TRADE, THEFT, OR WAR, IS CAPITAL PROCREATIVE 'FOR THE RICH ONLY'? REALITIES OF GLOBAL TRADE, THE WTO, AND PROBABLE NATIONAL ECONOMIC LOSSES AND GAINS

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ABSTRACT

'Capital is money; capital is commodities.' It has acquired the ability to increase its value due to its status as something valuable. Regardless of whether it gives birth to living creatures or simply lays eggs, the fact that it does so is in no way accidental. Everything we know, see, touch, sense, and feel is part of capital. That may not be conclusive enough in economics, but it is adequate in terms of the disparity in economic power.

Retrospectively, Adam Smith's Wealth of Nations was founded on capital and resource endowments, how they could be productively transformed into tradeable and exchangeable commodities and services, and how they could be turned into a comparative and competitive advantage. It is agreeable that international trade is key to ensuring the wheels of nations are moving. However, trade has many considerations, ranging from protectionist tendencies to factor endowments and comparative advantage. All these facets of international trade come together to present a complex plethora of theories and practices. Call it conflict, theft and/or trade collaboration; it is hard to say whether or not money is capital or a means to capital or perhaps capital for the wealthy only. Is there a correlation between the amount of capital and the number of progenies? Perspectives on the WTO and international trade theories and practices in global economics are important questions asked herein. This paper presents theoretical, conceptual and practical aspects of Mercantilisms from exchange and specialization, competitive and comparative advantage and the H-O theorem of trade.

Keywords: Trade, Competitive Advantage, Specialization, Gain, Factors, Comparative

INTRODUCTION

One of the most pivotal milestones of human civilization is trade (international trade). According to (Allais et al., 2020), international trade and economic transactions are made between countries. Trade has been at the centre of product, service and commodity exchange since the dawn of human civilization.

Further, from as far back as the 16th and 17th centuries, through a Mercantilist, as suggested by (Britannica 2020b), an approach where acquisition of gold was deemed of paramount national pursuit, trade was an engrained national feature (Smith, 2008). Around post-World War two, there was an inclination for countries to be more collaborative toward national rehabilitation and building, driven by the exchange of tradable factors and aid, and saw the formation of the General Agreement on Tariffs and Trade (GATT), which cut initially from its ambilocal codes of its 23 parents October 30 1947 (Harp et al., 2006; WTO, 2011).

Through a mutual commonness on economic pursuits and uplifting of their peoples' livelihood, WTO "*is desirous of contributing to these objectives by entering into reciprocal*

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and mutually advantageous arrangements directed to the substantial reduction of tariffs and other barriers to trade and the elimination of discriminatory treatment in international commerce" (WTO, 2011).

The new economic era would be built around liberalized borders and freedom of movement of goods and services. This progress would bring its complexities and demands; that is, national sovereignty and superiority would have to be a preserve of the strong, and the amalgamation needed to be managed at a regional and global level.

The naturally endowed would use the trim control to access technology from the well-enabled and connected. Due to this and more, some influential and pivotal milestones in human progress began to unravel: the birth of the triangle slave trade was born, the silk road was born, the spice explorations had been birthed, and the gold rush and subsequent gold standards were established. Overall, the history of trade is so wealthy.

Several aspects of international trade and the global economy are discussed in this paper. Mercantilism, from exchange and specialization to competitive and comparative advantage and the H-O trade theorem are all addressed in an essay or mini-article manner in an attempt to be robustly responsive while also taking local and practical issues into account.

I. Trade Governance: The Police of Trade from GATT to WTO

The World Trade Organization (WTO) is not different from GATT, except the GATT formed in 1947 was sort of replied in 1995 to create what is now known as WTO; that is, GATT paved the way for the WTO and enforced aspects of the GATT (Allais et al., 2020). The basis of the repel was to accommodate the developments in overall trade among members to cover new developments and articles such as intellectual property, which were not covered under GATT but could be covered under WTO (WTO, 2011).

The organizational structure of the WTO

The Ministerial Conference is the topmost and highest decision structure within the WTO. This comprises Ministers of Trade and related national services from all member countries; the conference, through the general council, leads three primary committees and 13 sub-committees which are mandated to implement the various decisions made at each bi-annual ministerial conference (WTO, 2010). The special committees and councils include the council in trade of goods, the council of trade in services and the trade policy review body.

Lastly (WTO, 2010) reports that the Ministerial Conference established three other bodies and reports to the General Counsel. The Committee on Trade and Development is concerned with issues relating to the developing countries and, especially, to the "*le*"st-developed"*a*"on them. The Committee on Balance of Payments is responsible for consultations between WTO members and countries which take trade-restrictive measures under Articles clauses of GATT to cope with balance-of-payments difficulties. Finally, a Committee on Budget deals with WTO financing and budget issues.

The efficiency of the dispute mechanism of WTO as compared to GATT and how disputes are settled

Every place with diverse interests and power distance heterogeneity needs a clear, robust and strong dispute settlement resolution mechanism. This submission is of the view that the WTO has more efficient conflict resolution mechanisms as compared to the GATT, even though WTO just built on what already existed and bridged some gaps; under the GAT, cases dragged on for years without proper dispute management.

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Lastly, the WTO is said to possess one of the most active international dispute settlement mechanisms in the world; records show that since 1995, 600 disputes have been brought to the WTO, and over 350 rulings have been issued; as compared to GATT (Rode, 2019; WTO, 2021; WTO, 2010). Some cases had received resolution in a sufficient time, which is encouraging and vilifies GATT of complete obsolesce, i.e. such as the case of Domestic International Sales Corporation's case (which arose under GATT) and the Foreign Sales Corporations case (which was settled through WTO procedures), the Steel case (GATT) and the Patents case (WTO), the two Hormones cases under GATT and the WTO respectively, the Citrus case (GATT) and the Bananas case (WTO) (Gray & Potter, 2020; WTO, 2021; Zangl, 2008).

II. Is Mercantilism a Bankrupt Theory That Has No Place in The Modern World? An Opinion

Though deemed bankrupt, this economic concept has a meaningful life in today's economic and political systems. The salient mechanisms tendencies are observed in some parts of Asia, Europe, America and some African countries such as South Africa. Conceptually the theory is impecunious. Practically it is a deed of subtle implementation.

Grounded in economic absolutism for building a powerful and wealthy state, Mercantilism has been an economic management practice where governments regulated national economies as means of strength versus other economies (Britannica, 2020b; LaHaye, 2011). This system's main drivers were heavy importation of gold and steel and free cash circulation available over the availability of goods; there was a tight grip on importing any other goods except for metals. This, in return, inspired monopolistic behaviours and the establishment of monopolistic trading companies, i.e. the East India Company and some Eurocentric commercially driven military wars (Britannica, 2020b).

On the bankruptcy of Mercantilism, Smith, in 1776, criticized it as an absurd system, which was unrealistic and called it ‘the conspiracy of the national manufacturers against the consumers. The reasoned infuriation was because of the restrictions on imports and free will to purchase goods from outside countries (Smith, 2008).

Further, Henry George “*What protection teaches us is to do to ourselves in time of peace what enemies try to do to us in time of war*” (George, 2017).

However, Keynes argued that the mercantilists' plea was focused on the favourable balance of trade and the positive flow and circulation of a lot of money (Magnusson, 2019).

According to (Conti, 2018), Mercantilism has received renewed interest and contestation among economic theory scholars on whether Mercantilism be viewed as a disjointed economic thought or if it has a possible chance to be reconstructed in its fundamental principles and make meaning in today’s economic thinking and life.

What remains true is the approach is very much applicable to the fourth industrial revolution world order and is being pursued on many fronts. For example, it is used in building exchange reserves in China (Schroder, 2017), where Mercantilism aid accounts for at least 10% of foreign reserve accumulation—maximizing e-commerce in China-in-land (mainland) as a means of dominance by asymmetrical internet and social media among citizens (Chu & Lee, 2020).

In conclusion, this principle's theoretical discourse of insufficiencies may be acceptable with all this at play. However, Mercantilism as a bust concept does not qualify as the ways of mechanisms still alive in Europe, Asia and the Americas. Despite the dagger with Adam Smith in its hearing in the seventieth (17th) century (Hooper, 2011; LaHaye, 2011). Finally, a trot around global economies and international trade shows that salient practices

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with countries refuse to call mercantilist in fear of economic victimization and conceptual archaicism.

III. Meaning of Gains from Exchange and Gains from Specialization

Understandably, gains from exchange and specialization are outcomes of given market activities, including governments, consumers, businesses, and foreigners. This could be a factor market, which is a place where businesses can purchase their factors of production, i.e. labour, land, capital and land or the labour market, which is a market where houses supply goods and services, the product market relies on the supply and demand to determine the price of its goods and services (Schiller & Gebhardt, 2009). Either of the mentioned markets can be denoted as national or regional.

Consequently, a market is a place of exchange and or where goods and services are sold and are, in natural and hypothetical terms, a place where buyers and sellers meet and interact, as shown in figure 1; further, the government is an active participant in the product market and exercises its roles through the collection of taxes from the players and expenses through national expenditure (Schiller & Gebhardt, 2009; Tejvan, 2021).

Given the background, gains from exchange are forced by the fact that we cannot produce everything we need but can exchange either via purchase or batter what we need, i.e. goods and services from a market. Supply and demand directly affect prices and quantity of supplies within specificities' marks. The concept of exchange for what we cannot manufacture nictitates the need for specialization, producing tone or few products and services at optimum efficiency; these conditions are given that the ability to produce and or access one's needs are not unlimited. Thus one's limitedness, production ability, access to capital or resource inadequacy may be time availability.

Further, comparatively, there is no loser in the end except for winners or gainers; gains are measured from two angles gained from exchange and gains from specialization. A country producing one particular product gains from the exchange with another country producing a product it needs, i.e. the case of African metals in exchange for Technology from the west. Further, when it comes to computation, one country can produce one product per unit of labour said to possess an absolute advantage.

It, therefore, holds that specialization increases total productive outputs. A productivity possibility analysis suggests that countries can produce at different optimums given a combination of alternatives of goods and services. Besides, as resource availability and improvements in technology are added to the analysis, the more positive the results are (Schiller & Gebhardt, 2009). Thus gains from specialization are a total output of two nations, with respect to the different products and services they can produce.

In conclusion, both the gains from exchange and specialization are wonderful and necessary for nations, except it is not always easy to get the mechanism working efficiently. In the advent of globalization, the poorer are victims, and the richer are guaranteed. Besides, there's no ceteris-paribus in this scenario. Despite that factor affecting gains, the markets have their dictates. The government can control the local economy but has little influence on the broader scope of things, the regional and global marketplaces.

IV. The World's Poorest Countries are At a Competitive Disadvantage in Every Sector of Their Economies; An Opinion

The advantage and/or disadvantage are a battle for capital, an action deeply engraved in capitalism and served by the more prosperous global nations. Inconspicuously, there could even be a sponsor of the disadvantage—no name mentioned.

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In the words of renowned global economist Dambisa Moyo, ‘Capital is money; capital is commodities (Moyo, 2009). Under its being valuable, it has acquired the ability to add value to itself. It brings forth living offspring or at least lays eggs’ not coincidental at all. Capital encompasses everything we know, see, touch, sense, and feel. That may not be economically definitive enough, but that is just definitive sufficient for the economic power disparity.

In retrospect, as inscribed in the Wealth of Nations by Adam Smith (Smith, 2008) was based on capital and resource endowments, how they could be productively turned into tradable and exchangeable goods and services, and how they could be turned into a comparative and competitive advantage.

Developing countries do not possess enough teeth to bite at the giants (Coxhead, 2007; Moyo, 2009). They are like toothless lions who can throw economic tantrums and yet not do anything after the noise of tariffs, particular loans, and special import agreements. They lack the capital to influence economic discourse and yet make decisions that would be impactful. To say the least, it was reprehensible that those that lack such luxuries cannot afford the frugality of the wealthy nations, ‘we are undisciplined’, but there’s a chance to. The incompetency, graft, and corruption at a national level, be it in economics or political-economic management, is worrying. My country Zambia is a classic example.

The case of poor economies has been unevenly planned and played for so long, but this is also a time to begin a reflective yet progressive thinking about national economic management alternatives and raise a voice through strengthening regional treaties and agreements on economic development and trade. To start to reconsider exports of raw materials and process all-natural endowments and extract them into finished products. Until then, the disadvantage will ravage the generations to come and be masked as aid and support.

In conclusion, Moyo (2011) suggests that much like the ‘shift of power lies in a series of political and economic choices made by governments, business people and governments, the question remains as to whether we can make the tough choices as alluded to earlier.

Lastly, despite some progress in pushing back and speaking up among the world’s poor economies, it will still take a lot to get attention if it is not loaning being used as baiter and or a power cohesive tool, its restrictive trade, and maybe on another occasion lack of support on unilateral and bilateral agreements. The hope lays in a stronger united voice of the so-called disadvantaged.

V. General Equilibrium Effects Associated with Free Trade, as Noted in the H-O Theorem

Heckscher-Ohlin, model or theory (H-O Theorem) concerns itself with matters of comparative advantage of nations; it argues that the output of nations would increase productivity significantly if the laws of comparative advantage were followed, that is, using a comparison matrix of a country’s varying natural resources endowments and specialities in terms of commodities and other factors, with a well thought out opportunity cost velarization (Britannica, 2020a; Economics-Online, 2019; Kopp & Kindness, 2020; Schiller & Gebhardt, 2009).

Before we look at the equilibrium effects associated with trade as influenced by the H-O theorem (Britannica, 2020a; Kopp & Kindness, 2020) suggests that it is essential to acknowledge that equilibrium is a state or market condition where supply and demand balance out, giving a market condition where prices are stable. Further, supply and demand laws dictate that an oversupply of a service or product forces prices down, resulting in higher demand, while a shortage of lower supply causes prices to rise.

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That established, the effects are such that they are grounded in resources availability versus labour; it further holds that two factors can freely move between industries and countries, i.e. oil versus steel or computers versus clothes.

The principal is calculating which product is labour intensive to produce compared to the home country's availability. Further, it holds that goods are tradable between countries, but labour and capital are stationary or domiciled in their places (nations) of comparative advantage. On the contrary and not practical, the H-O theorem considers consumers' tastes in different countries to be the same. It assumes that countries possess the same level of technologies and productive capacities.

CONCLUSIONS

In conclusion, we have observed different phenomena from above; the critical consideration is comparing labour availability and free trade to those mentioned earlier. The H-O model holds that when countries engage in free transactions, a direct effect on the productive output of prices, salaries (wages), and the price paid for capital comes into force. Further, if one country possesses abundant capital in the form of labour, introducing free trade with another country may increase capital rent and lower real wages, that is, rents. Simply expressed, income redistribution occurs as a result of changes in capital flow.

Finally, trade is based on solid mutual relationships. These relationships have critical benefits, such as avoiding wars and improved international relations. On the other hand, developing countries' economies and industries struggle to compete with international imports, which contribute to wiping out local industries. While governments do not always have complete control over all agreements with most of the trade exchange between or among countries, they do have oversight of the movements of goods, services and people – a phenomenon they manage and regulate. To add on, a phenomenon that partly makes them seek alliances on the governance of such matters with the WTO. Conclusively, as the Chief Trade Police Officer, the World Trade Organization working with governments and private sector players, must partner in overseeing economic trade and ensure that the outcomes are mutually beneficial and free of unfair or unethical practices.

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