Emerging trends in global trade: a case of BIC

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ABSTRACT. Current article assesses emerging trends in global trade in the case of Brazil-India-China (BIC) Alliance. Although the globalized world is still recovering from the global 2008 crisis, it may be perceived that Brazil, India and China showed considerable growth during the crisis, continuing with the trend even after the crisis period. So that the growth observed in these three countries could be demonstrated, current paper is divided into three sections. The first section will deal with the emerging trends in global trade. Section two will examine emerging trends in Brazil, India, and China's foreign trade. The third section will examine the characteristics of the concept of ‘new regionalism’ and the role of WTO in accelerating the rate of growth in world trade for the coming years. Revised bibliography and descriptive statistics will be the methodology employed.

Keywords: world trade, Brazil, China, India, new regionalism.

Tendências emergentes no comércio global: o caso do Bic

RESUMO. O objetivo desse artigo é avaliar as novas tendências do comércio global para o caso dos BIC - aliança entre Brasil, Índia e China. Embora o mundo globalizado esteja se recuperando da crise internacional, que ocorre desde 2008, observa-se que os três países apresentaram considerável e contínuo crescimento. Para demonstrar esse fato, o texto foi dividido em três seções: a primeira tratará das tendências emergentes no comércio global; na segunda, serão analisadas as tendências emergentes, especificamente, no Brasil, Índia e comércio exterior da China; a terceira seção, por sua vez, examinará os contornos do surgimento do conceito de ‘novo regionalismo’ e o papel da OMC – Organização Mundial do Comércio – na aceleração do ritmo de crescimento do comércio mundial nos próximos anos. Para tanto, a metodologia utilizada será a revisão bibliográfica e a estatística descritiva.

Palavras-chave: comércio mundial, Brasil, China, Índia, novo regionalismo

Introduction

Global financial crisis and European sovereign debt crisis have affected global trade at large and recovery is slow. In 2011, global trade has registered a rise of 5.2% in volume terms, while in 2012, it showed an increase of 2%

The WTO has also estimated the trade growth in terms of volume for 2013 at 3.3%, which is below the world’s 20-year average growth of 5.3% and also well below the pre-crisis period between 1999 and 2008 figure of 6%. During this period, global exports registered a Compound Annual growth Rate (CAGR) of 7%. These trends testified that world trade has yet to recover from global economic crisis. Following the global economic crisis, export growth slowed down to 13.6% in 2008-9, and thereafter declined by 3.5% in 2009-10. The major trading countries have shown different trends in exports and imports. The Russian Federation, China and Brazil are the countries whose imports are less than exports, with a favorable trade balance, whereas other major countries, namely, USA, EU, Brazil, South Africa, Japan and India whose imports are much higher than exports have unfavorable trade balance (Table 1). The highest favorable balance of trade has been in case of China, followed by Russian Federation and Brazil. The largest trade deficit occurs in the case of the USA followed by India, EU, Japan and South Africa. In 2012, export growth in the case of US, Russian Federation and China was positive while it is negative in case of Brazil, EU, South Africa, Japan and India (Figure 1). On the other hand, the average growth of 2005-2012 has shown a different trend and, as a result, all the major exporting countries have registered positive growth and a higher average occurred in the case of India followed by China, Russian Federation and Brazil (Figure 2). Japan, with only 4% had the lowest average exports growth between 2005 and 2012 (Table 2).
Table 1. Trends in Trade Growth in Major World Economies in 2012.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>USA</td>
<td>1.547</td>
<td>2.335</td>
<td>-788</td>
</tr>
<tr>
<td>Brazil</td>
<td>243</td>
<td>233</td>
<td>+10</td>
</tr>
<tr>
<td>EU</td>
<td>5,792</td>
<td>5,927</td>
<td>-135</td>
</tr>
<tr>
<td>Russian Federation</td>
<td>529</td>
<td>335</td>
<td>+194</td>
</tr>
<tr>
<td>South Africa</td>
<td>87</td>
<td>123</td>
<td>-36</td>
</tr>
<tr>
<td>China</td>
<td>2,049</td>
<td>1,818</td>
<td>+231</td>
</tr>
<tr>
<td>Japan</td>
<td>799</td>
<td>886</td>
<td>-87</td>
</tr>
<tr>
<td>India</td>
<td>293</td>
<td>489</td>
<td>-196</td>
</tr>
</tbody>
</table>


Prospects of global trade by 2030

Global merchandise trade will witness an average rise of 4.5% by the end of 2030. Between 2013 and 2030, infrastructure-related global trade will grow at an average of 9% per annum, compared to GDP growth at an average of below 4%. At the end of 2030, infrastructure-related goods will be the most commonly traded, increasing in market share from 45% in 2013 to 54% by 2030 (Table 3).

International business is reporting increased confidence in global trade prospects with the HSBC Trade confidence index rising to 112, or, up one point. The prospect predicts that global trade will grow at a modest pace by 2015 and accelerating between 2016 and 2020.

In Section Two an attempt has been made out to analyze the emerging trends in three BIC countries (Brazil, India and China).

Brazilian’s foreign trade: rising trends

According to Friedman (1999), in Bastos (2009), the process of globalization and its consequences, internationalization and economic interdependence, create conditions favorable to the great mobility of global capital and the free access of international investors in several overall markets, with all the consequences, whether positive or negative, that such movements may cause.

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declines in stock markets around the world. This occurs because these countries are too dependent on foreign capital to consolidate their growth projects and economic development. Further, they also greatly depend on the sale of commodities to earn foreign exchange, where prices are formed in Commodities and Futures (AMARAL, 2007).

Thus, when investors take their short-term capital out of a particular economy, at a significant rhythm and volume, they cause significant damage to economies that depend on these funds to finance their trade deficits and public.

The end of the first decade of the 21st century was also marked by another grave crisis of international proportions: the U.S. financial crisis. This crisis, known as the ‘subprime crisis’, occurred because banks granted high risk loan mortgage to all who resorted to them. US families were already accumulating debt since the 1990s, however, in the crisis of the stock market in 2000 and 2001, the US market real estate showed a big boost, facilitated by the expansion of mortgage loans provided by banks.

As from 2003, with the depletion of traditional customers due to appreciation in house prices, U.S. banks began to extend credit to the financing families who had bad credit history and even to families who had an extremely low income, as well as to unemployed people. With real estate prices rising, people were easily acquiring new loans to repay the installments of old ones.

However, this not only included subprime mortgage and housing but also comprised granting of credit cards, car rentals and others. The interest rate on these loans was post-fixed: another serious problem.

Thus, in 2006, when estate prices began to devalue, debt borrowings were still there, ever higher. This led several banks to insolvency and the greatest crisis the US after the 1929 crisis began, with the collapse of banks and companies, delinquency, loss of housing for the population, unemployment, finally, recession waves.

The economic and commercial US recession had consequences worldwide. However, despite the US crisis in 2006 and its coming to the public in 2008, it may be seen clearly that, in the case of Brazil specifically, there was no leakage of foreign direct investment in the country. On the contrary, there was an expansion of entry of these investments as from 2009, reaching its peak in 2011, as shown in Table 4.

This event may be explained by the fact that international capital tends to migrate to economies in crisis that offer a higher return on their capital, especially countries with large regions, potential consumer market and cheap labor.

<table>
<thead>
<tr>
<th>Year</th>
<th>US$ billion</th>
<th>% GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>25.949</td>
<td>1.68</td>
</tr>
<tr>
<td>2010</td>
<td>48.506</td>
<td>1.91</td>
</tr>
<tr>
<td>2011</td>
<td>66.660</td>
<td>3.00</td>
</tr>
<tr>
<td>2012</td>
<td>65.300</td>
<td>2.90</td>
</tr>
</tbody>
</table>


Table 4 also shows that in 2011 foreign direct investments accounted for 3% of national GDP, a significant rate when these investments accounted for only 1.91% of the national GDP in 2010.

Table 5 shows the net international reserves of Brazil between 2009 and 2012. One may perceive that even when the US crisis negatively affected most world economies, Brazil’s net international reserves had significant growth throughout the period.

<table>
<thead>
<tr>
<th>Year</th>
<th>US$ billion</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>239.0</td>
</tr>
<tr>
<td>2010</td>
<td>288.6</td>
</tr>
<tr>
<td>2011</td>
<td>352.0</td>
</tr>
<tr>
<td>2012</td>
<td>378.6</td>
</tr>
</tbody>
</table>


Table 6 expresses the time series of the Brazilian Trade Balance between 2009 and 2012. A slight drop in the trade surplus, from US$ 24.615 billion in 2009 to US$ 20.278 billion in 2010, may be perceived. However, it rises in 2011 and reaches a total of US$ 29.790 billion.

<table>
<thead>
<tr>
<th>Years</th>
<th>Exports</th>
<th>Imports</th>
<th>Trade (X-M)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>152.252</td>
<td>127.637</td>
<td>24.615</td>
</tr>
<tr>
<td>2010</td>
<td>201.916</td>
<td>181.638</td>
<td>20.278</td>
</tr>
<tr>
<td>2011</td>
<td>256.041</td>
<td>226.251</td>
<td>29.790</td>
</tr>
<tr>
<td>2012</td>
<td>242.468</td>
<td>223.142</td>
<td>19.438</td>
</tr>
</tbody>
</table>


Although there was a further decrease in the balance from 2011 to 2012, it was evident that, despite the US crisis and its negative impact on world economies, the Brazilian economy maintained positive trade balances throughout the subsequent period.
Table 7 compares the GDP percentage growths of Brics economies in 2009-2012. When the growth of the Brazilian economy is compared to that of other members of the Brics economies during this troubled period, marked by the U.S. crisis, data in Table 7 show that Brazil grew less than the other economies of the bloc in 2009, with the exception of Russia, and showed a decrease of percentage of GDP (-7.9%), recovering completely from 2010, when there was a 5.3% growth.

Table 7. Growing % from GDP of Brics between 2009 and 2012.

<table>
<thead>
<tr>
<th>Country</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>8.7</td>
<td>10.3</td>
<td>9.2</td>
<td>7.6</td>
</tr>
<tr>
<td>India</td>
<td>5.0</td>
<td>9.7</td>
<td>6.9</td>
<td>5.2</td>
</tr>
<tr>
<td>Russia</td>
<td>-7.9</td>
<td>5.3</td>
<td>4.3</td>
<td>3.6</td>
</tr>
<tr>
<td>Brazil</td>
<td>0.0</td>
<td>7.5</td>
<td>2.7</td>
<td>1.0</td>
</tr>
</tbody>
</table>


Henceforth until 2012, the Russian economy was growing at a lower rate. Brazil failed to grow in 2009, but showed a growth rate of 7.5% in 2010. As from that year, even with greater export expansion, amounting to rising net international monetary reserves and expansion of input foreign direct investment in the country, it began to show more modest economic growth.

China, the fastest growing country among Brics members, also had the highest percentage growth of GDP in 2010, at 10.3%, similar to India with 9.7%. In subsequent years these two economies also showed lower growth rates. In 2012, Brazil was the economy that grew less among the Brics, with a growth rate of only 1% of GDP.

Even when the Brazilian government reduced taxes for some sectors and the Brazilian Central Bank lowered interest rates, an expansion of economic growth was not achieved. National and international analysts have stated that, in the Brazilian case, the problem of reducing the rate of growth has been the effects of the U.S. crisis. However, companies and families in Brazil are exacerbated consumers and government, despite being on the list of 30 countries with the highest tax burden in the world, has a culture saver, which hinders productive investment required for job expansion and, consequently, economic growth.

India’s foreign trade: trends and issues

India’s foreign trade scenario has not been encouraging too. Imports are rising faster than exports, resulting into rising trade deficit (Table 8). India’s exports in 2009 amounted to US$ 178.8 billion and imports reached US$ 288.4 billion. Hence unfavorable trade balance amounted to US$ 109.6 billion. However, in 2012, India’s exports and imports were respectively US$ 300.6 billion and US$ 491.4 billion resulting in a trade deficit of US$ 190.8 billion, almost the same as in 2009, due to faster growth rate in exports than in imports. There has been a continuous rise in the trade deficit. However, in the current year i.e. 2013, India’s exports grew for the fourth consecutive month, recording a growth of 1.6% in April but a surge in gold imports pushed the trade deficit to US$ 17.7 billion. Gold and silver imports during April 2013 were increased by 138% to US$ 7.5 billion (Figure 3).

Table 8. Trends in India’s Foreign Trade between 2009 and 2012.

<table>
<thead>
<tr>
<th>Year</th>
<th>Exports in US$ Billion</th>
<th>Imports in US$ Billion</th>
<th>Trade Deficit in US$ Billion</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>178.9</td>
<td>288.4</td>
<td>109.6</td>
</tr>
<tr>
<td>2010</td>
<td>251.1</td>
<td>369.8</td>
<td>118.7</td>
</tr>
<tr>
<td>2011</td>
<td>489.3</td>
<td>306.0</td>
<td>183.3</td>
</tr>
<tr>
<td>2012</td>
<td>300.6</td>
<td>491.4</td>
<td>190.8</td>
</tr>
</tbody>
</table>

Source: Ministry of Commerce; Government of India (INDIA, 2013).

Gold imports during April 2013 recorded a staggering growth of 138%, threatening to widen further the current account deficit (CAD) and inflating the trade deficit to US$ 17.8 billion.

According to the trade data released by Ministry of Commerce, gold imports amounted to US$ 7.5 billion during April 2013 as against US$ 3.1 billion in April 2012 despite several attempts by the Government of India to curb the gold import. Alarmed over substantial import of gold in 2011-12 amounted to US$ 62 billion, the Government of India, in the last fiscal year, raised the basic customs duty on gold twice, from 2 to 4%, and then further to 6%, expecting the import to decline. The Prime Minister Economic Advisory Council (PMEAC) had expected it come down to a level of US$ 44 billion in 2012-13. As a result of duty hikes, import of gold decreased by 33% in the first half of the year, but the trend was reversed in the second half when import of gold increased by 24% in the third quarter, and 11% in the fourth quarter.
The items that recorded growth in the export basket comprised gems and jewelry, rice, ready-made garments, cotton and marine goods, while engineering goods, one of the major items, registered a decrease of 8.6%. This decline could be attributed to the less competitiveness in the global market because of high power costs. The export of ready-made garments also registered an increase of 8.6%. Textiles which have been recording negative growth registered growth and there was a positive growth of exports in the ready-made garments sector. RMG exports are now US$ 1150 million when compared to those for the last year which were US$ 1059 million (SAKTHIVEL, 2012).

Hit by world slowdown, especially in the traditional markets, India’s exports fell to 1.6% to US$ 300.6 billion in 2012-13, while imports increased by 0.44% to US$ 491.48 billion, creating a huge trade deficit of US$ 190.91 billion. Given the worsening balance of payment situation, India may make a case for an outright ban on the import of gold (DAS, 2013).

The Government of India sees these growing trade imbalances with concern. In fact, it would be taking into stock this heavy import of gold and would come out with considered steps as how to contain this growth trade deficit (RAO, 2012). The Government actually imposed certain increase in the duty to discourage gold imports, but the steep fall in prices neutralized its impact (PUJARI, 2012).

Besides gold and silver, imports of crude oil, metals and scrap and chemicals witnessed an increase of 4, 52 and 23% respectively. After declining for consecutive eight months, as from May 2012, India’s exports entered the positive zone in January 2013. The absence of alternative avenues of investment was also pushing demand for gold upwards. It is an inflation-proof investment for a citizen. If economic growth picks up and better avenues for investment appear, then the consumer behavior shifts (AGL, 2013).

Oil imports in April 2013 stood at US$ 14 billion when compared to US$ 13.5 billion in April 2012. Non-oil imports went up by a margin of nearly 15%, to US$ 27.86 billion during the period under analysis.

On exports growth, shipments were showing continuous positive up-tick. Sectors which recorded positive growth comprise rice and gems (22%), ready-made garments (8.6%), cotton (8.1%), tea (5.4%) and marine goods (25%). Sectors which witnessed negative growth include petroleum (0.5%), engineering (8.6%), chemicals (1.4%), manufactured yarn (3.3%) and pharmaceutical products (1.6%).

Positive growth trend are expected to continue in the future as new markets start to perform better. The US market looks good. The economy is picking up but the same cannot be said of Europe. Latin America, Africa and Far East nations continue to perform well. RBI’s proposed measures to facilitate easy availability of credit to exporters, if accepted, would help in boosting exports further. India does see a positive curve out of dollar-dominated credit being available to exporters (CHENNAI, 2013). The Government of India has fixed a target of US$ 325 billion for exports for the year 2013-14 which may be achieved if the proposed measures are accepted by the Government.

Silver lining

Current account deficit (CAD) falls to a level of US$ 6.7 billion, a 30-month low as Reserve Bank of India import curbs and sliver pay off. Hopes of an economic turnaround have sprung anew with India’s exports registering their third successive month of expansion, increasing by a margin of 11.15% to US$ 27.7 billion in September 2013, while imports, added by plunging gold consignment that barely trickled in, fell down by a greater margin of 18.10% in September 2013, resulting into narrowing down the trade deficit which may help the rupee to stabilize after excessive volatility in the past few months.

The narrowing trade gap, which was US$ 17.1 billion a year in 2012, triggered expectations that the Indian Government will be able to contain current account deficit (the gap between dollars inflow and dollar outflow) within the targeted US$ 70 billion or 3.7% of country’s GDP in 2013-14, against a record US$ 88 billion or 4.8% of India’s GDP. September 2013 imports of US$ 34.4 billion were the lowest since March 2011.

While exports of textiles, pharmaceutical products and agricultural exports registered considerable growth, imports declined in inward shipments of gold and oil. Imports of gold and silver plunged more than 80% to US$ 0.8 billion in September 2013 from US$ 4.6 billion in 2012. Oil imports went down by a margin of 6% to US$ 13.9 billion. It is further asserted that export-containment measures put in place for non-essential imports are playing out extremely well and country needs to continue this so that the rupee becomes stronger against the dollar.

According to Gems and Jewelry Export Promotion Council (GJEPC), India exported US$ 2.68 billion worth of gold jewelry in value terms from April to August 2013. The country also expected that exports of these items would surge in
coming month. Accordingly, the Indian Government is expected to announce a set of financial incentives for jewelry exporters by the end of October 2013.

In order to sustain exports, manufacturing sector needs to pick up and hence, availability of credit and cost of credit would be the key requirements. If current efforts continue, it may even be possible to exceed this year’s export target of US$ 325 billion.

India will topple the United States of America (USA) as the world’s largest importer of infrastructure goods namely: - metals, minerals, buildings and transport equipment by 2020, and is expected to hold this position till 2030 (HINDUSTAN TIMES, 2013).

How India gains from the US government deal?

An early resolution to the US debt ceiling crisis and an end to US Government shut down augurs well for Indian economy. The early resolution is positive for Indian exports and there will be a gradual pick up in merchandise and services. This is also a positive development for current account deficit (CAD).

US funds will continue to flow into India, shoring up rupee. India’s holdings of the US treasury bonds amounted to US$ 59 billion. India’s non-IT exports to the US in 2012-13 stood at US$ 40.5 billion or 12% of India’s total exports. India’s IT exports to the US stood at US$ 39.4 billion or 58% of their total exports in 2012-13.

The ending of shutdown has now cleared a major uncertainty and stock markets will take cues from domestic factors. Had the shutdown been protected, the odds of a taper would have been lowered substantially, raising the case for flows to India. This means that if the shutdown had been extended, then the funds flow to India could have increased, thus boosting the stock markets. Now stock markets and rupee will wait for more clarity on the tapering. The tapering of fiscal stimulus will be delayed beyond January and this factor is playing in favor of the rupee. It is expected that the rupee to trade in a range between Rs.60 and Rs. 63 against dollar over the short-term

WTO and India

According to Indian trade officials, WTO is adopting double standards. In 2012, the US provided US$ 100 billion for domestic food aid, up from the US$ 95 billion it spent on feeding its 67 million undernourished population in 2010, including spending on food coupons and other supplementary nutrition programs. In India, the Food Bill is expected to cost US$ 20 billion and will feed a projected 850 million persons. Against an average supply of 358 kg per person of subsidized food aid in the US every year, India promises to make available 60 kg per person in food entitlement. And yet, while WTO is quite on the subsidy being doled out in America for feeding its poor; the US has launched an attack on India for “[…] creating a massive new loophole for potentially unlimited trade-distorting subsidies […]” (SHARMA, 2012, p. 12).

The most astonishing and surprising thing is that India’s subsidies for feeding its undernourished population are being blamed for distorting trade in agriculture while the US, which provides six time more subsidies than India for feeding its hungry, is being considered as doing humanitarian service. The US subsidies are unquestionable, whereas India’s hungry populations are being conveniently traded at the WTO.

Public posturing notwithstanding, India has yielded the US pressure and accordingly India has assured the WTO that the country is committed to take the multilateral trading regime to its logical end. Now India is not willing to contest ‘unfair provisions’ and has agreed upon a compromise. This is being testified by the statement of the WTO Director General who has opined that “[…] we have agreed in Geneva that we are going to working on a Peace Clause […]” (WTO, 2013, p. 16).

The US and EU are pushing for a Peace Clause lasting two-three years. India is willing to accept it since it allows the food security program to continue without any hindrance till 2014 which is an election year. The Peace Clause is a temporary reprieve. Although it has already expired in 2003, it is being reinvented now to allow India to continue with its food subsidies for the specified period during which its subsidies cannot be challenged before the WTO dispute Panel.

The most ticklish issue is the rising amount being spent on public stockholding of food grains and thereby the increase in the administrative prices for major crops of India wheat and rice that is procured from the small farmers. According to WTO regime (Agreement on Agriculture), the administrative price cannot exceed the ‘de minimis’ level of 10% of the total quantity of output. This exemption is allowed under the Agreement Measure of Support. India has already exceeded the limit in the case of rice where the procurement price has increased by 24% from the base year 1986-88 that was agreed upon.

Hence, it is not the Food Subsidy Bill that is under the radar, but the procurement price system in the country which is now on the chopping block.
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If India is forced to limit the rice procurement price at 10% of the total output and also refrain from increasing the wheat procurement price in coming times, it will sound the death knell for agriculture of the country. This means India is being forced to freeze procurement prices of both major crops of the country and this indicates that the WTO is being used to affect India’s agriculture which the main occupation of 600 million farmers.

Emerging trends in China’s foreign trade

China is also affected by the global financial crisis and European debt crisis which have led to the Chinese trade surplus to reduce year by year in 2009-2011 (Table 9). But the import and export situation of China gradually recovered from the financial crisis. The export has recovered along with the growth of import in the past four years, and the growth rate of exports tends to be more slowly than imports. In 2009, China’s exports amounted to US$ 1201.6 billion, while imports were worth US$ 1005.6 billion, resulting in US$196.06 billion in trade surplus. In 2011, China’s exports were US$ 1898.6 billion, while imports were US$ 1743.5 billion, resulting in a trade surplus of US$ 155.14 billion. However, in 2012, China’s exports were US$ 2048.9 billion, while imports were US$ 1817.8 billion, resulting in a trade surplus of US$ 231.1 billion. The level of the trade surplus returned to the level of the 2009 trade surplus.


<table>
<thead>
<tr>
<th>Year</th>
<th>Exports in US$ Billion</th>
<th>Imports in US$ Billion</th>
<th>Trade Surplus in US$ Billion</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>1201.66</td>
<td>1005.60</td>
<td>196.06</td>
</tr>
<tr>
<td>2010</td>
<td>1577.93</td>
<td>1394.83</td>
<td>183.10</td>
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<tr>
<td>2011</td>
<td>1898.60</td>
<td>1743.46</td>
<td>155.14</td>
</tr>
<tr>
<td>2012</td>
<td>2048.93</td>
<td>1817.83</td>
<td>231.11</td>
</tr>
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</table>

Source: Ministry of Commerce Website; Government of China, Beijing (WTO, 2013).

Since 2013, the world economy has shown some positive signs. The international market demand has picked up and the effectiveness of steady growth of foreign trade policy measures has continued to emerge. Hence China’s foreign trade continued to go a steady upward trend since the end of last year. In the first quarter of 2013, the total of goods import and export amounted to US$ 974.67 billion, up 13.4% from a year earlier, and its growth rate rebounded by 6.1% than the same period last year. Total exports were US$ 508.87 billion, up 18.4%, and imports were US$ 465.8 billion, an increased by 8.4%. Effected by the Spring Festival of China, the growth between the monthly import and export fluctuated greatly. Exports were up 25, 21.8 and 25% respectively in January, February and March, and imports were up 29, down 15.2 and up 14.1% respectively at the same period. The trade surplus was US$ 43.07 billion, accounting for the proportion of gross domestic product (GDP) of 2.3%. In April, the gross of China’s import and exports amounted to US$ 355.96 billion, with a 15.7% growth rate. Exports were US$ 187.06 billion, up 14.7%. Imports were US$ 168.9 billion, up 16.8%. Trade surplus was US$ 18.16 billion.

China exported US$ 163.33 billion of new high-tech products in the first quarter with enterprises continuously improving the technology content of products and industries have been advancing and increasing in China. It was up 28.4% and higher than the overall export growth by 10%. And imports of new high-tech products were US$ 136.48 billion, an increase of 27.0%, higher than the overall import growth by 18.6%. Mechanical and electrical product exports were US$ 298.54 billion, increased by 18.1%, accounted for 58.7% of the total exports at the same period. And imports of mechanical and electrical products were US$ 198.95 billion, increased by 14.5%, higher than the overall import growth by 6.1%. Labor-intensive products export growth has increased, and clothing, textiles, footwear, furniture, plastic products, bags and toys and others, seven kinds of labor-intensive products exports grew by 21.8%. Under the situation of slow growth in Chinese industrial products and lower price in the international market, the prices and quantities of main commodity imports fell along. Imports of crude oil and its average prices fell by 2.3 and 2.5% respectively. Imports of refined oil and its average prices fell by 3.4 and 8.6% respectively. Unwrought copper and copper imports and its average prices fell by 28.9 and 0.8% respectively. The prices of iron ore imports fell 6.3%, zero growth in import.

Based on the international and Chinese environmental, the trade condition of China in 2013 is slightly better than that in 2012, but still critical. The challenges and pressure that foreign trade development faces embody three aspects, as follows. Firstly, the international market demand has not as yet improved fundamentally. Both residents’ consumption and business investment experience lack of growth motivation in developed countries. The overall demand is still weak for the global economy. But demand in emerging economies is relatively stable; however, it failed to offset the impact of economic gloom from developed countries. According to the estimation of WTO, the growth rate of global trade in 2013 is merely 3.3%, which is well below 5.3%, the level in the past 20 years. Secondly, with the cost of factors increasing...
and RMB appreciation, it weakens the competition in some sections. The cost of factors such as labor and land keep rising in China, as a result, the international competitions are undermined in those low value-added and labor-intensive export industries. Some export-oriented industries on the coastal areas are transferring orders to overseas which impact the export growth potential in the way. In the condition that developed countries are competing to introduce quantitative easing policies, the pressure of RMB appreciation is increasing, further squeezing margins of the enterprises, impacting the enthusiasm of enterprises to export and receive orders. According to the Bank for International Settlements, the real effective exchange rate of RMB has appreciated 6.1 percent already during September of the last year to March of this year. Thirdly, the impact of trade friction keeps rising. Due to the weak economic recovery, some countries take trade protection measures frequently to seize market share and improve industrial competitions. Trade friction against Chinese productions is still on the rise. During the past 4 years, China has suffered 328 trade remedy investigations with US$ 53.4 billion involved, presenting new characteristics, such as large involving amount, using a variety of remedy measures and politicizing trade issues. Chinese productions have faced more trade frictions since 2013; for instance, 12 countries have taken 22 trade remedy investigations towards China in the first quarter, with year-on-year growth of 22.2 percent.

China is set to become the top importer of investment equipment such as machinery for power generation, metal working machinery, and office equipment by 2030 as it continues to invest in manufacturing productivity. The third section i.e. the last section, examines the concept of new regionalism and the role of WTO in the development of global trade.

Is new regionalism on the rise?

It is an undisputed fact that the multilateral framework for global trade has hardly made any significant breakthrough over the last five years. Since the month of September 2009, global trade negotiations were being considered as one of the most lukewarm phases. The global financial crisis and sovereign debt crisis in Europe have ensured that some of the global biggest players in world trade are delegated to playing a marginal role. This has had its effect on world trade, with the last five years producing an annual average growth of 2.2% (PALIT, 2013).

The most distressing and unfortunate thing that has come up for the last five years is that world showing distinct signs of losing faith in the multilateral trading system which is a sine-qua-non in global trade. This is not only because of lack of progress on the Doha Development Round Agenda (DDRA). The result is that developing economies and emerging countries are unhappy over the DDRA not coming through in the WTO. On the other hand, the developed nations have realized that it is for them to push through their own trade agenda in the WTO and the DDRA is become virtually impossible to get through. The unfortunate result that has come up is that the multilateral trading system is hereby facing the wrath of both the global North and South (INDIAN EXPRESS, 2013).

It is not correct to attribute the deadlock in the global trade negotiations and the crisis of the multilateral trading system to the world geopolitical order. The emergence of emerging market economies, namely, China, India and Brazil, and the weight these economies command have heavily influenced world trade negotiations. The main contributory factor is the lack of consensus on balancing benefits and contributions between newly emerging economies and the advanced OECD countries, namely, US, Europe and Japan, resulting into prolonging the deadlock. There has been a gap between these groups in their respective perceptions about the global trade which is basically depending upon their different comparative advantages and the market access interests, has remained unbridgeable despite several round of global trade talks under the WTO regime.

The persisting disenchantment of the advanced nations with the existing multilateralism has resulted into a strong growth of regionalism. In fact, regionalism had started reviving almost a decade back when a number of bilateral and regional trade agreements signed and notified by the WTO. China had tried to neutralize the damage to its exports by signing bilateral deals especially in Asia. There are many Asian countries that were encouraged by regional agreements to facilitate their respective deep intra-industry trade through similar rules of origin and standardization procedures. India and many other developing economies, most of which belong to the Latin American and African continents, also became disillusioned with the WTO as the DDRA got deadlock and accordingly had tried for bilateral deals.

One of the strategic setbacks to the future prospects of multilateral trading system is the realization by the member countries of the WTO
the increasing drift of the USA. This was because the USA realized that emerging economies had become stronger and more influential to let world trade be dominated by its own specific interests. The interests of the USA and other OECD economies are in making the ‘non-traditional or WTO-plus’ trade issues more embedded in the existing multilateral framework. These comprise rules on services, intellectual property, labor and environmental standards, Government procurement, e-Commerce and domestic regulatory coherence.

Many emerging market countries, particularly Brics, are feeling uncomfortable with the tabling of these issues in trade negotiations since this amounts to making significant changes in internal regulations and stoking political sensitivities. Further, their respective comparative advantages in world trade are relatively low in industries where the ‘WTO-plus’ issue are important, namely, digital and entertainment goods. As a result, these are steadfastly opposed to the demands of the USA and other OECD economies on these issues in the WTO (BARU, 2013).

The most significant violation of WTO Figureer is that the USA is more focusing on bilateral agreements. The US Government has raised the voice/pitch through its commitment to the significant treaty known as Trans-Pacific Partnership (TPP) which involves many main economies of the Asia-Pacific complex, namely, USA, Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore and Vietnam. The TPP is dealing with many ‘WTO-Plus’ issues and concentrating to attain regulatory convergence among members’ countries.

It is widely believed that if the above mentioned TPP is formalized in terms of regulatory convergence among members, it is likely to emerge as a strong, sound and powerful regional agreement in the world with new trade rules. The most disturbing thing is that the advent of the TPP and the US commitment to the compact has been followed by the announcement of the Regional Comprehensive Economic Partnership (RCEP) in Asia, covering 10 members of Asean, Australia, China, India, Japan, New Zealand, and South Korea. Hence, formulation of RCEP will have far reaching implications, impact and consequences on the very spirit of WTO and its survival. Another dangerous trend which is also emerging is that the USA is also seeking to formalize its bilateral trade linkages across the Atlantic by perusing a trade deal with the EU. This all means that when almost all major trading players are busy in scouting partners and trying to finalize the trade deals, the vision, mission and purpose of the multilateral trading system as a family with common rules appears to become irrelevant and the survival of WTO would be in doldrums.

**Role of the new director general**

It is rightly said and expected that geo-politics would define the new WTO chief’s candidature and geo-economics will shape his tenure. The new Director General has to believe and perceive that the planet is far more complicated than most people imagine it to be. On the one hand, the new geopolitics of the Brics (Brazil, China, India, Russia and South Africa) and on the other hand the old binaries of North-South and East-West defined the candidature of a person belonging to the Latin American region. It is also believed that the new DG agenda and his success will depend upon his ability to manage and traverse the increasingly complex overlapping and intersecting economic interests and regional partnership which define the world’s economy today (AZEVEDO, 2013).

The most noteworthy fact is that whereas free trade purists have always rejected regional and plurilateral trading arrangements, the WTO’s Figureer chose to be pragmatic and regarded Regional Trade Agreements (RTAs) and Free trade Agreements (FTAs) as building blocks rather than barriers of the multilateral trading system. The most astonishing thing is that India, a strong advocate and strong defender of multilateral trading system, has been pursuing several RTAs and FTAs during the last ten years.

It is evident now that the game-plan of major trading players has changed. Due to persisting deadlock on Doha Development Round Agenda, the two biggest global trading players, namely, the US and China, are aggressively pursuing the formulation of the Trans-Pacific Partnership (TPP) as well as a Trans-Atlantic Trade and Investment Partnership (TTIP). These initiations/measure are being amid at queering the pitch for the Doha Development Round. Bringing the issues that developing nations are resisting, namely, labor, environmental standards and higher intellectual property rights protection into trade negotiations, will create a big rift among the members and may result into the collapse of DDRA in particular and WTO in general.

Doha Round negotiation, dominated by WTO, has grounded to a halt. At the same time, emerging economies such as China and India benefit a lot in the wake of globalization and their economic status is also rising continuously. While USA's inherent
competitive advantages gradually recede, they are not willing to give preferential treatment to developing countries. Under stalemate of the multilateral trade system negotiation, the US tries to find new ways for bilateral and regional trade liberalization, setting 'next-generation' trade rules by the first so as to master the rules of world trade. The USA is trying to set up a new connection across the Atlantic’s and Pacific’s global economy and trade framework and with its own rules to control advantages of devising new international trade system.

Constructed TTIP architecture by the US and Europe, particularly the former's implementing of TTIP and ‘trans-pacific strategic economic partnership agreement’ (TPP) at the same time, or rather, the so-called Two Ocean Strategy, is not only for the consideration of job creation, boosting the economy, or building new relations between the USA and Europe. This may form a new round of global rules negotiation without emerging market economies attending, and even aiming at emerging market countries. It may also reconstruct new international trade and investment rules, reverse the decline tendency of international competition for the USA and curb the rise of emerging economies such as China.

By arranging multiple regional integrations, such as Nafta, TTP and TTIP, and by establishing 'high quality' free trade agreement, it is easy for America to dominate and affect the global multilateral trading system. The Two Ocean Strategy's key point is on 'high quality'. The strategy is based on a series of new trade and investment rules which are different from those of the past. Its essence is to solidify and magnify the competitive advantage of the USA; in other words, weaken the advantage of emerging economies (especially China) at the most extent. In the past, most free trade agreement was mainly limited to lower tariffs on goods, promote trade in services, rarely involving labor and environmental protection. However, the TPP will not only cancel or reduce tariffs on goods, but also cover safety standards, technical trade barriers, animal and plant health quarantine, competition policy, intellectual property rights, government procurement, dispute settlement, as well as regulations on labor and environmental protection. Its high standards and wide range of cover areas outdistance normal free trade agreements. ‘High quality free trade agreement’ has set up an entry barrier which is difficult for many countries to cross. Thus Open Regionalism is just a cover.

TTIP promotes mutual trade and investment, more importantly; it dominates the global trade rules, or even affects and builds multilateral trading systems. Once the US-EU bilateral FTA comes to an agreement, it will largely change the world trade rules, standards and patterns, and will challenge emerging countries' quasi-trade union, especially among the BRIC countries. The United States and Europe will set new rules for intellectual property rights, labor standards and other developmental aspects, which will undoubtedly raise the 'threshold' for companies preparing to enter the bilateral market. Further, since FTA is open internally and restricted externally, trade barriers for the United States and Europe may be reduced, but increased for outside economies. All those factors cause trade diversion effects. Therefore, emerging countries will face competitive pressures from Europe while exporting to the US and vice versa.

Moreover, from a broader perspective, TPP and TTIP will possibly overhead WTO negotiations. No progress has been made for the Doha Round of WTO negotiations since 2001. The main problem is that the US and Europe refuse to make concessions for their agricultural subsidies and high tariff barriers for some agricultural interests. The fundamental reason lies in that the US is unwilling to give emerging economies, including China and India, developing country’s treatments. For some rules and standards, TPP and TTIP are running far beyond the WTO, making WTO try to adjust it. Those higher rules and standards are devised to set obstacles for China and other emerging economies to participate in international competition. In the long run, TPP will bring many challenges for emerging economies, including trade and investment diversion effect, and other challenges, mainly for China, such as labor issues, state-owned enterprises, intellectual property and others. All these new standards are difficult to meet by emerging countries, and it will even bring limitations and difficulties for participating in international trade and investment activities.

There are many contradictions from the point of view of emerging economies. For instance, China has started taking initiative to create its own plurilateral FTA in the grab of the Regional Comprehensive Economic Partnership (RCEP) which is against the Figureer of WTO and the philosophy of Multilateral Trading system.

India on the other hand has gone along with this so far; its interests, like those of the Latin American and African countries which are not covered under TPP/TTIP/RCEP fold, would lie in strengthening multilateralism rather than succumbing to regionalism.
In today’s world economy, the role of WTO is strengthening. At the same time, the formation of regional tendencies is further expanded under free trade agreements. As a result, regional integration and economic globalization has become an inevitable trend, such as FTA in North America, EU, Asean, etc. The three free trade areas show their great superiority. At present, the quantity of free trade agreements has reached over 200, and the number is continuously increasing. As the Northeast Asian region has a population of 1.7 billion, US$ 12.8 trillion in GDP, US$ 4.6 trillion in trade volume, respectively the world’s 1/4, 1/5 and 1/6, the countries in the area are necessary to start to construct a free trade zone to pursue their own development and deal with the financial crisis.

As the members of the Northeast Asia region have different national systems, different thinking, different cultural backgrounds and other factors, it is inevitably to produce a variety of frictions and problems which also hampers the process of free trade. However, from the current experience on global recession, the countries should draw some important lessons that the world economy has been highly interdependent, and participants must take their responsibility and should not be concerned about their own interests alone.

The long-term goal of Northeast Asian free trade zone should not only be strengthening intra-regional trade, but also establish a new system to fit the long-term comparative advantage. Meanwhile, it may solve the economic problems within the region and may be also used as a means of maintaining the entire system’s interests to respond trade, environment and other international negotiations as a group. Only in this way, it may be possible to avoid disadvantages and the less competitive situations through trade and investment diversion, but may also exclude alienated situation from the WTO, environment and other international negotiations or the possibility that the comments could not be reflected.

From the perspective of geographical proximity and economic dependence, the three countries in Northeast Asia may first maintain a close cooperation relationship, and then expand towards the entire East Asian region on this basis. Among the three countries of Northeast Asia, increasing trade and investment and other conditions have gradually become mature. Moreover, institutional barriers among countries also tend to ease, and cultural exchanges are actively expanded.

Needless to say, currently the three Northeast Asian countries also confront the unfavorable factors that hinder the formation of a free trade area. Vertical industrial structure, the difference in the political and economic system, the history of disputes among the three countries and other issues are still the important factors that hinder the formation of a free trade zone in Northeast Asia.

What should be the role of new DG?

With the persistence of many challenges that WTO has been facing, the role of the new Director General must be to ensure the victory of multilateral trading system over newly emerging regionalism. He must develop a sound and strong strategy that must also appeal to G-20 member countries. He has to play a catalytic role and has to prove himself, on the one hand, as a consensus builder and, on the other, a conciliator of the divided WTO membership.

To some extent, stalled Doha Round negotiations accelerated the speed of FTA’s flourishing development. The main reason is that, with the acceleration of economic globalization, a number of countries have closer political, economic and geo-economic relations than before. They are not satisfied with the slow progress of multilateral negotiations and the degree of opening and market access under the WTO framework. As a result, they intend to find a new way to promote the progress of trade liberalization, therefore putting the FTA step ahead.

However, WTO is irreplaceable. Multilateral trading system under WTO is mainly devised to solve three important problems, such as the formulation of trade rules and the implementation of the rules, resolving trade disputes and opening markets, and promoting progress of trade liberalization. Firstly, it is essential for the world economic to create a unified global trade rules, otherwise the global trading system will lose its foundation. Further, the original intention of WTO has always been to create equality position of states before a rule-based multilateral trading system. Secondly, in the aspect of disputes’ settlement, WTO multilateral dispute settlement mechanism is the fairest mechanism in the international affairs. Although states may create a number of bilateral mechanisms to resolve disputes, the WTO system is the most mature from the perspective of fairness and broadness. Thirdly, in the point of market opening and trade liberalization, FTA indeed goes further than WTO. When the members of WTO deal with the affairs of opening markets and reducing tariffs,
etc, there is a need for more than 150 countries to reach an agreement. In contrast, two or several countries may be faster and more efficient to handle these affairs. However, FTA and the WTO are not incompatible and the key is to look at which one may go faster and work more efficiently.

Currently, due to the slow progress of the Doha negotiations, it is very natural that some countries spend more resources on FTA negotiations. However, they will come back to the multilateral mechanism in the end and WTO cannot be replaced.

The World Trade Organization’s Director-General who replaced Pascal Lamy in September pointed out that India should consider the ‘peace clause’ which gives legal security to member countries and protects them from being challenged under other WTO agreements.

Food security is a squarable circle. The line between price support and food security is very flimsy and not easily drawn. It is going to be a complex task. Countries have agreed in Geneva is to work on a peace clause which allows negotiators in Geneva to find a more permanent solution for the long term.

Negotiators for a deal at up-coming Bali Ministerial Conference in December 2013 are stuck over the tenure of an interim resolution on the demand of G-33 developing economies on food security. While G-33 is demanding the tenure of the peace clause to be 10 years, developed countries such as the USA are ready to accept only a 2-3-year period.

The Director General is persuading all concerned parties to discuss the food security proposal positively and constructively even as he underscored the importance of trade facilitation and upgrading infrastructure at borders. The up-coming Bali meeting is looking at attaining a limited agreement as the Doha Development Round talks failed to meet the expectations.

**Conclusion**

It is evident that global trade is ailing and it has yet to recover. These trends have also persisted in case of foreign trade of Brazil, India and China. These countries are engaged in making use of ‘Foreign Trade as an Engine of Growth’. Their total trade i.e. imports and exports are on the rise. When Foreign Trade performance among three BIC (Brazil, India and China) nations are compared, China is far ahead from India and Brazil. India and Brazil must learn a lesson from the Chinese export model. As there has been persisting deadlock in global trade negotiations, member countries are engaging in formulizing regional trade and free trade agreements which will boost the concept and practice of new regionalism and would affect multilateral trading system sine-qua-non for global trade. As result, the multilateral trading system is in doldrums and the survival of WTO is uncertain. Under these conditions, the role of new Director General is of paramount significance and very difficult and complicated. D.G. has to be a consensus builder as well as bridging the many divides in the global trading system.

Up-coming meeting in December 2013 will give a direction to the Director General to which direction the WTO is to move. Up-coming Ministerial meeting at Bali may breakdown the deadlock of negotiations on Doha Development Round (DDR).

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