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## The New Nature of Trade (Abstract)

By Nico Colchester

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'This is the age of skill, when competence is king,' says Nico Colchester in a revealing look at the economic forces that are reshaping the world for nation states, corporations, and individuals alike. With technology and cheap transport the most powerful forces driving world trade, with multinational companies multiplying and trading blocs thriving, national boundaries no longer provide the protective curtain they once did. Geography and political boundaries are finally giving way to globalization.

To support this argument, Colchester uses United Nations statistics to show that fully one-third of world exports now consist of goods flowing between different parts of the same companies; and that the stock of factories and subsidiaries owned by companies outside their home countries is growing 'at a prodigious pace' - an average of 5.6 percent a year between 1989 and 1994. There are now as many as 40,000 multinationals and between them they have 250,000 subsidiaries in countries outside their home base. His conclusion: 'the world is becoming steadily less able to be divided and ruled in country-sized pieces.'

The result of this dramatic reshaping of world trade, according to Mr. Colchester, is that companies are finding their future security is based upon their competence rather than upon their nationality. They must concentrate on what they do best, and do it in international partnership with other companies doing what they do best. Conglomerates are 'out' and outsourcing is 'in' as the corporation becomes more focused on its strengths and its global potential. Meantime, blocs of contiguous nations are coming together to form free trade areas, helping to speed up this process. Perhaps the clearest expression of this trend is that trade between nations, and the rules that govern it, increasingly resemble the commerce and regulations that apply within individual countries.

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