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Globalization of the Economy and the Development of the International Trade.

One of the urgent problems of the modern economic theory is the globalization of the economic development. Globalization means the movement towards the more integrated and interrelated world economic system. It includes two important components – the globalization of markets and the globalization of production.

The development of the international trade in the conditions of globalization leads to the rapid growth of imports and exports in the national economies. The development of these two goods flows has different impacts: imports increase the competition in the national (domestic) market, and exports lead to the growth of the quality of national products. International investments can be in the form of direct investments and portfolio investments. Each of these forms has different impacts. Direct investments result in the growth of a national economy on the base of new technologies; thus, their main outcome is the increase of the technological level of the production system in general. Portfolio investments mean the increase of cash flows only and may vaguely influence the real sector of economy. Direct investments involve the steady development of the national production, and portfolio investments are not stable by their nature.

One of the impacts of globalization is the higher level of international competition. Competition is becoming ever stronger while the new production firms from such countries as China and Mexico are entering the international market. The modern trends of the technological development show that the way to survive in such competitive circumstances is to combine the products and services provided.

Globalization of markets and production speeds up the development of international trade. This has been obvious since the late 20th century, when the growth rates of world production were trice as low as the growth rates in international trade, and the growth rates in the world exports were 3.5 times higher than the growth rates of the world production in the respective spheres.

There are many reasons for globalization of markets and production. And almost each of them is connected with the modern informational revolution. Here are the most important reasons that facilitate the development of international trade:

1. Modern economic development is accompanied by the globalization of the demand for many types of goods. And though there are still some goods that are especially modified to meet the demands of the consumers in one certain country, more and more goods are produced for the world consumption.
2. Scientific progress makes the products more technically advanced, lighter and consequently easily transportable and saleable in the international market. The share of weightless, or intangible, services is increasing. Many of them (such as finance services, data processing services) may be supplied via electronic networks. New technologies make the total volume of consumption more expensive and at the same time lighter and better saleable in the world market. The development of communication means that

transportation now takes less time and money, and the delivery times now can be more easily controlled.

3. World trade develops due to the improvement of new technologies in production. These technologies facilitate the growth of the scale of production and research; finance, marketing and the first move advantage are becoming important. These factors imply the increasing necessity and possibility of average costs decrease by means of working on larger international markets. And their result is the accelerated development of intra-sector trade.

4. Globalization of markets develops under the influence of the trade, based on the comparative advantage, and under the influence of possibilities of risk diversification. According to the principle of comparative advantage, the trade based on specialization, is synergetic, and it creates new economic wealth. The risk diversification influences the trade in the same way.