	41,4	39,7
Finland	7,0	14,8	29,6	27,4	19,6	21,3	44,9	36,0
France	13,4	17,4	28,2	43,2	19,1	17,1	22,7	21,3
Holland	12,7	19,2	44,2	35,1	21,7	21,8	28,9	26,9
Iceland	1,2	3,9	35,7	0,9	17,5	16,7	80,5	78,2
Italy	8,1	7,4	0,6	41,0	23,1	22,4	29,1	28,6
England	21,6	24,7	39,0	41,6	19,0	16,4	15,5	14,8
Spain	7,1	7,9	42,2	48,1	25,9	21,8	22,2	21,7
Sweden	12,2	19,5	44,0	40,5	18,9	16,7	24,8	21,2
Switzerland	10,9	15,2	42,3	58,2	19,3	16,3	11,7	10,0
Hungary		7,1	57,9	33,9		19,8		37,9
Norway	5,9	5,9	24,2	27,7	44,7	41,3	21,9	24,5
Poland		4,5		25,7		30,7		38,5
Portuguese	5,0	5,7	21,5	32,4	14,6	13,1	58,6	48,6
Greece	1,9	2,7	9,2	13,2	29,9	28,5	58,9	55,0
OECD	15,3	17,4	45,8	45,8	18,5	17,5	19,5	18,7

Turkey	3,0	2,5	11,8	16,4	24,4	21,7	60,8	59,4
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Source: OECD (1999). Numbers of Turkey is calculated from SSI Foreign Trade Statistics.

The labour market in Turkey reflects an interaction between economic and demographic factors. Youth unemployment rates are very high. From 1980 to 2004 the working age population grew by 23 million, but only 6 million jobs were created (Yüceol, 2007: 30). Turkish labour market is characterized by the low and declining level of labour force participation (TURKSTAT, 2006). In the 1990s some measures were taken for the purpose of providing efficiency in labour market. An institutional development took place in 2000 with the establishment of ISKUR, The National Employment Agency (Yüceol, 2007: 30). ISKUR has responsibilities such as providing employment services and training, administrating unemployment insurance program, compiling labour market data, regulating private employment agencies.

Besides workers have limited access to formal protection, including labour laws, collective bargaining and social security. This low coverage shows the nature of the economy, which has a large agricultural sector and a high degree of informal sector. Furthermore deficiency of required infrastructure, strong macroeconomic base and inefficiency of technology can be regarded as other reasons. Table-3 shows the distribution of export in manufacturing industries for the OECD countries according to various technology levels. Differencies among the selected countries are conspicuous.

Turkey has to rely on information and communication technologies and import and export policies, implementing middle and long term policies to improve ICT (Söylemez, 2001: 58-59). Otherwise, Turkey will be a low technology thrid world country, far from humoring global competition. It is not possible for a country to be competitive in foreign trade without capturing it's own export potential. The most important effect of information society is the acceleration of productivity growth. Productivity growth could be sustained with cost savings, besides labor productivity. This in turn provides total revenues of the economy.

Import and export liberalization and privatization were the reforms that had the greatest impact at the sectoral and microeconomic levels. Trade liberalization put pressure on firms to increase competitiveness by substituting imports for national inputs. It also facilitated subregional integration processes that opened markets for manufacturing exports. Privatization, meanwhile, was an instrument in stimulating investment and modernization, especially when it coincided with growth in international demand, or took place in

activities experiencing accelerated technological change. Despite these positive developments, important problems remain, including growing manufacturing trade deficits; the enclave nature of large mining firms; and poor regulation plus high barriers to entry for new competition in both electricity and telecommunications.

5. Conclusion

Globalization process as of 1980's have brought along with itself, such new institutional investment opportunities, and instruments in international finance, investment, etc. Convertibility, elimination of limitations determining national financial markets, and their opening disobedience to the international rivalry, by abolishing controls and restrictions have resulted in dramatical change in some certain ways of doing things.

Interest in globalisation is world wide, although globalisation is often viewed only in the context of economics. In its broadest sense globalisation affects cross-cutting lifetime choices of people everywhere. The concept of globalisation is experienced more pronounced way as of mid- 1980s. Cultures are converging and nation states are losing their power with globalization. On the other hand, the issue of competition turns out to be the main force of trade, and countries are forced to make innovations with globalization.

Information and communication technologies become a main force changing the structure of international trade. Turkey has experienced a huge transformation about foreign trade sectors. In this respect state and education institutions have still many work to do. ICT and related infrastructures need to be continuously improved, and proportionately high rate of young population requires education and employment related governmental policies. These are necessities for any country to be successful in international competition and increase the welfare of nation.

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