

## Political and economic factors of sea crossings and its impact on development of international trade

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### **Abstract :**

The developments in global trade with the significance of maritime transport are in relationship to each other, as the sea crossings are an important strategic component in international relations. They have an impact on the nature of relations between the persons of the international system, and even in the decision-making process. This article aims to discuss the role of sea crossings in international trade, as the sea crossings define territorial waters, and the right of countries over the neighboring region, good integration of sea crossings gateways and trade corridors achieves economic benefits,

The research problem of this study revolves around revealing the role that sea crossings play in international trade, as they have an important role in the economic and strategic aspects, and they represent the most important economic artery in transporting crude oil, minerals, agricultural and industrial products, creating jobs, supporting food security, protecting the ocean environment, providing crucial linkages in global supply chains and are essential for countries to access global markets and leading to the reconstruction of regional socio-economic development.

**Key words :** Political and economic factors, Sea crossings, International trade.

### **Introduction:**

The sea crossings has greater importance in the international trade as it facilitate the flow of goods, regulate trade routes at sea crossings, monitor the conduct of maritime commercial activities between countries and economic companies, work to protect their trade from piracy and attacks, guarantee their rights, and prevent illegal international trade.

This paper try to appear the important role of sea crossings in international trade, and to reveal the benefits of the sea crossings in developing the international trade.

The problematic of this subject is:

What is the role of sea crossings in international trade?,

To solve this problematic we devide this study to these axis:

- 1-The seacrossings and the development of international trade
- 2-International trade functions of sea crossings
- 3-Political and economic aspects of global trade
- 4- Political and economic factors of sea crossings impacts on international trade
- 6-Benefits of sea crossings on international trade
- 7-Challenges of sea crossings international trade shipping

### **1-The seacrossings and the development of international trade:**

Marine transportation through sea crossings may provide a substitute for roads and rail, depending upon cost, time, and infrastructure constraints. Other important marine transportation activities<sup>1</sup>. The important or sea crossings is real because without open seas there would be limited open trade<sup>2</sup>. Furthermore, the sea crossings provide naval power, that have transformed the world into a modern interconnected oceanic system, and that have contributed to the country's economic success. The economist Mearsheimer acknowledges the importance of the role of naval power in making "off-shore balancing" strategies possible for a regional hegemon<sup>3</sup>.

#### **A-Definition of sea crossings trade shipping:**

Cross-trade shipping is a crucial component of global commerce, enabling the efficient transportation of goods across international borders. It involves cargo movement from one country to another, bypassing the country where the shipping company or freight forwarder is based.<sup>4</sup>Sea crossings are affected by a wide range of economic, technological, and geopolitical developments. Shifts in global production and international trade are affecting sea crossings traffic activity levels and operations<sup>5</sup>.

#### **B-The sea crossings and international trade within the globalization impact:**

Global tendencies in the world are great challenges and also important opportunities for economies. Globalization of the markets represents the most significant features of the world economic development during the last decades. Globalization impacts have changed the rules of the world competition. Global strategy is based on the search of the balance between the local adaptation and global standardization.<sup>6</sup>

Globalization including political, social and economic processes is associated with multinational companies and investment, international trade and regionalism, global finance, through which an increasingly free flow of ideas, people, goods, services, and capital leads to the integration of economies and societies as a result of the growing scale of cross-border trade of services, flow of international capital and technologies.<sup>7</sup> Foreign investments are commonly linked with the globalization of production, as corporations invest abroad in search of lower production costs and new markets<sup>8</sup>.

Globalization is heralded or disclaimed, as beneficial or detrimental to global stability, the environment, peace, and sustainable development. Globalization has increased the demands for maritime shipping, while maritime shipping (as an integrated component in a larger goods movement system) has more fully enabled globalization<sup>9</sup>.

## 2-International trade functions of sea crossings :

Sea crossings play an important role in global commerce, enabling the efficient transportation of goods across borders. Here are some of functions of sea crossings<sup>10</sup>:

1. Transportation of goods: Sea crossings provide cost-effective and efficient routes for transporting goods over long distances.
2. Global Supply Chain Connectivity: Sea crossings connect producers with consumers across the globe, enabling the flow of goods within complex supply chains.
3. Access to Markets: Sea crossings provide access to distant markets.
4. Trade Balances and Competitiveness of industries in different countries and stimulating economic activity.
5. Trade Routes and Corridors: Sea crossings establish important trade routes and corridors that shape global trade patterns. Strategic maritime routes provide shortcuts for ships traveling between major trading regions.
6. Economic Development: Sea crossings contribute to economic development by fostering trade, investment, and industrialization<sup>11</sup>.

## 3-Political and economic aspects of global trade :

Businesses must comprehend and adjust to the political and economic variables that affect international trade if they are to improve in the global marketplace. Following are some tactics for dealing with these elements:

1. **Staying informed:** To spot potential hazards and possibilities, businesses should keep an eye on political and economic events in their target countries. By using this data, businesses may make well-informed.
2. **Diversifying markets:** Businesses can lessen their exposure to political and economic hazards in any one nation by spreading their markets. Businesses can benefit from advantageous trade policies in exchange rates by diversifying their markets.
3. **Building relationships:** By forging solid bonds with regional partners, firms may better negotiate the challenges of global trade. Local partners can offer insightful information about the state of the market, legal needs<sup>12</sup>.
4. **Political institutions:** become linked to the social institutions that organize interests. Some political institutions encourage tight links between narrowly organized interests and government;

others create governments that are necessarily more responsive to broad interests. Democracy is an important factor in this equation. To varying degrees, democratic institutions force politicians to respond to broad constituencies rather than the narrow base of support that we might find in a personalistic dictatorship, for example. This logic suggests that in general, moving toward more democratic institutions should empower broad interests and in many cases support movement toward freer trade. Recent waves of democratization have gone hand in hand with trade liberalization<sup>13</sup>.

**5. Adapting to change:** Businesses must be ready to modify their plans to take into account shifting political and economic circumstances. This could entail changing price tactics, finding supplies, or finding markets<sup>14</sup>.

## **5- Political and economic Factors of sea crossing impact on international trade :**

### **A-Political Factors :**

Political issues have a big impact on commerce because they define the laws and rules that control how products and services move across borders. Several significant political elements that have an effect on global trade include:

**1. Trade policies:** Governments establish trade policies, which can either promote or impede global trade. Examples of these policies include tariffs, import quotas, and export subsidies. Liberal policies encourage free trade and globalization, whilst protectionist policies work to shield home sectors from foreign competition<sup>15</sup>. Political policies and other government concerns, such as the relationships between trading nations, are highly important to the growth of international trade<sup>16</sup>.

**2. Political stability:** Promoting international trade requires a politically stable environment. Political instability, such as civil disturbance or a change in the ruling regime, can obstruct trade, leave businesses insecure, and discourage international investment<sup>17</sup>. Political tensions also may considerably hinder all aspects of economic integration such as trade, investment, supply chain, and transport logistics<sup>18</sup>. As an example, the war in Ukraine and the conflict between Israel and Hamas in the Middle East—further complicated by Houthi missile attacks on ships in the Red Sea—highlight the extent to which geopolitical developments are a key determinant of global economic performance in 2024.<sup>19</sup> Increased restrictions due to tensions between countries can disrupt trade flows and cause supply chain problems. Restrictions can also affect commodity prices and lead to shortages of key resources such as oil and gas, affecting industrial production worldwide. The global economy can experience higher inflation, lower growth and significant welfare losses in times of geopolitical tension. In this sense, governments can influence economic activity through various fiscal policies (taxes and spending), and economic and strategic decisions based on different priorities, depending on their political orientation. Further, rising populism poses significant threats to long-term stability and economic performance. Populist governments often implement policies that can bring short-term benefits at the expense of long-term sustainability. Such policies include trade protectionism or increased government spending (fiscal expansion), which can disrupt global trade flows, increase market volatility and hinder long-term growth<sup>20</sup>. Thus, the integration of many developing countries into the global economy and their

emergence as key players in international trade gives to these countries a competitive advantage and produce better trade outcomes<sup>21</sup>.

**3. International relations:** are significantly influenced by diplomatic ties between states, while strained relations can result in trade disputes and sanctions, good relations can facilitate the negotiation of advantageous trade deals<sup>22</sup>. In the absence of international conflicts, nationalist emotions are low. Consequently, consumers tend to focus only on conventional dimensions such as quantity and quality. However, in the presence of an exogenous international conflict, many people may refuse to purchase commodities and services produced by the “enemy” country which lead to boycotts by each nation of the other nation’s products. In contrast, a more harmonious international relationship will foster globalization and incur fewer boycotts<sup>23</sup>. The better political relations and a greater volume of international trade go hand in hand. Since the induced changes in international trade may further cause a shift in global supply chain, shipping companies, which usually tend to pay much more attention on cost, time and reliability of delivery than on political factors that shape the external business environment, should be aware of international political relationship that may lead to the evolution of shipping networks<sup>24</sup>.

### **B-Economic Factors :**

There are Several significant economic variables that affect global trade include:

- 1. Exchange rates:** Changes in exchange rates can affect how much it costs to import and export products and services. A weak home currency may have the reverse impact, increasing the cost of exports while lowering the cost of imports<sup>25</sup>.
- 2. Falling transport costs:** allowing more options and opportunities to trade.
- 3. Trade liberalization and the associated tariff rate reductions:** easing trade transactions, and economic convergence of countries around trade agreements and common commercial policies, as well as increasing of intermediate goods trade in the context of global production chains, outsourcing, and offshoring<sup>26</sup>.
- 4. Economic growth: Economic expansion:** International trade is fueled by economic expansion. Businesses look for new markets as economies grow, and consumers demand a larger range of products and services. On the other hand, economic downturns can result in less trade and a rise in protectionist policies.
- 5. Inflation:** By altering consumer purchasing power and the cost of manufacturing, inflation can have an impact on global trade. A country's exports may be more competitive in periods of low inflation than in periods of high inflation.
- 6. Infrastructure:** Effective infrastructure is necessary for promoting international trade. Examples include transportation networks, ports, and telecommunications systems. Infrastructure development makes nations more competitive internationally and more attractive to foreign investment<sup>27</sup>.

## 6-Benefits of sea crossings on international trade:

Sea crossings, offer several economic benefits such as:

- Secure trade operations and represent reliable ally of foreign trade.
- High tonnage shipments and large volume shipments.
- More economical than other transport methods<sup>28</sup>.
- Sea crossing trade enabling efficient logistics services for shipments of all sizes from any port globally to even the most remote locations.
- The low shipment cost is less expensive than air freight.
- The flexibility makes sea freight a versatile option for many businesses.
- Sea crossings trade is more environmentally friendly impact.
- Sea crossing trade shipping is convenient for businesses, It offers quick response times and competitive prices<sup>29</sup>.
- Efficiency in the supply chain : Cross trades bring production and stock closer to the final destination.<sup>30</sup>
- Large capacity to carry prodigious volumes of goods. They can handle anything regardless of the size or shape of the items<sup>31</sup>.
- Major commercial centers are enabled ships to be used for additional sailings per year. These additional sailings mean more frequent shipping schedules, with the capability of more goods being traded on a global scale<sup>32</sup>.

## 7-Challenges of sea crossings international trade shipping:

Despite its advantages, cross-trade shipping also presents some challenges. Businesses must be prepared to navigate these challenges to ensure their shipping operations run smoothly. Cross-trade shipping is a complex but rewarding aspect of global trade. Also, the success of cross-trade shipping relies heavily on a strong international network of trusted shipping agents and freight forwarders. The unpredictability of weather conditions is very important challenge. Storms, high winds, and rough seas can pose risks to vessels, damaging cargo and crew members and can delay shipments; leading to increased costs. Security is another critical concern in sea freight. Piracy, theft, and terrorism are real threats that can lead to significant losses. Companies must invest in security measures. Customs clearance can cause significant delays in cross-trade shipping. Businesses must understand the customs requirements of each country they ship to and from to ensure a smooth customs clearance process. In addition to these challenges, equipment shortages can pose a significant challenge in sea freight. These shortages can lead to delays and increased costs<sup>33</sup>. The conflicts are from the important existing challenges leading to increased costs and delays of shipping goods. The states should agreed to secure the vital sea crossings routes<sup>34</sup>. Also, The digital revolution is making waves in the sea freight industry, automation is becoming increasingly prevalent in ports and ships, improving efficiency and safe. Moreover, digital platforms simplify the booking process, making it easier for businesses to manage their shipments. Real-time tracking of shipments facilitated by digital platforms enables businesses to manage their supply chains more effectively.

Environmental sustainability is opening up new opportunities for growth and efficiency. with climate change high on the global agenda, the shipping industry is pressured to reduce its environmental impact. A promising trend in this regard is using renewable energy sources for

propulsion. This development benefits the environment, helps companies meet sustainability goals, and enhances their reputation. The industry is exploring various measures to achieve environmental sustainability. These include using cleaner fuels, energy-efficient ship designs. The sea freight industry also is witnessing a trend towards consolidation and partnerships, these alliances indicating a dynamic and competitive industry landscape. Supply chain transparency and access to information is crucial, especially regarding supply chains by allowing trustworthy participants to share information as products move through the supply chain.

All these trends are shaping the future of sea freight in cross-trade shipping, offering businesses opportunities to enhance efficiency, sustainability, and transparency. Understanding these trends is not just beneficial, it's essential for any business looking to thrive in the future of cross-trade shipping<sup>35</sup>.

## Conclusion

Sea crossing is a complex and developed means of international trade, Therefore, businesses considering this shipping method should ensure they have the necessary resources and support. Sea crossings are affected by a wide range of economic, technological, and geopolitical developments. Sea crossings play an important role in international trade by providing a cost-effective and efficient means of transporting goods between countries. Additionally, sea routes offer flexibility in terms of access to various ports worldwide, facilitating global trade networks and contributing in trade development all over the world.

The political environment can create opportunities or threats to economic activities at sea crossings, depending on the policies that are implemented. By understanding the impact of political factors, businesses can make rational decisions that help them thrive in a constantly changing environment. Finally, the sea crossings are essential for international trade, providing efficient, cost-effective, and reliable transportation routes that connect markets, support supply chains, and drive economic growth.

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