PRIORITIES FOR INTERNATIONALLY GROWING COMMODITY MARKETS

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Abstract: The article deals with the essential features of the growing world commodity market, international commodity flows and specifies of coming geo-regional trade units.

Keywords: priorities for growth, world commodity markets, geo-regional trade units, regions, international trade flows.

Introduction
Today, intensive expansion and coming to a new level of the development are of the great importance world commodity markets are facing. By exploring the essential features of global commodity markets, we should note their global changes and a greater degree of variability compared to the corresponding branches of the national economy. World commodity market is more sensitive to fluctuations in economic conditions and new trends in international demand. In this respect, the boundaries of the world commodity markets become more flexible and mobile. The entire system of global commodity markets is highly dynamic and evolving more rapidly than industrial diversification and structure of social production worldwide. Global commodity markets are strongly affected by the internationalization of national economic complexes, international monetary and financial factors as well as multilevel mechanisms of foreign trade regulation. At the present stage of developed international economic relations, growing monopolization of the economy and emerging closed markets facing considerable importance of agreements concluded between a limited number of entities have a significant impact.

Among the scientific papers on the research of prospects of the global commodity market, it is necessary to take into account works by Budkin V.S., Lukyanenko D.G., Krugman P., Saveliev E.V., Sidenko V.R., Williamson O., Shnyrkov A. I., Filipenko A.S. and others. The analysis of changes occurring in today's geo-economic space impacted by the global financial crisis is very essential while forming new geo-regional trade groups. This is the basis for studying priorities for global commodity markets.

Thus, the goal of current research is to provide rationale for priority development of world commodity market under forming global economy.

Results
The development of social production in the world impacted by the globalization is the core issue investigated by researchers at the current phase of the international economy evolution. Scientists also focus on globalization and changes in quality and structure of world commodity markets. At the moment, world commodity markets are rapidly changing leading to the redesign of international commodity flows worldwide.

International division of labor and cooperation caused the occurrence of the world commodity market having developed due to national markets, which gradually went beyond national borders. In theoretical context and from economic perspective, the world market, in our view, is the harmonious combination of international supply and international demand for goods, labor, capital and services. Given the dialectical relationship between a whole and its parts, respectively to the world market and world markets, the essence of the latter, especially, is revealed in the relationship between states and their representatives, resulting from the formation of supply and demand for goods.

Referring to the problem of forming the structure of global commodity market, we can distinguish its following components. Firstly, the world commodity market includes national potential of countries for foreign trade that focused primarily on the implementation of final and medium goods which partner countries are interested in.

Secondly, it is worth pointing out regional components of the global commodity market. We are speaking about geo-regional commodity markets that operate within integration groups.
Thirdly, in the world commodity market, the considerable role is played by institutions acting globally. Among them are international commodity exchange, auctions and etc.

One of the important peculiarities of the world commodity market is the growing influence of financial factors on it, being considerably strengthened by the fluctuations of currency rates. Basic instruments of the monetary policy on world commodity markets are devaluation and revaluation of currency exchange rates. Abrupt shifts in currency exchange rates sometime may cause significant shifts in the international trade and commodity flows between countries as well. Especially, such shifts are observed before rapid decrease in the currency exchange rate of one of the developed countries. Additionally, a sharp increase in demand may lead to changes in the world commodity market through rising prices for goods.

Some countries, given the large role of monetary factors in the development of modern markets, are trying to influence them, making real exchange rates. However, the effectiveness of these measures is rather doubtful, resulting to their uncontrolled monetary systems. This strengthening uncertainty, which already prevails in the markets, particularly affects foreign trade transactions expected to take place in the long-run. This results in additional barriers to specialization and co-production on an international scale and growth of global commodity markets.

Today, the pattern and growth of world commodity markets are likely affected by three main factors: economic growth rate, new configuration of the world financial system and the world environmental development. Consequently, the following priorities for world commodity markets growth are worth highlighting.

First, they are becoming more global due to the emergence of new sovereign players claiming their rights to natural resources. However, markets are becoming increasingly complex. Along with the usual products, narrow mono-industries face a broad range of innovative products and high-tech services, which are so-called integrated products of inter-branch cooperation.

Second, developed countries focus on producing high-tech products according to the modern international standards, taking into account environmental requirements. In this connection, we may argue the following implications of this scenario: a) intensification of goods exchange within the group of developed countries; b) increase in goods exchange between developed countries; c) complex high-quality products and services will be exchanged not only for raw materials, but also for initially processed products.

Third, we may assume that the cost of skilled labor will grow. One of the requirements exposed by consumers will be reductions in energy and resource consumption for making products in order to reduce total production costs and improve the competitiveness of products.

Fourth, probably, there will be new battles for scientific and technical leadership in the world. A country turning the potential of the knowledge economy in the daily life of society will be the leader. It will be reflected in the structure of global commodity markets.

Fifth, world commodity markets will come to gradually erasing distinctions between military and civil production as a result of the use of dual technology and integration of innovation capabilities. As a result, the market will have increasing diversification and renewal of products and growing intellectual capacity of global commodity markets.

Sixth, there is a great probability of enhanced competition for the global use of information, communication, space, bio- and nanotechnology at all stages of production from design to disposal. In the competition will play an increasing role offer fundamentally new products, and their degree of intellectualization. Under tough competition, the supply of radically new and research-intensive products will play the increasingly important role.

It should be noted that the global commodity market have developed over the recent ten - fifteen years due to tradable raw and mineral resources that are the subject of unprecedented demand and the source of uncertainty through the combination of a number of global macroeconomic, social and business trends that have changed the competitive landscape. Among these trends are increasing demand for energy and basic mineral resources, especially in developing countries; changes in the supply of oil, natural gas and mineral resources towards remote regions; increased attention to the environmental impact of production of energy and basic materials; a sharp increase in investments needed for the production and reproduction of mineral and energy resources.

Given the intensification of global competition, increasing resource use and price uncertainty, countries and companies are facing the problem of resource supplying and labor productivity. The world commodity market is undergoing global changes in economic activity mostly notable in the field of energy and mineral resources. Growing demand for them is shifted from developed countries to
developing countries mostly located in Asian. Experts predict that amount of oil demanded by China and India will almost double and reach more than 15 million barrels per day for the period from 2015 to 2020. In our view, at the end of the period, Asian countries will reach the USA level of the oil consumption, which is the highest in the world.

As the priorities for the growth of global commodity markets, we can highlight the creation of new geo-regional economic groups. The latest example of this is the Agreement on Transpacific Partnership (TPP) signed this year by 12 countries of the Pacific coast - the USA, Japan, Australia, Brunei, Vietnam, Canada, Malaysia, Mexico, New Zealand, Peru, Singapore and Chile. In our view, this will be one of the world's largest free trade zones, which members produce about 40% of the world GDP and control a third of the world trade.

The Agreement canceled more than 18000 customs duties on American products, eliminated or reduced duties on most goods and imposed mutual recognition of many regulatory acts. Also, there will be cancellation of the Plaza regulations restricting the access of Japanese goods to the North American market. Canada and Japan agreed to open their markets for the USA dairy products and New Zealand received preferences in the USA dairy market. The Agreement intended to set the unified sanitary and phyto sanitary rules and adopt a common policy in the field of intellectual property protection, government procurement and competition.

Experts evaluated the Agreement variously. Some believe that this is a breakthrough for the economy and is a sign that it is time to change the rules of the WTO, and the pioneer creation of the Transpacific Partnership will lead to new similar associations. However, in our opinion, this will result in not equal and free trade in the region but the USA controlling over the economies of participating countries. The Transpacific Partnership is directed against China, Russia and the BRICS cooperation.

The concern was also expressed by the influential Chinese edition Global Times, which wrote that the Partnership would be used by certain members as a mechanism of pressure on Beijing, while believing that there is no reason for concern, because, such a regional association will have limited livelihood without China.

In response to the Transpacific Partnership, Eurasian Economic Union may be associated with the project "New Silk Road", which will include countries remaining outside the Pacific Partnership. Thus, we can assume that these two unions will fight for the EU market. The USA offers transatlantic relations, but Russia and China - "Great Eurasia" from Lisbon to Shanghai. According to many experts, it is one of the main geopolitical battles of coming decade.

However, Latin America and the European Union are strategic trading partners having close economic relations. So, if in 2004, the export of EU to countries of Latin America and the Caribbean basin amounted € 55.1 billion and imports - € 64.3 billion, then, in 2013, EU exports already amounted more than € 120 billion and imports increased to € 102 billion. Nevertheless, the structure of trade exchange between two regions remains traditional: European imports consist of raw materials and minerals, while exports cover manufactured goods.

It should also be noted that after the "Global Agreement" for the Association between the EU and Mexico signed in 2000, their political and economic cooperation became much stronger. Economic relationships met easier implementation of the Free Trade Agreement between Mexico and the EU, as well as technical assistance for the programs supporting small and medium businesses in Mexico, according to which more than a thousand of companies have already received financial aid.

For more than ten years of the Agreement being in action, the bilateral trade volume in absolute terms increased from $18 billion to almost $46 billion, and the total EU investment in the Mexican economy amounted more than $77 billion. In 2013, EU exports to Mexico totaled almost €27 billion, while imports from Mexico - almost €17 billion. The main consumers of Mexican goods were Germany, Spain and the Netherlands.

An important characteristic of trade relations between Mexico and the European Union is targeting Mexican exports to high-tech and innovative industrial products with added value. In the amount of Mexican exported products to the EU, in 2013, machinery was 38%, optical and photographic equipment - 10%, mineral raw materials - 30% and food products - 5%. At the same time, Mexico imports completing equipment later used in the manufacture of products for export.

In December, 1995, the EU and MERCOSUR signed a Framework Interregional Cooperation Agreement with the prospect of the establishment of the Interregional Association, which could become the world's largest free trade area counting 750 million consumers. The agreement defines the broad scope of cooperation – trade and economic relations, cooperation in the field of European
integration and cultural relations and provides institutionalization of political dialogue and stronger ties between the European Union and MERCOSUR. The agreement was the basis for the development of the EU and MERCOSUR relationships. For the European Union, MERCOSUR became the eighth trade partner by value. In turn, the EU became for MERCOSUR countries the main market of trading agricultural products, accounting for almost 20% of total imports of this category of goods. For its part, MERCOSUR countries import engineering products and transport equipment from the EU.

Active dynamics of integration processes in Latin America requires the EU-to study deeply these changes, making its own attitudes to them and flexible response to integration processes. It is also worth noting that the EU and Latin America established the strategic partnership mirrored in a joint "Action Plan for 2013-2015". Along with all the existing difficulties and contradictions, both regions express their readiness to strengthen relations in the political, economic and social spheres. In coming years, we may witness further development of broad bilateral dialogue between the European Union and Latin America.

Discussion

Firstly, the economic content of the world commodity market is opened in relations between states and their representatives on the formation and achievement of a harmonious interaction between international supply and international demand. The structure of world trade market should distinguish national potential of foreign countries to trade internationally with capital and consumer goods that highly demanded by partner countries. The structure of the global commodity market is significantly influenced by the institutions operating at the mega level. Among them are international commodity exchange, international auctions and others.

Secondly, the main priorities of global commodity markets cover the emergence of new sovereign players claiming their rights to natural resources, but, at the same time, markets generate new forms of trade protectionism. However, markets are becoming increasingly complex. Along with the usual products of narrow mono industries, we observe a broad range of high technology products and high-tech services which are so-called integrated products of inter-branch cooperation. Developed countries focus on producing high-tech products according to the modern international standards. This imply the following implications of the scenario: a) intensification of goods exchange within the group of developed countries; b) increase in the exchange of goods between the developed countries; c) complex high-quality products and services will be changed for not only raw materials, but also for raw initially processed products.

Thirdly, the strategic goal of the global commodity market is the formation of new large geographic economic groups such as BRICS and Transpacific partnership. With all the existing difficulties and contradictions, these groups express their willingness to strengthen relations in the political, economic and social fields, which may be seen in the coming years.

References


