

# DYNAMISM OF INTERNATIONAL TRADE SYSTEM- PRESENT AND FUTURE

Assist. **Luiza Loredana Năstase Ph. D**  
University of Craiova  
Faculty of Economics and Business Administration  
Craiova, Romania

**Abstract:** This paper presents the current and future situation to international trade. Thus, regardless of the level at which these are achieved (national, regional or international), observed that increasing the number of parties involved is directly proportional to the number of issues arising. The value of world merchandise exports in 2013 was 18,800 billion dollars and the services of 4,600 billion (an increase of 6%). In the case of imports, they represented 18.4 trillion dollars for goods and 4.3 trillion dollars for commercial services. According to World Bank forecasts, the global economy is projected to grow by 3 percent in 2015, 3.3 percent in 2016 and 3.2 percent in 2017. These forecasts are quite changeable taking into account political tensions, financial stability, decline in oil prices and so on.

**JEL classification: F13, F14, F17**

Key words: international trade system; globalization; integration; multilateralism; trade in goods; trade in services.

## 1. INTRODUCTION

International trading system includes all international structures (whether we are talking about states, transnational corporations and the World Trade Organization), the principles and rules necessary for the development of commercial relations. In the view of former Dean of the MIT Sloan School of Management, Lester Thurow Carl birth and subsequent fate of the international trading system are decided by the strongest economy; therefore, the State conducting the most important global trade will be the decider for the rules and practices governing international transactions. International trade involves overcoming the territory of a State, enhancing ties transactions and mutual conditioning of the participants. This translates into the existence of benefits for buyers/consumers and producers: first will gain the wider the range of goods and services and lower prices, competitive and the latter is concerned with global optimal allocation of resources and specialization of production activities. Naturally that will arise and shortcomings, increasing competitiveness depends on the technological level of each participant; will take into account competition and preferences of potential buyers. However, the factual situation shows that successful economies are facing outwards, making them the most competitive.

Regardless of the level at which is realized trade (national, regional or international), it is observed that increasing the number of parties involved is directly proportional to the number of issues arising. In addition, the rules governing the international trading system leads to a differentiation of the benefits arising from commercial transactions; so even if, on the one hand, we have to deal with social welfare

and sustainable economic growth, on the other hand, there are also disparities in economic, social etc. A global open trading system is the appropriate framework for reducing regional disparities, increasing social welfare, the emergence of jobs, the existence of markets as competitive, achieving sustainable development and, not least, for institutional interaction with a view to remedying problems arising in commercial relations between participants in the system.

It is also responsible for optimizing the trade-gross domestic product ratio in emerging economies, of course, consistent with the recommendations coming from organizations such as the World Trade Organization, the World Bank Group and International Monetary Fund. Institutional and legal basis of the international trading system is the World Trade Organization, which aims at monitoring the activities of the system, acting as a referee in the relationships between the parties involved. Regarding the governance model of the WTO, it is the consensus; so when admission is required regulations or conduct, all actors World Trade Organization talks until approved the necessary, no matter how small or large are participating economies.

## 2. OBJECTIVES

Given the fact that international trade is a key driver of sustainable development, this paper aims to present the current and future global trade. I believe that a country, the more insignificant in economic terms (small states), the need to participate in the multilateral trading system increase, because when a developed country violates certain principles of free trade in relation to a smaller partner, the latter may require assistance to competent authorities, having examined it and deciding what action is required in the case of guilt of the accused.

If there were no such trade rules, developed countries would monopolize relations with partners, with a unilateral decisions and forming bilateral agreements, are not consistent with the principle of non discrimination (one of the basic principles of the international trading system).

## 3. METHODOLOGY

With a view to achieving the proposed goals, the methodological approach aimed at presenting the various opinions and interpretations of specialists in the country and abroad, as well as drawing pertinent conclusions pursuant to the analysis of statistical data. A content analysis was envisaged, in order to outline economic phenomena, understand underlying causes, describe current situations and even extrapolate results to situations similar to the current status.

The advantages of this quality-based research are the following: - fundamentally facilitating a better comprehension of the issues at stake; - favouring a perspectivised approach of the research; - outlining other valuable aspects, interdependent with the analysed topic, thereby increasing the complexity of the issues.

## 4. ANALYSES

### *4.1 The Current Situation of Global Trade*

The dynamism of the international trading system is the result of linkages and mutual conditioning of goods and services diversification, impressive growth of trade, institutionalization of trade, increasing global importance of the industrialized economies

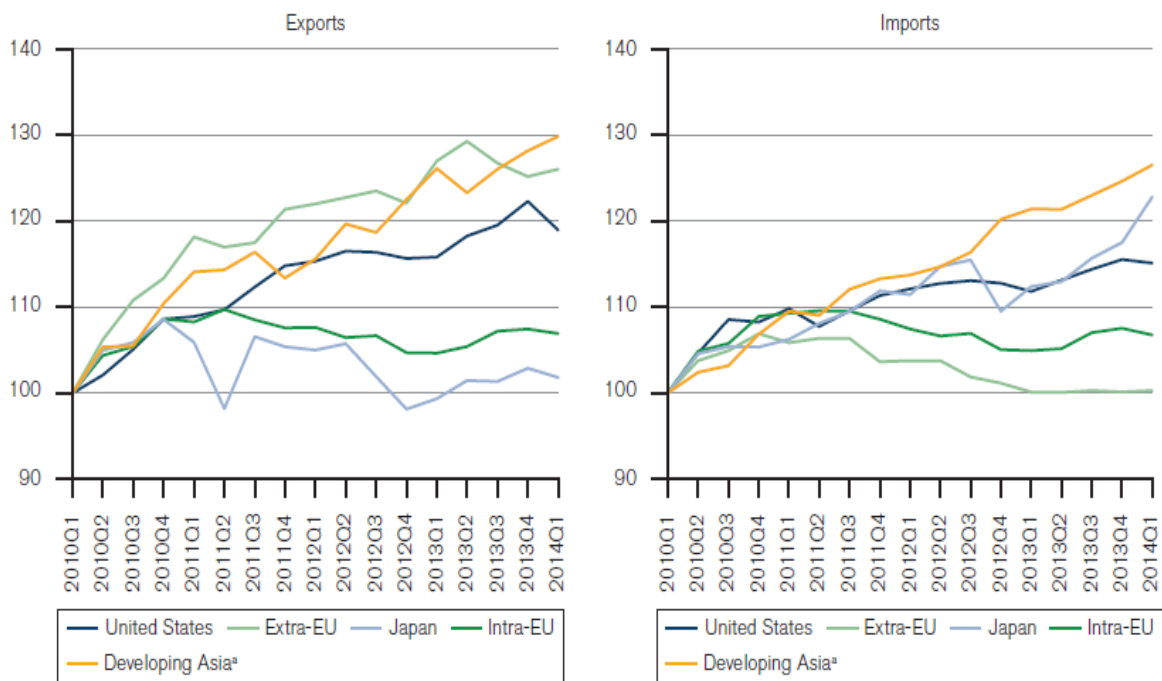
etc. In the year 2013, the trade in goods registered a growth of 2.2 percent, 0.1 percent less than the previous year. The recorded values are much lower than the average of the last two decades, from 5.3 percent. This low level of international trade was highlighted as declining imports of developed countries (up from the previous period was less than half a percentage point), reduced exports (developed countries have increased by one and a half, and the emerging with two points more than them), high levels of unemployment in the Member States of the European Union and the Eurozone (for example, in Greece in August 2014 reached the level of 26%, Spain- 24.2%, 16.8% Croatia- , 16.3% Cipru- etc.) and the recession.

As shown in the graph below, exports registered an upward trend for developing Asian countries (excluding Australia, Japan and New Zealand), starting especially with the second quarter of 2013, followed by extra-EU exports. In the United States, after a steady increase in exports in 2010-2013, we are dealing with a decrease at the end of 2013 and beginning of 2014. According to data from the World Trade Organization, in mid-2013, US exports increased by 3.3 percentage points, the intra-EU two percentage points, while the extra-EU decreased by 1 point and a half; developing Asian countries recorded in the same period, an increase in exports of almost two percentage points and 1.2 percentage points Japan.

In terms of world merchandise imports, the first places are still developing Asian countries, including Japan. Since the first quarter of 2013, US exports, and Community (intra- and extra-) registered a constant level. For the second half of 2013, increases in imports presented by the World Trade Organization were 3.3 percentage points for Japan, two percentage points for the rest of the developing economies of Asia, 2.2 percentage points for the United States, just below two percent for intra-EU imports and an increase of only 0.2 percentage points for the extra-EU imports. Imports of goods of the European Union (intra- and extra-EU) reach one-third and one-sixth of the world total if we consider only extra-EU imports.

The total world merchandise exports and imports increased by 2.2 percent in 2013; exports of developed countries increased by one and a half, much slower than those of developing states, which increased by 3.6 percent. Regarding imports, the difference is even more significant: imports of developed countries fell by 0.3%, while those of developing states and CIS increased by 4.7 percent. Ranking of exports by region include in last place Africa, with a decrease of -2.4 percent, higher positions are occupied by South and Central America, which grew by 1.4 percent, Europe with one and a half, North America, 2.8 percent and first Asia by 4.7 percent.

The negative value recorded for the African continent was caused by falling exports of countries like Libya and Nigeria (-28% and -8.4% respectively), major oil exporters. Following imports, we see that Europe is in last place with a half-percent decrease from the previous period, then we find North America and South and Central America, with 1.2 and 3.1 percent respectively and Africa, with 4.1 percent. The first place situation is similar to that of exports, this means that we have a 4 and half percent increase in imports in Asia.



**Note:** \* Asia excluding Australia, Japan and New Zealand.

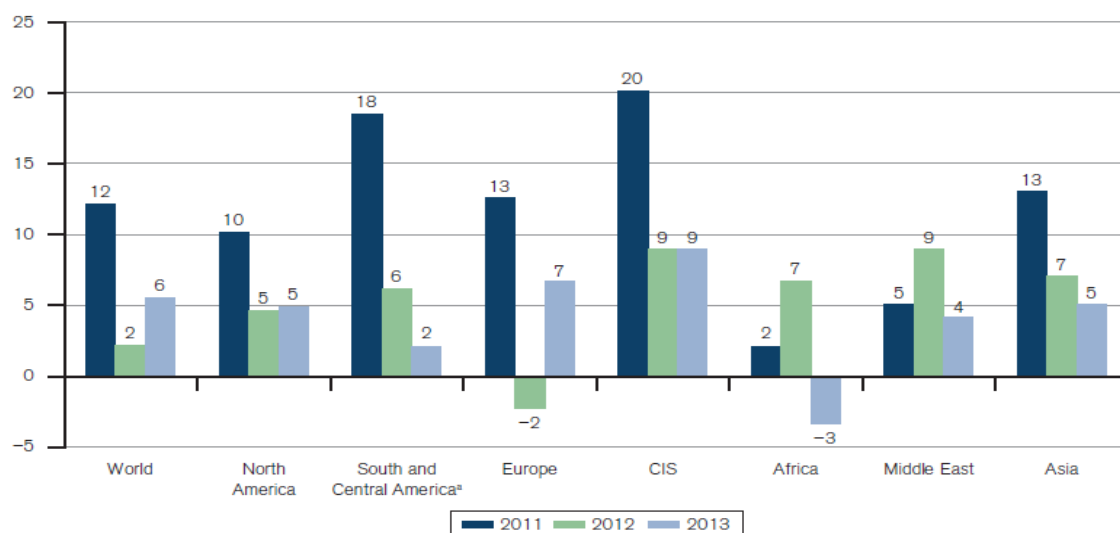
**Source:** World Trade Report 2014: Trade and development: recent trends and the role of the WTO, World Trade Organization, 2014, p. 19

**Graph no 1: Trade in goods of selected economies, 2010-2014 (quarterly, seasonally adjusted volume indices, 2010Q1 = 100)**

The value of world merchandise exports in 2013 was 18.800 billion dollars, and the services was 4,600 billion (an increase of 6%). As the report of the World Trade Organization presents, China's total exports and imports was 11 percent of the world total, making it the largest trader and exceeding USA with 0,6%. Exports of commercial services targeted tourism (an increase of 7 percent), other business services (up 6%) and transport (only 2 percent). Note that exports of financial services of Chinese state increased by 52 percent compared to 2012, reaching three billion dollars. However, the United States remain leaders, with a value of exports of financial services to 30 billion dollars higher than China's. Graph 2 presents the increase in the value of exports of commercial services by region for 2011-2013; it is noted that between 2011 and 2012, exports of commercial services fell sharply in most regions. If global growth fell from 12% to 2% in 2011-2012, there were regions with major modifications; applicable Europe (from 13% to -2%), Central and South America (from 18% to 6%), CIS (from 20% to 9%), but were equally considerable changes and to North America (10% to 5%) and Asia (from 13% to 7%).

Positive changes of commercial services exports growth we see in the case of Africa (from 2% to 7%) and the Middle East (from 5% to 9%). For the period 2012-2013, the increase was from 2% to 6% at global level, from -2% to 7% for Europe (2170 billion dollars), was maintained at 5% in the case of North America (761 billion) and 9% in the case of the CIS (115 billion) and dropped from 6% to 2% in Central and South America

(144 billion), from 7% to -3% for Africa (90 billion USD), from 9% to 4% in the Middle East (128 billion) and from 7% to 5% in Asia (1210 billion).



*Note:* a) Include Caraiibe

*Source:* World Trade Report 2014: Trade and development: recent trends and the role of the WTO, World Trade Organization, 2014, p. 26

Graph no 2: Exports of commercial services by region, growth in value for the period 2011-2013 (annual percentage changes)

So, for 2013, total world merchandise exports was 18.3 trillion dollars and that of imports of 18.4 trillion dollars. Regarding commercial services, total exports reached 4.6 trillion dollars, while that of imports to 4.3 trillion. Summarizing the above, we present in the table below situation of trade in goods and services in the year 2013 for a number of selected economies, both in value and as a percentage change from previous year:

Table no. 1: Merchandise trade and services at the level of 2013  
(billion dollars and percentage)

	Merchandise trade				Commercial services trade			
	Exports		Imports		Exports		Imports	
	Value	Annual % changes	Value	Annual % changes	Value	Annual % changes	Value	Annual % changes
<b>World</b>	18.300	2	18.410	1	4.645	6	4.380	5
<b>North America</b>	2.418	2	3.195	0	761	5	566	3
<b>South and Central America</b>	736	-2	773	3	144	2	196	6
<b>Europe</b>	6.646	4	6.598	1	2.194	7	1.800	5
<b>CIS</b>	779	-3	574	0	114	9	174	15
<b>Africa</b>	602	-6	628	2	90	-3	160	-1

<b>Middle East</b>	1.347	0	779	6	125	4	251	7
<b>Asia</b>	6.288	3	6.341	2	1.217	5	1.235	4

*Source: Data processed by the author based on information provided by the World Trade Organization*

Top exporters of commercial services is led by the United States with 662 billion dollars. The following places it found UK, with 293 billion dollars and Germany with 286 billion dollars. The first three global importers of commercial services are the United States, with 432 billion dollars, China with 329 billion dollars and Germany with 317 billion dollars. If we treat the member states of the European Union as an entity, then the top is driven by EU, with 891 billion dollars; this means a quarter of total world exports. So would present the situation and for ranking importers of commercial services; European Union imported worth 668 billion dollars (almost a fifth of the world total).

Tabel no. 2: Leading exporters and importers at the level of 2013

(billion dollars and percentage)

<b>Merchandise trade</b>					
<b>Exporters</b>			<b>Importers</b>		
<b>Rank</b>	<b>Value</b>	<b>% of world total</b>	<b>Rank</b>	<b>Value</b>	<b>% of world total</b>
1. China	2.209	11,7	1. USA	2.329	12,3
2. USA	1.580	8,4	2. China	1.950	10,3
3. Germany	1.453	7,7	3. Germany	1.189	6,3
4. Japan	715	3,8	4. Japan	833	4,4
5. Netherlands	672	3,6	5. France	681	3,6
6. France	580	3,1	6. United Kingdom	655	3,5
7. Korea, Rep. of	560	3	7. Hong Kong, China	622	3,3
8. United Kingdom	542	2,9	8. Netherlands	590	3,1
9. Hong Kong, China	536	2,8	9. Korea, Rep. of	516	2,7
10. Russian Federation	523	2,8	10. Italy	477	2,5
<b>Commercial services trade</b>					
<b>Exporters</b>			<b>Importers</b>		
<b>Rank</b>	<b>Value</b>	<b>% of world total</b>	<b>Rank</b>	<b>Value</b>	<b>% of world total</b>
1. USA	662	14,3	1. USA	432	9,8
2. United Kingdom	293	6,3	2. China	329	7,5
3. Germany	286	6,2	3. Germany	317	7,2
4. France	236	5,1	4. France	189	4,3
5. China	205	4,4	5. United Kingdom	174	4
6. India	151	3,2	6. Japan	162	3,7
7. Netherlands	147	3,2	7. Singapore	128	2,9
8. Japan	145	3,1	8. Netherlands	127	2,9
9. Spain	145	3,1	9. India	125	2,8
10. Hong Kong, China	133	2,9	10. Russian Federation	123	2,8

*Note: The ranking does not include European Union as a single entity.*

*Source: Data processed by the author based on information provided by the World Trade Organization*

#### *4.2. Forecasts and Trends within the International Trade System*

According to World Bank forecasts, the global economy is projected to grow by 3 percent in 2015, 3.3 percent in 2016 and 3.2 percent in 2017. For developing economies is expected a 4.8 percent economic growth this year, 5.3 percent in 2016 and 5.4 percent next year. Given the international economic and financial crisis and recession in many countries, in the coming years, the recovery will be slow and fragile and also with differing manifestations. The outlook appears bleak if we consider weak trade at present (compared to the situation existing before the onset of the global international crisis), the high volatility of interest rates on international financial markets, and the sharp drop in oil prices. Neither economic stagnation in the Eurozone not be neglected; therefore, for the member states of the Eurozone, growth appears to be lower in 2015, just over 1% and slightly above 1.5% for the period 2016-2017. Specialists World Trade Organization and the World Bank predict an increase of 7% in 2016 both India and China.

For East Asia and Pacific region is expected slow growth, but weighted. Although the previous year was characterized by lower growth due to tightening policy for 2015 is forecast to grow by 6.7 percent. The growth will be supported in the region of increasing exports and investment, as well as recovery of the political situation. For developing countries in Europe and Central Asia, the future seems promising, but not uniform; thus, the total increase is projected at 3 percent this year, 3.6 percent in 2016 and 4% in 2017. As mentioned above, the recovery of this region depends on the state of the Eurozone (the possibility of a prolonged stagnation), political tensions, but also emphasizing the decrease in commodity prices. So heterogeneous are the changes projected for Latin America and Caribbean, Middle East and North Africa (to these latter is projected to increase by 3 percent and a half in 2017). For South Asia, even if persisting internal political tensions, the reforms adopted decreased the vulnerability of the financial sector and is expected to increase by 6.8% in 2017, 1.3 percentage points higher than that recorded in 2014. Sub-Saharan Africa increased economic by 4.5 percent in 2014 and is expected to reach 5.1% in 2017; the weather is quite uncertain, given the riots, epidemics, financial market volatility or low commodity prices.

#### **5. CONCLUSIONS**

International trade is an essential factor for sustainable development since it increases population capacity on rapid gains, employment and access to essential goods. Both international trade and investment are engines of economic growth and sustainable global development. Remediation of existing global economic imbalances must take into account: progressive implementation of fiscal tightening measures, adaptability of monetary policy, and interdependence between this and the financial, importance of structural policies encouraging economic growth. The current context requires a series of drastic changes in the mode of involvement in international trade, but also the way in which institutions supporting economic activity by offering solutions and encouraging consolidation of competitive advantages. Mutations in international trade, and the emergence of new markets causes a reorientation of international flows of goods and services.

Also, in my opinion, now more urgent for international trade and to establish the current economic situation is resolving disputes between participants in the multilateral trade negotiations under the Doha Round. It requires a favorable conclusion of the round, especially after the unprecedented increase in energy prices, food and banking and financial disaster. Although the Doha round began in November of 2001, it could not be

completed due to disputes arising between participants. As we know, the deadline for completion during this round of trade negotiations was January 1, 2015 and must be treated five groups of issues: market access, development issues, WTO rules, trade facilitation and other issues. According to Randy Schnepf (in WTO Doha Round: Implications for U.S. Agriculture, Congressional Research Service Report): “In an effort to advance the stalled trade talks, ministers at the World Trade Organization’s (WTO’s) Ninth Ministerial Conference in Bali, Indonesia, December 3-7, 2013, adopted the so-called Bali Package—a series of decisions aimed at streamlining trade (referred to as trade facilitation), improving use of tariff rate quotas (TRQs), and allowing developing countries more options for providing food security. The Bali Package represents the first multilateral trade deal in nearly two decades; however, implementation of the agreement is proving difficult.” This means that there are still hopes that this round to reward efforts over the years to get results of those interested in international trade negotiations undertaken. For best results we need new ideas and initiatives in Doha Round; if you noticed that the old proposals can not be fully materialized or the existence of barriers hamper the fulfillment of tasks, efforts should be directed to the malleability and openness.

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