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Facilitation of Economic Development Through International Trade, with special reference to Developing Nations

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ABSTRACT

International Trade provides a large variety of goods and services across the globe. The benefit of International Trade includes jobs, economic opportunities, economic cooperation and harmony among nations. In this article, I have focused upon how international trade can work more efficiently in facilitating better benefits for all the nations. The conduct of International Trade depends upon many factors such as Port Efficiency, Customs, Regulations, infrastructure used for facilitating trade, Tariffs and even costs for Import and Export. In this article I have addressed how such factors can be improvised to render better results. International Organizations play a major role in addressing solutions for the issues prevailing and even aiding the nations through grants and loans so that the other nations can also liberalize trade; thereby the role played by Regional Trade Organizations cannot be undermined as they also provide more benefit by working in close cooperation, rendering more economic support, better relations and a smooth flow of trade. This article also addresses how international trade facilitates economic development of the nations, since trade brings many opportunities and most importantly economic cooperation, hence, the nations actively participating in global trade benefit more economically. This article provides a correlation between international trade and economic development of developing countries, and how such has resulted in better GDPs and more exports by the developing nations. The developing nations have more opportunities in the vast area of international trade, boosting their economy, providing more income and improving their employment rates.

Keywords: *Economic development , international trade, developing.*

I. INTRODUCTION

International Trade plays a major role in the development of the economy of various nations; it provides a vast arena for the developing nations to proliferate their advancements. The focus of

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this article is to justify the enhancement of economic spheres through international trade both internally and externally which can be determined through the policies framed by the nations and agreements signed. It is through these agreements and policies that a nation comes into trade business with the other as such agreements deem to have a beneficial character to them, some of the benefits are low or no tariffs, lesser trade tax. Other than multilateral and bilateral agreements, international trade is also facilitated by the treaties. There are major organs which allow and regulate the trade flow at cross-borders such as the WTO (World Trade Organization), IMF (International Monetary Fund), and several regional trade regulating organizations, which plays a vital role in regulating the trade flow between nations. To pursue that, the WTO has enacted many bilateral and multilateral agreements and treaties among the nations. Other than the agreements and treaties, there is another important facet for advancing the economy of most nations which are in the developing stage, which is the Foreign Policy. It is through these policies that a nation is aware of the strategies, considerations, domestic dynamics, while entering into a trade agreement with other nations. When a nation is engaged in trade, it is bound that such trade would render a result in return through goods, finances, infrastructures, commodities, which would be employed in domestic markets, firms, finances and would also enable employment, thereby increasing the development in economic sphere of the nation.

As far as the developing nations are concerned, it is imperative for them to boost their economic level which would suffice development in other spheres and give them a geopolitical stand at the global level. International Trade provides these nations a bigger arena where they indulge and gain more opportunities for their development, since international trade is not limited to commodities and goods, it also provides these nations with employment and large number of opportunities. Hence, it is very clear that when nations begin to trade, they usually benefit from it, as they do have more to sell and more to buy resulting in mutual benefit.

II. ORIGIN OF INTERNATIONAL TRADE

Trade has existed since that very duration when humans wanted or required something, which later developed into a Barter System. Through this system one could also trade through services or in goods. As human history transcended the trade system allowed the application of coinage as the exchange of commodities was in practice for bigger transactions. With more advancements, the currencies were developed which turned the whole barter system into a more sophisticated one. As societies and communities settled down, cross-border trade gained more popularity. Thereby, it can be clearly stated that the grassroots of trade existed since mankind gained conscience.

As far as the origin of international trade is concerned, then the following timeline is traced which specifies as to how international trade came into play as we know of it today.

- The post World War II aftermaths led the nations into a situation of financial setback and to resolve the complications, two organizations were established, the IMF (International Monetary Fund), The ITO (International Trade Organization) and The World Bank. These crucial institutions were formulated in 1944 as per the Bretton Woods Conference.
- This conference also resulted in the formulation of the GATT (General Agreement on Tariffs and Trade) which was an instrument and not an institution.
- The GATT functioned as a multilateral instrument and conducted eight rounds of trade negotiations. The GATT functioned in order to reduce the tariffs and cuts so as to regulate more trade. Up until the Uruguay Round (1986-1994), GATT had 23 signatories.
- It was the Uruguay Round which led to the establishment of WTO (World Trade Organization) in 1994, this organization runs on the principles of the GATT i.e. to reduce tariff and to deter the use of import quotas.

The establishment of WTO was a landmark step in the domain of International Trade, as it not only facilitated reduction of tariff, rather this institution provided a wider picture for trade enhancement. The TRIPS Agreement provides for trade in Intellectual Properties such as the GI tags, Patents, Industrial Designs, Trademarks, and many more; whereas the TRIPS agreement also came into effect as a part of the WTO, this led to the signatories of WTO follow the principles of the TRIPS Agreement. This agreement also regulated trade through incorporeal means.

Another important facet of this institution is the dispute resolving mechanism, which was not addressed in GATT.

As of today there are 164 signatories to this institution, making it the only global level organization dealing with trade between nations. There are many other functionalities which aid in the regulation of trade globally, some of the crucial ones are discussed ahead.

III. REGULATION OF INTERNATIONAL TRADE

International trade is regulated through several institutions and organizations where each one of them plays their part in regulation of trade internationally. As there are institutions working at a global level, so are some organizations which function at regional level and promote trade

through their own agreements which not only enhances international trade but also allows some extra benefits to its signatories facilitating economic cooperation amongst the signatory nations.

The pivotal organizations and institutions are discussed ahead: -

i) World Trade Organization (WTO)

WTO is the foremost organization in terms of regulation and liberalization of trade at international level. This organization provides a platform for negotiation of trade agreements, confronting trade barriers and a dispute resolving mechanism. The most essential characteristic of this organization is to sort the trade related issues between the signatories. This organization works on the principle of ensuring trade without complexities, with transparency and allowing trade for all. The WTO plays a significant role in the economic development of the nation through various mediums such as creating employment leading to accomplishment of higher living standards, lessening of tariffs and cuts, and such is portrayed clearly in the economic enhancements of the nation.

ii) United Nations Commission on International Trade Law (UNCITRAL)

This organization stands as the only UN led institution which follows the framework of international trade and commerce. UNCITRAL provides a platform for the regulation and harmonization of international trade practices. The key feature of this organization is to deal with international contract services, transportation, protected transactions and a secure atmosphere to conduct these activities. The organization is led by models of law, conventions, uniformly followed commercial practice and law, which are regulated and followed worldwide. UNCITRAL operates upon the assertion that international trade leads to benefits through various means, such as economic, political, even high living standards of the global participants. To pursue that this organization also mandates dispute resolution, electronic mode of transactions, thereby allowing more sale of goods and facilitating a harmonized and co-operative international trade.

iii) International Monetary Fund (IMF)

This organization plays a key role in the economic cooperation among the nations, it was formulated to focus on the financial plight at a global level after The Great Economic Depression in 1929. This organization came into existence to deal with the post World War financial situation through the Bretton Woods Conference in 1944. IMF operates to provide an economic stability through global trade cooperation, by laying out employment opportunities through economic assistance, to reduce poverty and providing such a platform to the global nation's where economic cooperation is meted out with global trade. One of the most essential

facets of IMF is to provide an economic forecast by analyzing the national economy, global economy and international trade, other than this the organization alleviates the conditions of the poor countries by lending loans and publishes such policies which hold the endurance for economic growth and stability.

iv) World Bank

The World Bank is an international financial organization that provides loans to those nations which have a low or middle income. The key role of this institution is to provide an economic facilitation for development of nations in various spectrum such as agriculture, income and employment opportunities. The World Bank eases the access of developing nations into the global trading arena by providing loans and grants, thereby, allowing these nations to increase economic opportunities, reduce poverty with better opportunities for trading and elevating their standards. Another important part played by this institution is by formulating such policies for the developing and under-developed countries which turns out to be beneficial in the prospect of trade, further advancing these nations towards technological, resilient and more sustainable growth.

v) Regional Trade Organizations

The Regional Trade Organizations comes into play when several nations focused on a geographical area form a multilateral agreement to conduct trade amongst themselves. These agreements give rise to various benefits resulting in more trade liberalization and further economic cooperation. These organizations facilitate trade by forming their own regulations depending upon the provisions of their agreements and their individual Foreign Trade Policies. These regulations emphasize upon common markets for their production, their customs union through which the signatories operate under their own common external trade procedure, an economic union where the nations frame their economic policies to favor their regional trade agreement and most commonly the free trade areas where the nations operate without trade barriers as well as reduced tariffs. The above given key points aid in trade as well as the economic co-operation as these signatory nations operate in an order which aims at regional integration through lesser trade costs, less tariffs and by also allowing free movement for all areas of production. Some of the most well operating Regional Trade Organizations are discussed ahead: -

- Association of Southeast Asia Nations (ASEAN)

The ASEAN was associated in 1967, currently having 10 member nations. The goal of this association is to advance regional stability, economic growth and development for the signatory

nations. At present ASEAN has become an important player in the field of global trade negotiations thereby providing more global level trade related opportunities for the regions. The Free Trade Area of this association came into play in 1992, with the motive of reducing tariffs to promote trade and economic co-operation.

- European Union (EU)

The European Union consists of and operates with 27 signatory nations. The key feature of this Union is to focus upon the economic and political well-being of the nations. This union regulates through such a working environment which ensures free flow of goods through the borders of the signatory nations, with less or no tariffs. The union also encourages trade at global level through liberalization and standing as an aid to towards any political and economic distress. Specifically, in terms of global trade The European Union stands as the largest exporter of goods and services in the world, and it's also the biggest import market at a global level. Thereby, being the largest aid in facilitating international trade and economic cooperation.

- Asia-Pacific Economic Cooperation (APEC)

The APEC stands as a regional forum for the countries in the Pacific Rim facilitating free trade through the Asia-Pacific region. The APEC is a 21-member association. This forum aims at easy movement of exports, goods across the borders, such is operated due to better custom efficiency, regulations and free trade. The APEC members render themselves as economic bodies in order to ease trade and economic cooperation among the regional states. This regional body also indulges in many other functions operating at a macro-economic level, such as Intellectual Property Rights, humanitarian grounds and formulation of policies. The most essential characteristic of this association is reducing the gap between developed and developing nations rendered through lesser tariffs, upgrading custom regulations for more efficiency.

The international bodies discussed above not only facilitate international trade but also provide a global market where the nations participate as active members. These international organs aim at providing a secure platform with less cuts, reduced tariffs and regulated customs through which the countries can maintain their places in the global market alongside securing their economic status. These international organizations aim at fostering a better conduct of trade through harmonization among nations and alongside creating more trade opportunities and thereby nurturing economic development at a global level. The role played by the regional trade organizations cannot be undermined as even if they may not operate at a much larger global scale, they do not fail to provide more benefits and opportunities to the signatory nations. The

key role played by these organizations can be characterized through regional integration by eradicating trade related barriers, promoting economic cooperation through coordinated regulations. International organizations play a major role in the elevation of developing countries through vast opportunities and rendering economic cooperation at both global and regional level.

IV. HOW INTERNATIONAL TRADE IS FACILITATING ECONOMIC DEVELOPMENT?

Economic Development is a major concern of nations around the world. The countries focus upon various dimensions in their government policies to ameliorate their economic spheres. One such vital dimension is International Trade, and it is their participation in this global level activity which aids in the country's status at the international level. Since Trade is that key which creates employment, reduces poverty and increases the economic opportunities for the nation and that is when the international organizations come into play where they ease the access for the nations to enter in global market. The economic development of a nation is defined through its gross domestic product (GDP), leading to an increase in incomes and a more improved index. It has been proved through various empirical studies that the magnitude of a nation being active in international trade quantifies the economy of that nation. Hence, a better standard of living with more income and employment.

There are certain factors which favor a smooth conduct of international trade. These factors facilitate the trade flow internationally. Some of the essential factors are port-efficiency, customs environment, regulatory environment and electronic business usage. The application of these factors stimulates the course of economic development; the better the usage of these factors, the more gratifying the results are.

Port Efficiency enhances the passage of goods and commodities. Port efficiency means a high-quality infrastructure facility along with high yet good functioning regulations to render a smooth functioning at the ports. Around 80% of the global market is conferred upon port efficiency due to sea routes, making the application of ports crucial for high economic development. Due to the high usage of ports, a port with good mechanism of regulations and infrastructure created not only smooth flow of trade but also creates a pool for employment, better economic development and more opportunities. There are also more chances to attract investments, including more manufacturing, logistics thereby also increasing incomes. The usage of port is so efficient in global trade that any hindrance in its regulation or maintenance can incur delay or at times costly delivery of container shipping, such irregularities hold the weightage of even disturbing or slowing the global trade.

The poor efficiency of port systems can be traced from the lack of dock facility, the uneasiness in services which renders the containers from port to the consumer companies, the lack of effectiveness in regularities at the ports or many a times the non-tariff barriers. The poor mechanism can result in trade blockages, reduction in competition, making the process more costly and can largely impact the flow of trade at global level. The efficiency of port regulations is one of the determinants of conduct of trade and the nations' policies as well as framework in the globalization of trade. The major issue faced by the port terminals is the shipment delay which can result in a long chain of blockages which impact on the supply chains resulting in extra costs, lack of competitiveness, as well as disrupting the fixed schedule for the terminal. In the long run, these hindrances if not addressed may even hold the gravity of deteriorating economic growth and at worse may lead to an unaltered increase in poverty.

To address the issues faced due to lack of efficiency of ports, there have been many reformations sought and applied to increase the applicability of ports around the globe. One such idea is to transform the ports into smart ports, which would increase their efficiency and reliability. Some of the ports have already converted from conventional to smart ports which have applications in the form of usage of Internet, big data and using cloud computations to manage and operate the ports more smartly. Such practice would allow the working of ports more efficiently, easing the loading and unloading of cargo, and directing ships. The conversion of conventional ports into automated ports leads to a better working environment, increase of sales, better management, reduction of costs and a more fluent working of international market.

With further addressal, it can be constituted that the port efficiency plays a major role in the trade facilitation around the world. It is the determination of a port which eases the trade flow, and such efficiency is directly proportional to the nation's economic status, thereby impacting upon the economic development. Although the conversion of ports into smart ports seems an economic headache, the result of such conversion leads to better mechanism of the ports rendering more sale, employment and vast economic opportunities.

Customs Environment plays a vital role in easing the trade flow across the borders. The machinery of Customs is to regulate the trade through lawful means and ensuring the security of economy of the nation. The main work for ensuring custom regulations is to countercheck the trade related regulations enforced by the nation, following the international medium of accessing and correctly classifying the goods in the order. Customs ensure national as well as international security by implementing proper security at the borders to eradicate any illegal smuggling of drugs, weapons and even counterfeit products. The better the customs environment, the more would there be a qualified passage of goods. Customs regulated

mechanism leads to signing of such agreements which are in the nation's interest to promote better economic cooperation, trade of original and verified goods. To further assess the role of customs in the economic development, the following data gives an overview of the same; 16 per cent of the world trade in the European Union is accounted to Customs operation, the processed value of imports and exports are accounted at more than 3,400 billion euros every year, more than 500 customs declarations are recorded also around 70 fake or counterfeited goods are seized.

As simple as the mechanism of customs seems, there still are some loopholes, which affect the facilitation of trade by slowing and creating blockades in the functioning of customs. The hindrance in executing the trade related customs is caused due to various complex procedures, absence of transparency and many other issues one such is red tapism. Most of the custom mechanisms are manual which strives more chances of irregularities or slow functioning. One such issue is the lack of windows for buyers and sellers, they either must connect through a broker for such a purpose or may end up in the complexities of regulations to reach the desired results. Such issues challenge not only trade facilitation but also lead them to an economic outcast. Since the nations with complex customs are turned into hard to trade nations further diverging their trades and they also face the issue of internal backwardness for their local buyers and sellers, due to less or no window portals for any economic or business opportunities.

Although such can be replenished with the answer lying in more advancement through technology. Many nations have chosen the course of technological advancements for furthering trade facilitation such as the European Nations. The technological aspect would aid in paperwork, classifying of goods, sharing of data with business partners and all opportunistic parties. Another way of improving customs regulation is the application of a single portal where the traders can have access and it would also ease them in submitting their documents without going through the complexities of procedures. The customs authorities are also abridging the gap that exists with other nations by collaborating to form similar regulations and easing the trade facilitation with those nations.

In recent research conducted by The World Bank which shows that liberalization of trade leads to an increase in economic development by an average 1.0 to 1.5 percent, i.e. 10%-20% increase in income after a decade.

In another empirical study conducted by The World Economic Forum in 2014, which clearly stated as to how trade facilitation advances a nation's participation in global value chains, its productivity growth, more employment rate and would be open to a vast market for export,

increasing more diversification.

With a detailed discussion on the determinants of trade facilitation and how they play a major role in the economic cooperation and development of the nations, it can be clearly stated that better the working of factors in international trade, better would be the economic sphere of the nation. Another important facet of international trade is the modernization of the determinants as the world is on the course of applying technological advancements at a large scale. Although technological advancement may seem costly, the results rendered are far more beneficial. This would also result in a better and improved economy for the nations engaged. The easing of complex regulations provides more opportunities arising towards better employment and development at a faster rate.

The correlation between international trade and economic development should never be undermined, as such leads to a diverse market to trade for the nations trading with each other. The economic development of a nation is fueled internally without any external aid until those nations step out into the global market where they are not only trading but also cooperating as well as harmonizing their relations. Through economic cooperation from other nations, the nation's get benefitted and are introduced to more innovative platforms. With the changing times, states are also open to incorporeal goods and services and hence it is the need of the hour for nations to step in the global market. With those nations facing economic or regulatory issues, must be known that they are not deserted as there are various international organizations such as The World Trade Organization (WTO), The International Monetary Fund (IMF), World Bank and various Regional Organizations to aid them in the possible ways.

V. HOW INTERNATIONAL TRADE AIDS IN THE ECONOMIC PROSPERITY OF DEVELOPING NATIONS?

International Trade provides various benefits such as employment, a vast market, economic opportunities and cooperation. The developed nations have not only participated but also aided the flow of international trade through their distinct regulations and have also been a helping hand for other nations. As far as the developing countries are concerned, they have also meted out their economic and foreign trade policies to be a part of the global market. The major role is played by their foreign trade policies, which are imminent for international trade, as such policies are formulated by the governments keeping in mind their strategies, their local markets, their needs as well as their regulations as per the facilitation of trade.

International Trade has the capacity to eradicate poverty, enforcing more technological advancements due to the competition in the global market. Trade provides an opportunity to

enhance industrial development, rendering more jobs and incomes for the developing countries. International Trade even fosters foreign investments and renders more distinct and diverse opportunities.

The impact of liberalization of trade has impacted the developing nations in a good yet unfavorable way. Where the facilitation of trade brings out great aid and cooperation, there are still some hindrances for the developing countries which makes investing in global market a tough decision. The issues which hamper international trade practices in developing nations are anti-competitive business practices, regulations that minimize business practices and investment, scarcity of ports and such other infrastructure. Other than these issues a major problem for these nations is their landlocked characteristic which hinders access to international trade links, another being the lack of technical advancements as well as the required infrastructures.

The developing countries also face unfairness in terms of regulation and custom practices, as they are still imposed with high tariffs and trade barriers by other developed nations. For instance, in 2005 the developing nations faced a tariff of 8.9% on average for their agricultural exports. The developed nations still impose a high tariff on the imports from developing countries.

Among such issues, the developing nations still strive at their best as per their capacity to endure and eradicate these problems as much as possible. This is when the international and regional organizations aid the participation of these countries through various means. The largest multilateral provider for aid in terms of trade i.e., The World Bank has been advancing such policies which benefit the developing nations. The other well-known organization which helps the developing countries is The International Monetary Fund (IMF), this organization provides grants and loans to the nations for their economic stability. The IMF has a history of lending money to developing nations for the purpose of their economic growth and rendering sustainability. Some of those nations are Sri Lanka, Iceland, Ireland, Portugal, Morocco and many such nations which were in need.

Hence, it can be clearly indicated that the developing countries, even when facing issues, are not completely helpless and have also worked their way through in the global market. One such developing nation, India, has gone through a vast development to be recognized as a profitable investor and has also procured many economic opportunities. A recent development is India's largest transshipment port at Kerala which will have the capacity to handle ultra-large ships, rendering a big change in the course of maritime trade in India.

As far as the economic prosperity of developing countries is concerned, then these nations have actively participated and rendered many benefits from the international market. The exposure of international trade triggers technological growth and it also enhances the production process, better products, and usage of more innovative technology. Developing nations focus upon national and international growth which helps in achieving their goals, thereby being a part of the global market is a good option to elevate their economic standards. International Trade has alleviated a strong growth in shares of developing countries in the global market and as of today the shares have reached 40% as compared to 25% in the 1990s. The developing countries are growing at a faster rate as compared to the developed nations in terms of their exports, thereby generating more export revenues. This resulted in more GDP, enhancing further employment and investment rates. The decrease in tariffs globally has aided the developing nations a lot in entering the global market.

VI. CONCLUSION

I would like to conclude this article by stating that the benefits provided by international trade promote economic growth of the nations. The benefits include economic prosperity, harmonized relations and cooperation among the nations. International organizations also play a key role in the flow of trade globally, aiding through grants, loans and improved regulations for a smooth flow of goods and services. International trade, even though it provides a vast market and advantages like employment, economic growth and distinct varieties of goods, yet there are some challenges which the nations face. The complex custom regulations, high tariffs, costly imports and even lack of technology, lead to hindrance in the flow of trade. Such issues are even faced by the developed countries and in the case of developing nations these problems create a major setback for them, hindering their economic growth and more opportunities. A few suggestions that I would like to make are, Firstly, the easing of custom regulations would help in a better flow of trade, some nations which have sought to collaborate their policies to make the custom regulations easier. Secondly, the improvement in infrastructure would allow more exports and imports, making international trade more efficient. Thirdly, the modernization of ports, since the pandemic many nations have converted their manual ports to smart ports, which makes their manual hard work easier. Lastly, to provide better facilities for the buyers and sellers where they can directly approach to participate in global trade, rather than depending on a broker. With the application of suggestions, international trade will be boosted and would turn out to be very beneficial for both the developing and underdeveloped nations. In the end I would like to conclude by stating that the International Trade has provided much more benefits and opportunities for the developing countries by resulting in economic growth and

cooperation, more employment and much more income which is reflected in their GDP.

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