

Finance

Student Name

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Date

Trade Liberalization & WTO: Impact on Developing Countries

Introduction

Trade has been changing among countries as businesses look for customers and suppliers within the country borders as well as beyond regional level. All this has been in an effort to acquire the market share and remain relevant in the world of business. Several organizations that were formed a number of years ago have helped in making legal these transactions. These organizations include the World Trade Organization (WTO) and the General Agreement on Tariffs and Trade (GATT) that gave birth to WTO. Such organizations like the WTO was set up streamline the laws that govern trade among nations across the globe.

Trading like the normal life routine has its ups and downs and these issues deal a big blow to the set rules in international financial management. The increased trade across the globe has come with numerous factors. Trade has been expanding vigorously after the Second World War period. This has been aided by the policies that have been laid down by several governments aimed at expanding trade among countries across the globe. Around the globe, almost all developing countries have served as more as exporters than their contribution in importers (Hummels, Ishii and Yi, 2001, pg. 79). Since the 1990s, agricultural trade among developing nations has been decreasing as shown in the paper. The Food and Agricultural Organization states that most developing countries will be required to import agricultural products in the near future as they run into trade deficits.

Agricultural export has been on a downward trend in the developing countries because of a number of reasons. The field of technology has experienced a massive growth in the past few years. As a result this growth led to the decline in the demand for raw materials in the industrial countries (Helpman, 2011, pg. 48). The manufacturing sector has been declining because the

demand for raw materials as well as the fuels has gone down when compared to the unit consumed in manufacturing the raw material. The decline in the raw material has been brought up by overreliance on technological means to produce the material used currently in manufacturing. The raw material acquired by technological serve the purpose but the means have a big impact on the environment on the long run. Several countries are adopting genetically modified technology in most of the products brought to the market (Buckman, 2006, pg. 119).

These technological means are expensive to the people in the rural areas who are known to be the indigenous raw material producers. As a result, these producers have been demoralized because the little they produce is overlooked on the market. Furthermore, it has been challenging to access the markets to sell their produce. These in the long run will have a big impact on the financial international management because a decrease in the raw materials will raise the prices of the available products on the market. Following the law of demand, the rise in the prices of these products will raise the demand fro raw material which is produced in low numbers (Coval & Click, 2002, pg. 121).

Another threatening trend has been the increasing complexity of the products in the market today. The production of these products has concentrated most on reducing the raw materials used thereby compromising the quality of the products. This has served to reduce the cost of raw materials on the market because the production companies are able and willing to buy a small number of raw materials. This destabilizes that market of raw material because the farmers are not able to get the returns after their effort. Therefore, the farmers have resulted to producing raw materials in small amount only for their home consumption (Madura, 2011, pg. 24). Collectively, this will impact on the financial international management because low quality products on the market means the consumers are not getting what they pay for. If these trend,

spreads to across nations around the globe will mean humanity is at risk and financial stability will be threatened because what affects the consumers affects the whole the product as well as all sectors of trade.

The use of manufactured raw materials such as the synthetic rubber and leather as well as fibers has put a lot of pressure on the raw materials produced from rural areas. Most producers have worsened the situation because they are out to make profits by use of the readily available and cheap raw materials. Therefore, comparing the manufactured raw materials and the pure raw materials from the rural areas the manufactured ones have an upper hand. This is because they are cheap while raw materials from the rural areas are expensive due to the extra costs of transport and production.

At the same time, there is a high innovation in financial management that has changed the whole way it was handled in the past. The innovation has been enabled by a number of reasons basing on different countries. The foreseen reasons for this are the advanced way of innovation among the products as well as the raw materials. Of late, in the field of production, we have new features aimed at minimizing the risks as well as enhancing security.

Conclusion

Many firms are taking up agricultural practices in industrial countries. For example, the use of green houses to grow maize or tomatoes is a common feature but it has numerous sustainability issues (Wang, 2009, pg. 121). Also the raw materials from these industries have quality issues as compared to the ones from the farms. It remains a fact that many production companies would prefer industrial raw material over raw material produced in the farms. As time goes by, we shall have no other producers from the rural areas as all countries will be forced to

depend on the industrial raw material. These will interfere with the financial international management because of the unbalanced cycle of demand and supply of raw materials.

References

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