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PRIORITIES OF DEVELOPMENT OF THE GLOBAL COMMODITY MARKET IN THE CONTEXT OF GLOBALIZATION

Summary: *This article explores economic essence of the global commodity market and specific characteristics of its development in the context of globalization. We have defined modern trends in functioning of the global commodity market. Furthermore, reasons and phenomena the interaction of which forms foreground trends in development of global flows of commodities in the context of globalization have been analysed.*

Key words: priorities of development, global commodity market, global economic complexes.

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ПРІОРИТЕТИ РОЗВИТКУ СВІТОВОГО ТОВАРНОГО РИНКУ В УМОВАХ ГЛОБАЛІЗАЦІЇ

Анотація. *У статті досліджується економічна сутність світового товарного ринку, особливості розвитку цього процесу в умовах глобалізації. Виокремлені сучасні тенденції функціонування світового товарного ринку. Проаналізовані причини і явища, взаємодія яких формує пріоритетні напрями розвитку світових товарних потоків в умовах глобалізації.*

Ключові слова: пріоритети розвитку, світовий товарний ринок, міжнародні господарські комплекси.

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ПРИОРИТЕТЫ РАЗВИТИЯ МИРОВОГО ТОВАРНОГО РЫНКА В УСЛОВИЯХ ГЛОБАЛИЗАЦИИ

Анотация. *В статье исследуются экономическая сущность мирового товарного рынка, особенности развития этого процесса в условиях глобализации. Выделенные современные тенденции функционирования мирового товарного рынка. Проанализированные причины и явления, взаимодействие которых формирует приоритетные направления развития мировых товарных потоков в условиях глобализации. Ключевые слова: приоритеты развития, мировой товарный рынок, международные хозяйственные комплексы.*

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Issue Statement: Modern trends in development of the global commodity market and examination of the latter as one of the major indicators of interaction of national economies, and those, in particular, which are characterized by novel technological basis, require determination of priority trends dominating in this process.

Analysis of the latest researches and publications: Analysis of development of the global commodity market constitutes the subject of research work of a large quarter of scientists. Among others, we should note here such publications as those by D. Blumenau, D. Daniels, G. Stigler, P. Krugman, P. Kotler, I. Burakivskiy, A. Filipenko, O. Shnyrkov, V. Sidenko, R. Zabolotska, T. Tsygankova, I. Zhurba etc.

The goal of the present economic research lies in substantiating priorities of the global commodity market in the context of expansion and dynamization of global processes in the world economy.

Results and Discussion: Transformation of the global economy, economic interrelations of countries all over the world, implementation of practically useful achievements of scientific and technological development into production, changes in political and social environments, that impact natural phenomena have on the environment, re-direction of flows of commodities, and development of infrastructure are conditions of a great significance. Among other factors of accelerated economic growth of countries of the world community, development of the global commodity market takes one of the leading positions. And, especially, the role of foreign trade relations becomes more and more important in the current situation when intense development of processes of international economic integration, internationalization, global division of labour, international migration, and globalization of the world economy are accelerating. In the meanwhile, globalization in our days is, in the first instance, a versatile process involving all fields of the world economy, such as production, distribution, exchange, and consumption. Most significantly, globalization is represented in formation of the world commodity market. There are lines of activity in this market developing and expanding intensely that are clearly distinguished. These should include trading in commodities, technologies, raw materials and services.

Along with the global commodity market, the international market of goods and services is coming into the spotlight. World trade in goods and world trade in services are interrelated. In the process of exporting goods,

more and more services are provided, from market research to transport and logistics ones. The commodity market has lately become a field of economy which plays an important role in economic development of many countries around the world. New commodities of high demand have appeared in the global market facilitating their transformation that resulted in new emerging directions of their movement within international transport corridors linking all international economic logistic complexes on all continents. Transformation of global flows of commodities on different continents is, thus, a rather prospective field. This line of international commodity exchange is a fast-developing one and at the present moment takes a significant place among components of the global market. It reflects a progressive shift of our civilization to a higher level of development, where needs in high-quality products are one of the main fields in social demand [1].

It should be noted here that the higher is the share of commodities produced by domestic economy in the gross domestic product, the higher is the level of economic development of countries all over the world. Therefore, the global commodity market marks a shift of our civilization to a new level in economic development. The contemporary global market is gaining in significance due to its growing influence on development of international relations and improvement of an economic state of countries and separate regions, as well as to an emerging opportunity of replenishment of currency inflows from countries all over the world. The global commodity market has significantly expanded and modified in the process of scientific and technological revolution. The very structure of commodities has undergone significant changes. Commodities the production process of which involves novel technologies are dominating in this structure. Increase in the scale of modern hi-tech equipment trading should be considered as one of the forms of integration of various national economies, interrelation of which stems from expansion of commodities trading in world markets. At the same time, the process of internationalization of production and consumption of goods and services is accelerating as well.

Turning to the conceptual basis of establishing partner relations, it should be noted that today one of the most prospective trends in studying this phenomenon lies in using the network approach within the framework of which investigation of currently existing relations that are being established as a result of social and economic interaction of business partners takes a leading role. This approach states that success of business lies, in the first instance, in interaction of business partners based on long-standing co-operation that implies both formal and informal relations between its participants. And it is exactly the development of partner relations that not only gives rise to new opportunities of establishing business, but also opens a further competitor edge resulting from increase in the value of services provided. It should also be mentioned here that production issues in many industries are solved using this very approach. And due to this, quite a few of transport and logistics, intermediary and trading companies enter into partner relations forming integrated centres of processing, delivery and transfer of cargos.

The global commodity market of today is developing and diversifying quickly, transforming its flows of commodities. Improvement of welfare, more free time and sophistication of commodities that require maintenance using high technologies provide a possibility to many countries to take a special place in the field of international trading. The latter has a range of specific features compared to conventional domestic trade, it has its own specific character, including non-sensitivity, non-separability of production and consumption, and inhomogeneity or volatility. Foreign economic operations in commodities are subject to customs control, while international services are exempt from the latter. Modern commodities in the global market can be capital- or science-intensive, be of industrial or private nature of production, require a high level of qualification of manufacturers or be involved in global commodity markets. Functionality of the global commodity market in each country has its own specific features. Each country takes certain actions to support an element of its commodity market that has prospects of further domestic development and scientific and technological advancement. Specialization of a country in any specific commodities depends on its level of economic development.

International division of labour, as well as international co-operation served as a background on which the global commodity market emerged starting to develop on the basis of internal markets that, step by step, stretched beyond their national borders. International markets are the key link in the global market of commodities, capital, labour and services. Within a theoretical context, the economic meaning of the global market, in our view, lies in harmonious combination of international supply and international demand for commodities, labour, capital, and services. Taking into account the dialectic relation, both in its integrity and separate parts, of the global market and the global commodity market respectively, the very essence of the latter reveals itself in relations between states and their representatives that emerge in the process of formation of supply of and demand for commodities. Sharp increase in supply may result in changes in the global commodity market and rising prices of respective products. Liberalization of trade within the European Union and with its neighbouring countries, as well as removal of trade barriers facilitate more effective allocation of resources, improvement of welfare in the given countries in particular and in the global community on the whole [2].

Concerning the issue of formation of the global commodity market structure, the following constituent parts of the latter can be defined. In the first instance, the global commodity market includes national foreign economic prospects of countries all over the world that are directed, first of all, toward realization of goods intended for industrial use and products of mass consumption in which partner countries take interest. Second, within the global commodity market regional components should be defined. These, in the first place, include georegional commodity markets active within integration groups. Third, a significant role within the global

commodity market structure belongs to those institutions that are acting on the mega-level. These include international commodity exchange, international auctions etc.

Increasing impact that monetary and financial factors have on the global commodity market is an important characteristic of the latter as they increase in the context of current floating exchange rates. Currency devaluation and revaluation carried out in global commodity markets are the major instruments of the monetary policy. Risks of a shift in foreign currency exchange rates in some cases give rise to a rather essential transformation of global trade and changes in commodity circulation between certain countries. Furthermore, foreign investments are predominantly made in spheres other than the production sphere which is of the first priority to raising the level of development of a domestic economy. Wholesale and trade intermediary, food industry, financial activity and transactions in real estate are dominating among priority spheres of foreign investments.

The current stage of development of global trade gives evidence to its consistent growth. It remains the main form of international relations and gains more new characteristics that reveal themselves in its versatility as a convincing factor of steady functioning of national economies of countries within the global community. The main essential trends that are intrinsic to global trade of today include, in the first instance, increase in its scale that has been observed lately. This fact is manifested by growth in the global foreign trade turnover, continuous diversification of goods and services being realized in the global market.

Second, the structure of the global commodity market of today is expanding rapidly. At the present moment subjects of foreign trade relations include all countries, integration associations, state departments, offices of given countries and multi-national companies, business entities and individual persons, as well as their various associations around the world. On the other hand, industry-specific structure of the global trade expands tending to cover more and more new industries and types of national production of countries all over the world.

Third, increasing intensification can be observed in the global trade. And first of all, this intensification affects its dynamics. At the present moment, the rate of growth in export and import operations in most states of the global community is higher than, for instance, the rate of growth of industrial production in those states. The ever increasing share of foreign trade commodity circulation in gross domestic products of countries all over the world, the share of import and export per capita in some countries, their integration associations and regions give evidence to existence of such a tendency in development of the global trade.

Fourth, priority landmarks of current development should be defined within formation of the global commodity market. First of all, a shift of the focus in the global foreign trade commodity circulation toward the sphere of international trade in innovation products should be noted here. Predominant realization of commodities defining scientific and technological progress is another prospective line of development of the global commodity market. In the first instance, this anticipates facilitation of entrepreneurship and its international forms in which advantages and novel achievements concentrated in the global scientific and technological potential are used effectively and promptly.

It is worth mentioning that ensuring effective and steady functioning of the global commodity market requires a stable political and economic situation in the world and in its regions. During the last decade global commodity markets have been exposed to significant military and political influence. Essential changes took place in markets of raw materials, since the events in the east of Ukraine and geopolitical tension in the Near East have caused changes in movement directions of commodities, and of gas, oil and electric power in particular. Re-division of flows of commodities and changes in the geographical structure of commodity markets has significantly instigated a shift toward multi-polarity of the global economy which has been rather painful from the civilizational perspective. Taking the foregoing into consideration, it should be noted that raising the level of control over some markets is of a great priority in development of the current situation in the global commodity market in terms of humanity.

During the period of economic crisis complicated situations of humanitarian and economic nature can be coped with only if we provide professional response to changes in the relation of elements of the market mechanism by basic consumer goods that would give regulatory momentum to supply, demand and, respectively, to prices. It is worth mentioning here that at the same time there is an ongoing process of searching ways of improvement of control over functioning of the global commodity market by international organizations. Thus, within the framework of the WTO, attempts are undertaken to find answers to such questions as modeling conditions in which trade in raw materials and finished goods in global commodity markets would have a positive effect on development of the economy of states in the global community. The WTO reports that since 2000 four main trends has been distinguishable within this context.

The first trend lies in acceleration of economic growth in countries that is accompanied by buoyancy of international trade and changes in control over it which, first of all, is manifested in decrease in rates of customs duties, as well as by reduction in use of non-tariff regulation methods, improvement of investment climate, development of infrastructure and, in particular, establishment of international economic complexes.

The second trend lies in expansion and deepening of global value chains that are developing intensely at the present stage. Engagement in the process of establishing such chains enables many countries □ and especially developing ones □ to improve their macroeconomic indicators. The most successful among these are those countries in which a relevant business environment, a favourable investment climate, and relevant transport and logistics infrastructure are well-developed.

Third, unprecedented fluctuations of prices of raw materials and food have significantly changed the situation in global commodity markets. Fluctuations of prices of energy carriers have caused sharp increase in prices of goods and services resulting in their deficit. It is important that in the context of such changes it is rather hard to determine the ultimate cost of goods and services.

The fourth trend lies in macroeconomic shocks that have significant influence on global markets and on the market of scientific and technical innovations in particular. This fact facilitates rising of the level of science-intensity of commodities, reduction in their material-intensity and power consumption of finished products, as well as deepening of foreign trade relations that have changed significantly under the influence of military and political situation. Conditions impacting development of the global commodity market significantly include climate change, pestilences, consequences of destructive natural disasters, purchasing power of the population of affected regions, the territory of fertile lands, and sufficiency of water resources [3].

Therefore, adherence to principles of the theory of comparative advantage of mutual demand that introduced the definition of international value is an important factor in development of the global commodity market. The main idea of the theory is limited to that fact that in the context of free trade in global commodity markets commodities will be exchanged provided a price ratio that is established within the range of comparative prices of commodities sold or bought in these markets, which exist inside each country. An exact ultimate level of prices in mutual trade will depend on the amount of global demand for and supply of these commodities. With regard to the aforesaid, it should be noted that if the principle of comparative advantage is not taken into account, this will lead to a miscalculation in the national policy of foreign trade.

Unfortunately, such a situation is now observed in Ukraine. Miscalculations of the government in the foreign trade strategy have deprived our manufacturers of support in promotion of their commodities in global commodity markets. This is especially obvious in the Free Trade Agreement signed between Ukraine and the EU that somewhat limits flow of Ukrainian goods to the European market. On the basis of the theory of factor endowments, our country has a potential to export commodities for which there is a comparative excess of factors and to import those ones for which the factors are relatively scarce. This is especially relevant to agricultural and hi-tech products. However, on the whole, at the present the tenets of the theory of factor endowments have not lost their significance as one of the most essential theoretic basis of priority development of the global commodity market.

It is worth mentioning here that at the present stage a set of these conditions has determined new vectors of development in the global commodity market. Geopolitical instability on different continents has caused re-determination of geographical directions of supply of raw materials and finished goods. Trade in energy resources and raw materials between developed countries is expanding. While the rate of growth of trade in raw materials has always been higher than that of production, the scale of trading is moving toward increase in the volume of production. At the same time, the commodity structure of global trade becomes more and more sophisticated due to increase of the share of semi-finished goods characteristics of which are changing in response to their environment [4].

Therewith, economic growth of Asian countries has significantly instigated increase in demand for raw materials, as well as changes in the global commodity market structure and, thus, price rise. As a result, while at the previous stages there was a long-standing worsening of conditions for raw materials exporters, during the period of raising of price of such goods these conditions have improved for exporters of raw materials and worsened for those of finished products raising concern of participants of foreign trade activities [5]. Price shocks in raw materials markets require comprehension of the factors they have resulted from and determination of ways of overcoming such a situation. Assessment of the optimal state of the raw materials market, transportation possibilities and fluctuating choice of sales markets in the context of globalization are among key aspects of this process.

With regard to the aforesaid, international trade operations should be realized on the basis of functioning international and national transport and logistics complexes efficiency of which enables reduction in transport expenses which, in turn, demands decisive actions on development and implementation of innovation projects and availability of relevant transport and logistics infrastructure. The latest tendencies of re-directing global flows of commodities set out requirements to the transport and logistics industry with regard to increase in transportation speed and, therefore, to construction of high-speed and multi-functional modernized motor ways, junction stations, and seaports and airports. Such requirements to the infrastructure significantly raise the value of constructional and maintenance expenses. Comparison of temporary expenses and the cost in total confirms that fact that old technologies are not of current interest and that issues in the transport and logistics industry can only be solved at the global level provided use of innovation technologies.

Thus, in the context of free flows of commodities and within the framework of an integrated global commodity market the amount of national terminals is decreasing while they are replaced with unified international economic complexes that mean less elements of the infrastructure. Along with formation of regional distribution centres, large manufacturers facilitate accumulation, processing, servicing, division and delivery of their products at regional scale. With regard to this it should be noted that we can observe a tendency toward consolidation of European international economic centres and their integration to European platforms enabling consolidation of large batches of products for their further transformation into a single flow of commodities in the global commodity market within the context of globalization.

Conclusion: The contemporary global commodity market is characterized by a sophisticated tangle of conditions and factors of the current situation, and changes in development of the former should be considered as a result of such an interaction. It should be mentioned that chronologic concurrence of macroeconomic shocks, fluctuating development of commodity markets of some countries around the world and geopolitical instability has resulted in transformation of global flows of commodities. Changes in the current situation in global commodity markets that have been influenced by current trends in scientific and technological progress require re-consideration of methods used in examination of the current state of global commodity markets. These trends should be taken into account in substantiation of priority landmarks of development of global commodity markets within the context of globalization.

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