

International Trade

Grappling with Current Issues

Presentation made at 2010 COTE, UWI, October 7, 2010
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OUTLINE

- Concept of International Trade
- Statistical Direction
- Impacting Factors
- Looking Forward

? What is International Trade ?

- **The exchange of exchange of goods and services and capital across international borders or territories**
- **In many countries, trade is a significant contributor to GDP & by extension to development**

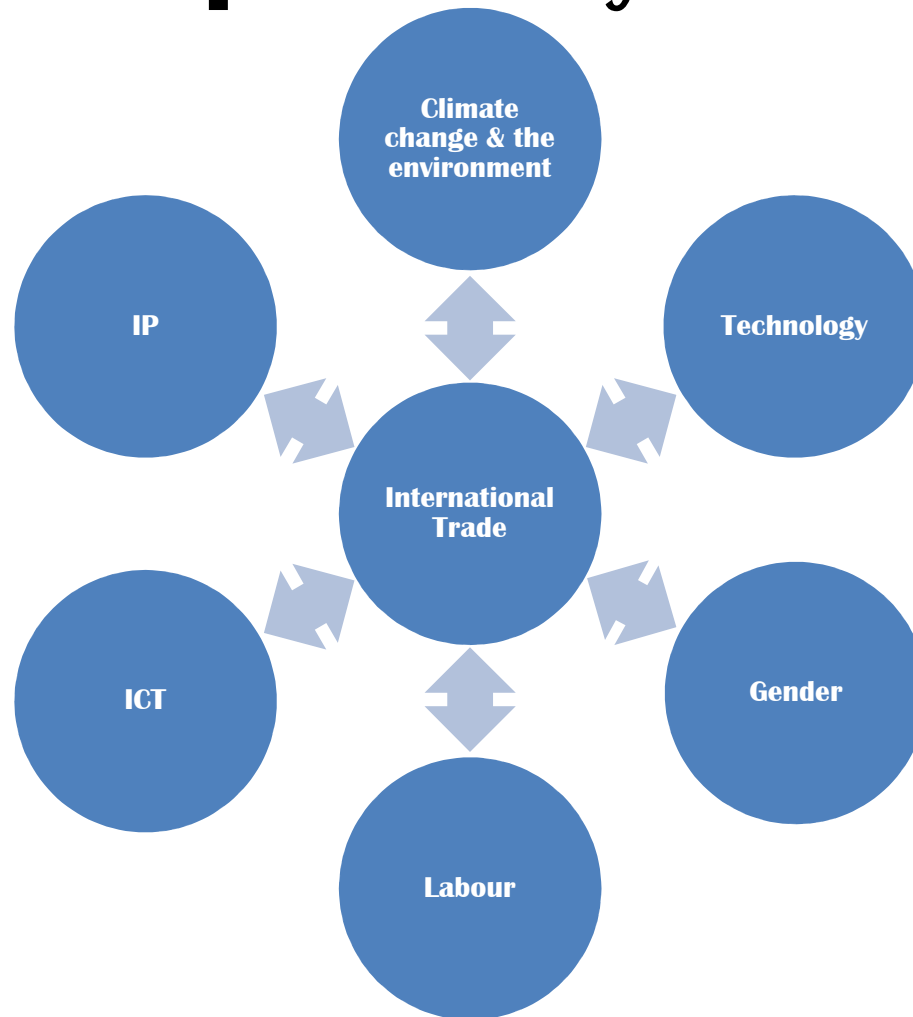
T&T Scenario

	2008	2009
Exports TT\$Mn	170,937.5	124,115.6
GDP TT\$Mn	116,662.00	58,091.90
(Exports/GDP)	68%	47%

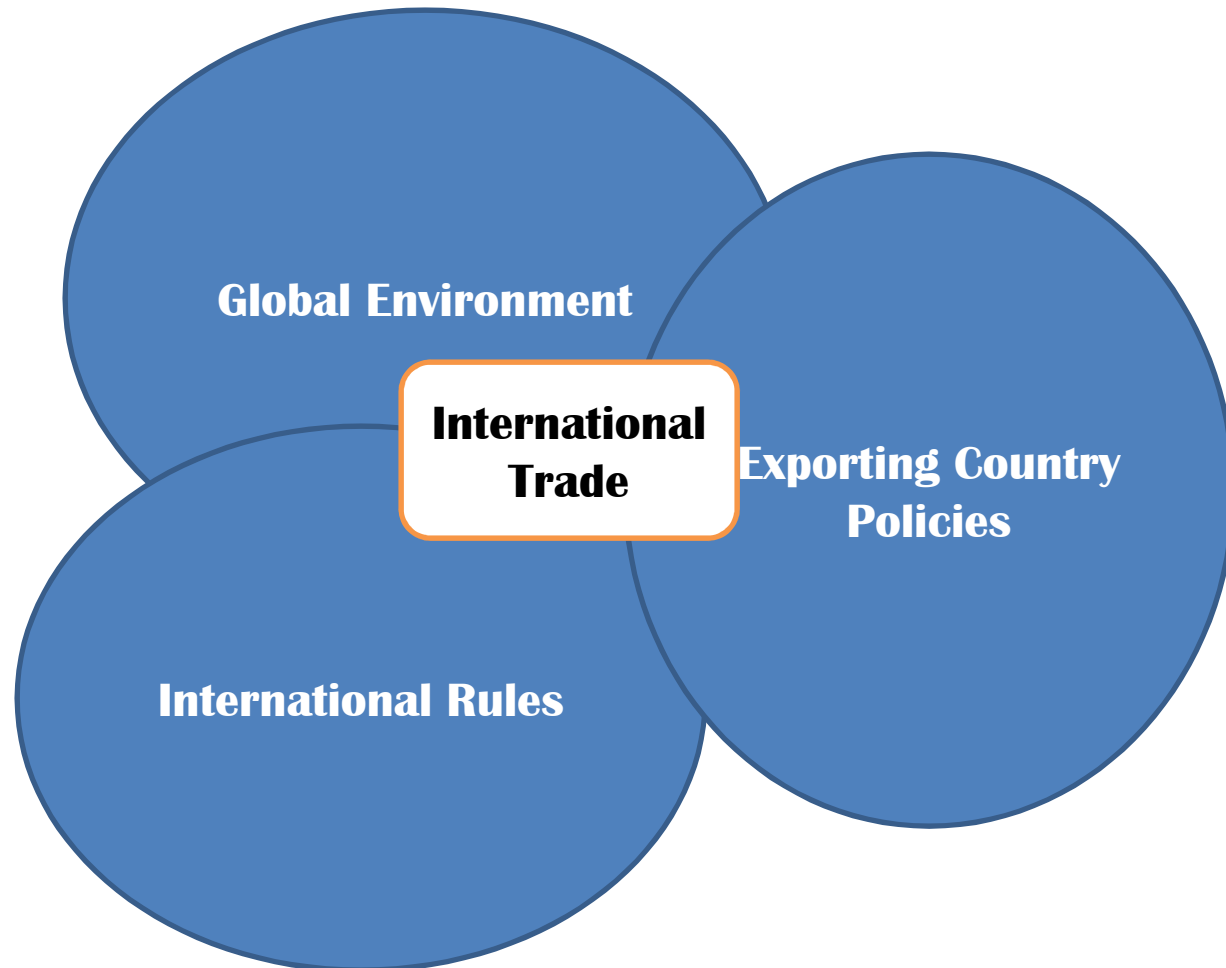
Other Dimensions

- **Balance of Payments**
- **Competition Policy**
- **Government Procurement**
- **Dispute Settlement**
- **Electronic Commerce**

Developmental Issues Impacting & Impacted by Trade

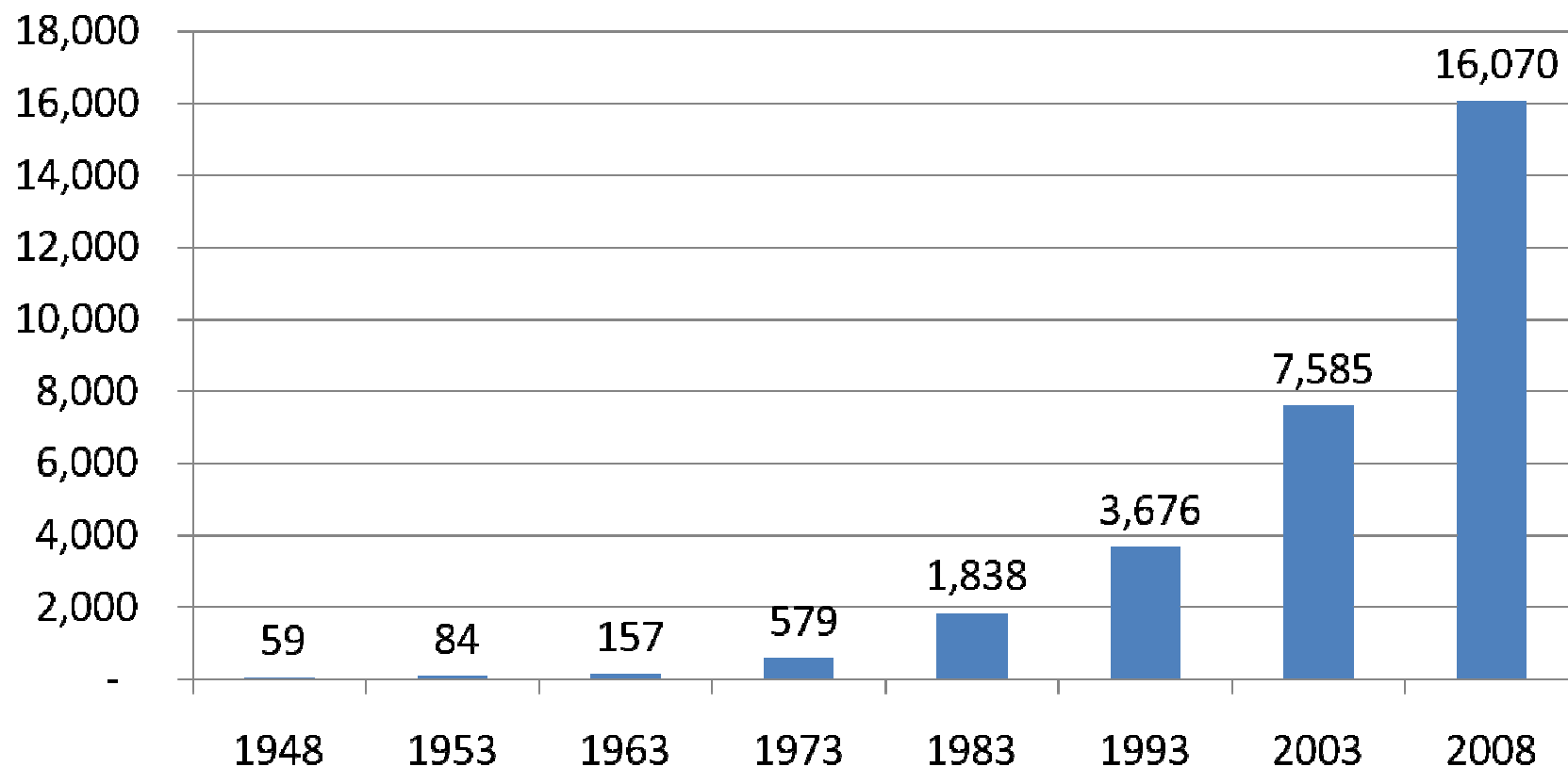


Issues Shaping International Trade Policy



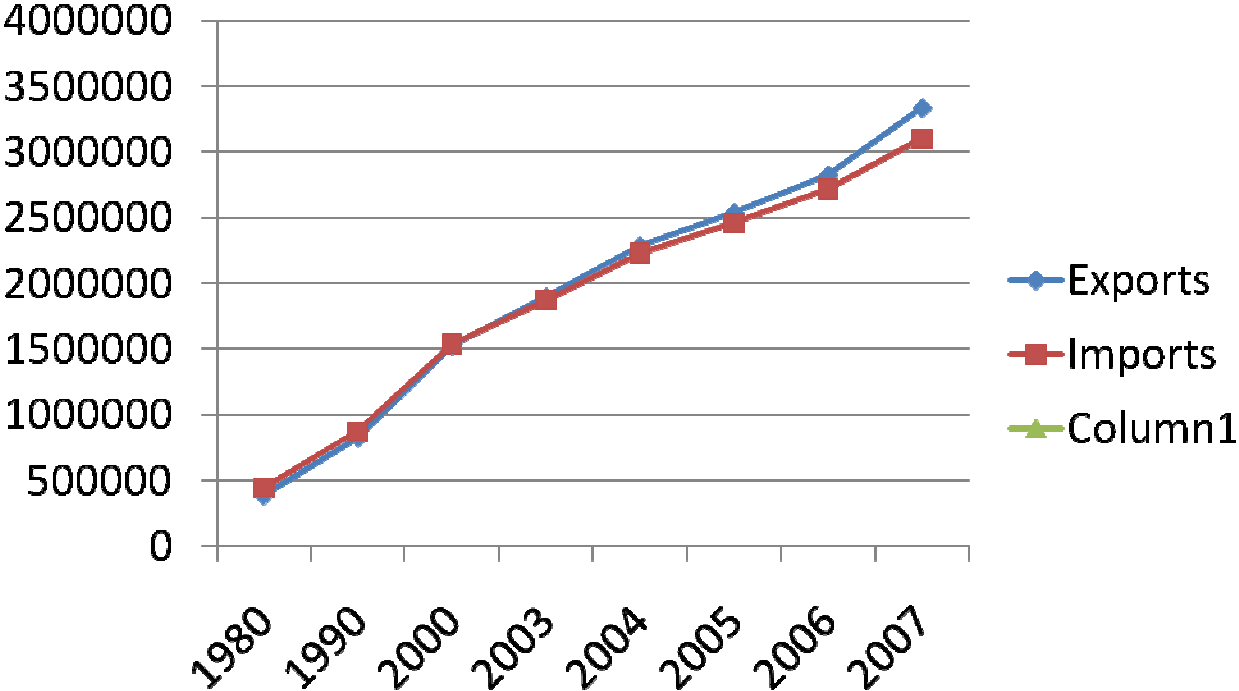
Evolution of Global Trade

World Merchandise Exports 1948-2008 (US\$Bn)



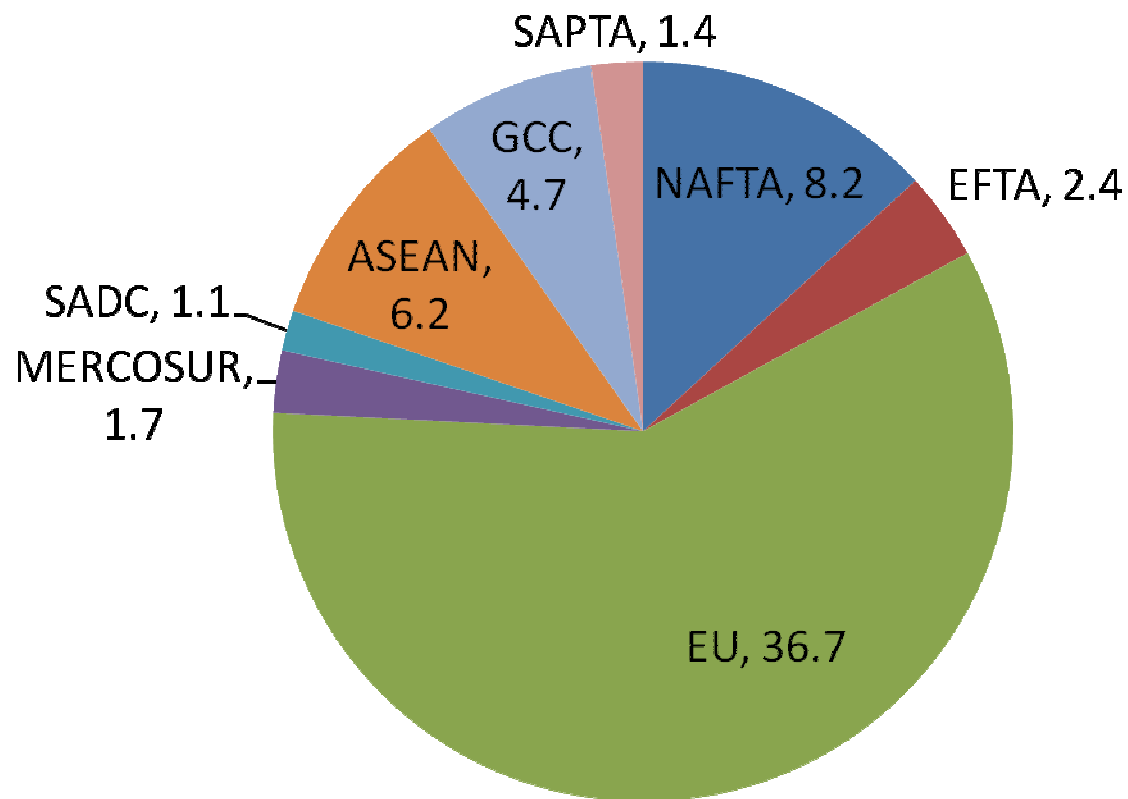
Growth of World Services Trade

(US\$M)



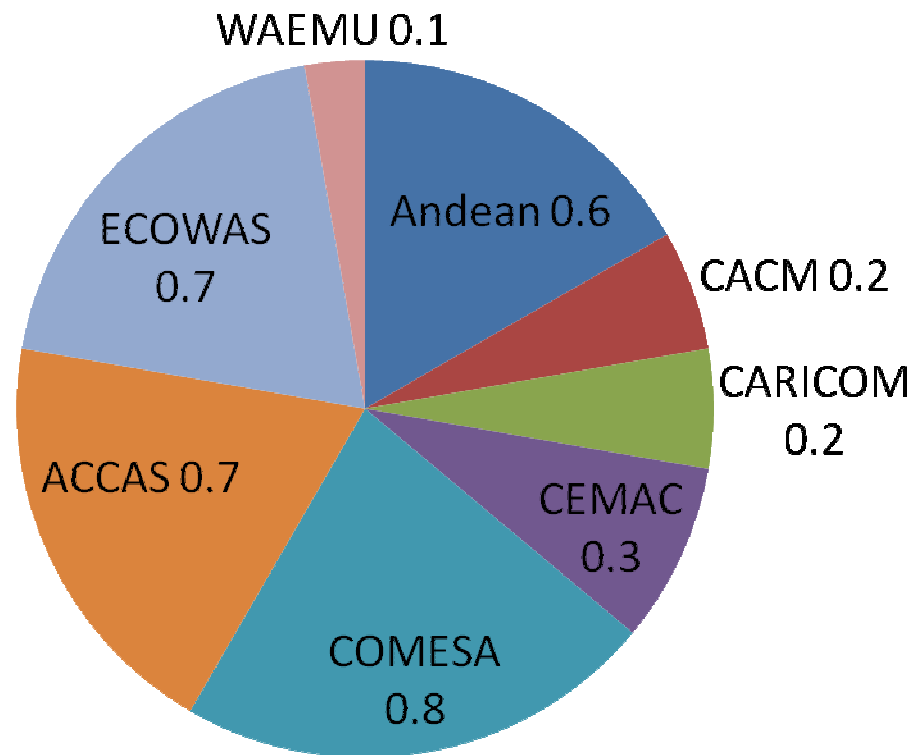
Distribution of Global Trade

Over 1% of Global Exports



Trade Distribution...Cont'd

Less than 1% of Global Exports



Global Distribution of Exports by Value and %

Over 1% of global exports

	US\$ Billion	Share (%)
EU 27	5,898.40	36.7
NAFTA	2,035.60	12.7
EFTA	378.20	2.4
ASEAN	990.20	6.2
GCC	751.80	4.7
MERCOSUR	278.30	1.7
SAPTA	223.50	1.4
SADC	179.60	1.1
Sub Total		66.9%

Below 1% of global exports

	US\$ Billion	Share (%)
COMESA	126.10	0.8
ECCAS	114.60	0.7
ECOWAS	105.50	0.7
Andean Cm	94.10	0.6
CEMAC	43.20	0.3
CACM	29.30	0.2
CARICOM	24.80	0.2
WAEMU	17.60	0.1
Sub Total		3.6

Distribution of Exports...cont'd

Grouping	Exports, US\$ Billion	Share (%)
ACP	394.30	2.5%
LDCs	173.50	1.1%
WTO Members (153)	15,038.30	93.6

The Global Environment

Development Paradigm Shift

- **Shift from protectionist ISI to trade liberalization**
 - **A general decline in MFN tariffs**
 - **Removal of regulatory obstacles in services sectors**
- **Outward-looking orientation to development**
- **Changes in the World Economy**

Regional Trading Arrangements

- **Surge in Regional Trade Agreements (RTAs)**
- **RTA: an arrangement where parties apply more favourable conditions than for trade with other WTO Members**
- **As of July 2010, 371 RTA were notified to the WTO, of which 193 are currently in force (www.wto.org)**

RTAs...Cont'd

- **RTAs take different forms (based on WTO classification). These include:**
 - **Customs Union: CARICOM, EC (Art. XXIV of GATT)**
 - **FTA: US-Jordan, EC-South Africa (Art XXIV of GATT)**
 - **Economic Integration Agreement (EIA): EC , CARICOM (Art. V of GATS)**
 - **PTA: Chile-India, Latin America Integration Association (LAIA or ALADI) [Enabling Clause]**
 - **FTA & EIA: CARIFORUM-EC EPA, US-Peru, Peru-China**

Preference Erosion

- **Unilateral Liberalisation**
- **Multilateral negotiations (WTO)**
- **Plethora of bilateral and hemispheric negotiations (CAFTA, CARIFORUM-EC EPA, Mercosur-EU)**

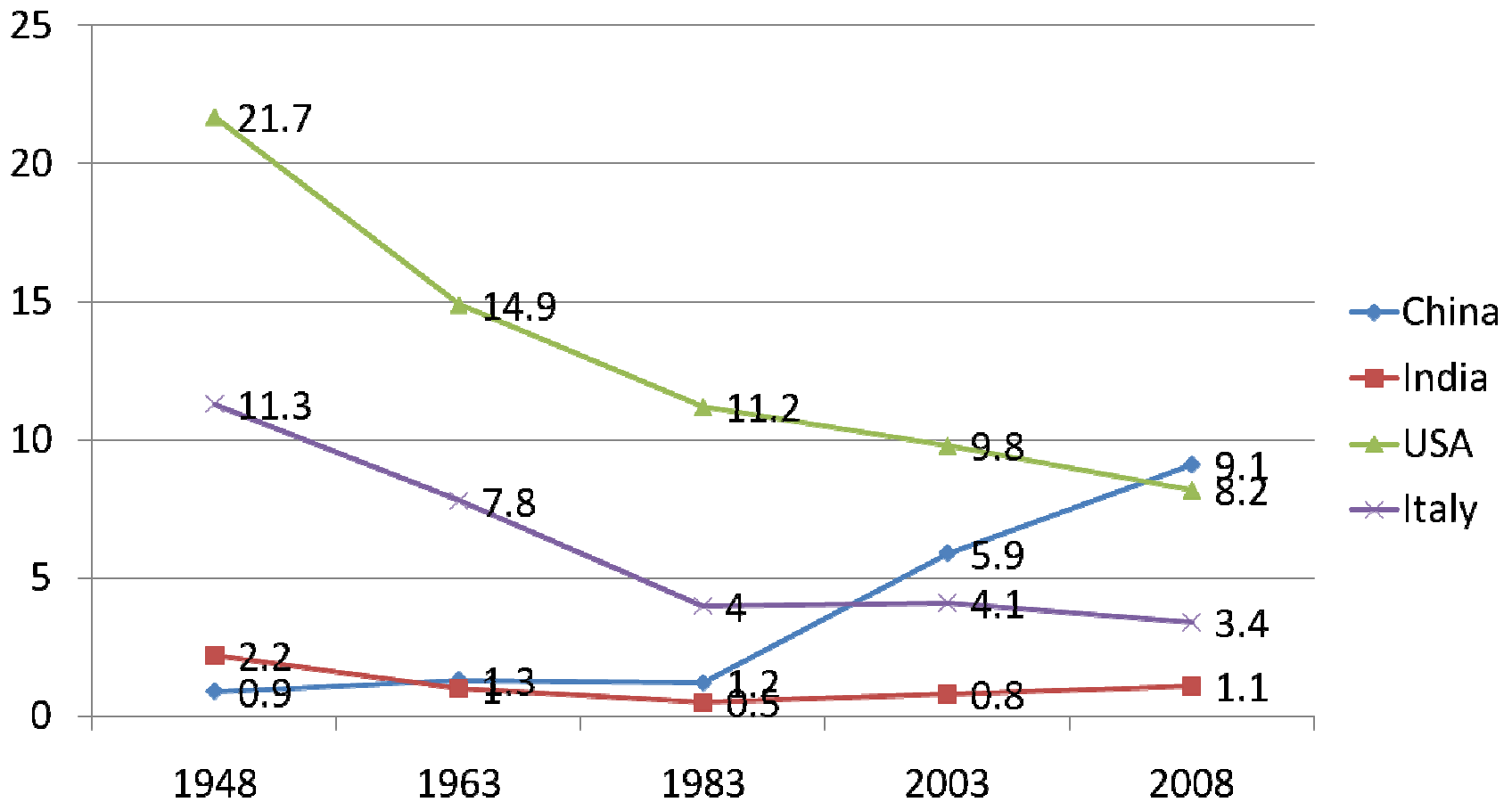
Spaghetti Bowl Effect

- **Membership to multiple trading agreements**
- **Spaghetti bowl of rules**

Shift in the Balance of Power: Towards a Multi-polar World

- **The advent of Emerging Economies**
- **Evolution into a Multi-polar world**
 - **BRICs (Brazil, Russia, India, China)...and more recently**
 - **CIVETS (Colombia, Indonesia, Egypt, Turkey & South Africa)**
 - **China is set to overtake Germany as the World's largest exporter by end of 2010 (BBC)**

...Towards a Multi-polar World



Shift in the Balance of Power...cont'd

- Implications on other developing countries**
 - Access to global markets**
 - Access to FDI**
 - Influence on Trade Negotiations & Outcomes**

- The trouble with generalizations: Developing vs. developed country alliances**

...The Goliaths of Trade



Other Developments in the Global Environment

- **South-South Trade**
- **South-South Cooperation**
- **Aid for Trade**

International Rules & the MTS

WTO & the Multilateral Trading System

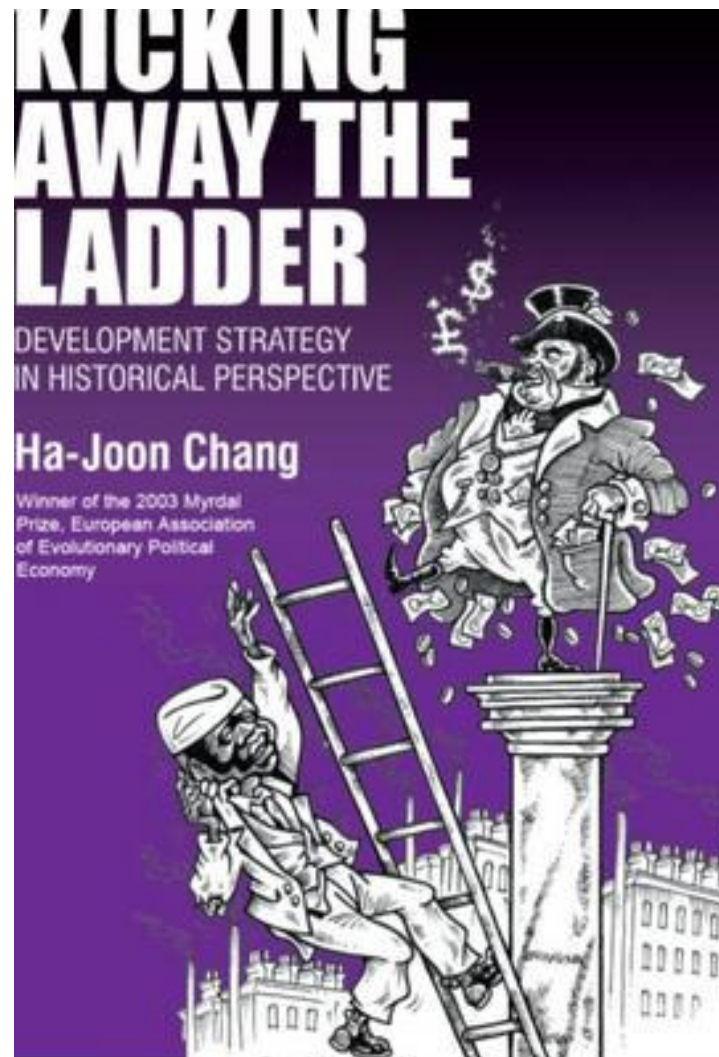
- **What is the WTO?**
- **Inter-governmental body mandated to make rules that govern international trade**
- **Provides for the settlement of trade disputes**
 - **The Dispute Settlement Mechanism**
- **153 Member States**
- **Doha Round of Negotiations launched in 2001**
 - **The DDA was designed to re-write/re-balance the multilateral rules following a skewed Uruguay Round**

Kicking Away the Ladder

- Missed deadlines and broken expectations
- Key sticky issues: rich countries' Agriculture subsidies, Domestic Support, NAMA etc.



Kicking Away the Ladder



Is the MTS Dying



- **Despite the hiatus in the DDR, WTO continues to serve other functions:**
 - **Dispute Settlement Mechanism**
 - **Notifications of policy measures & changes in trade regulations**
 - **WTO Trade Policy Reviews**
 - **WTO Technical Assistance**
 - **WTO Accession: 153 existing Members, covering 93.6% of global trade**
 - **29 countries are seeking Accession (e.g. Bahamas, Russia, Libya, Kazakhstan, Belarus)**

EXPORTING COUNTRY POLICIES

Is Everyone is Looking After Their Own Interest?

- **Government Procurement policies: Buy American Campaign**
- **WTO TPR for the US (September 29, 2010) notes:**
 - **“some anti-recession measures that favour domestic suppliers of goods and services” Par 10 (WT/TPR/S/235)**
- **USA TPR: Accelerated use of anti-dumping duty orders**
 - **246 orders in Dec. 2009, 22 more than in Dec. 2007**
 - **Countervailing duties increased from 31 to 41 during same period**

....Protectionist Undertones

- **CHINA: Currency valuation controversy**
- **US & EU: Domestic support subsidies**
- **EU: Subsidies: announced re-introduction of export subsidies for butter, cheese & whole and skim milk powder from Jan 2009**
- **MERCOSUR: agreed to raise CET by 5 percent points on a number of items wine, dairy products, textiles and leather goods**

**WHERE DOES T&T STAND
IN THIS MAZE?**

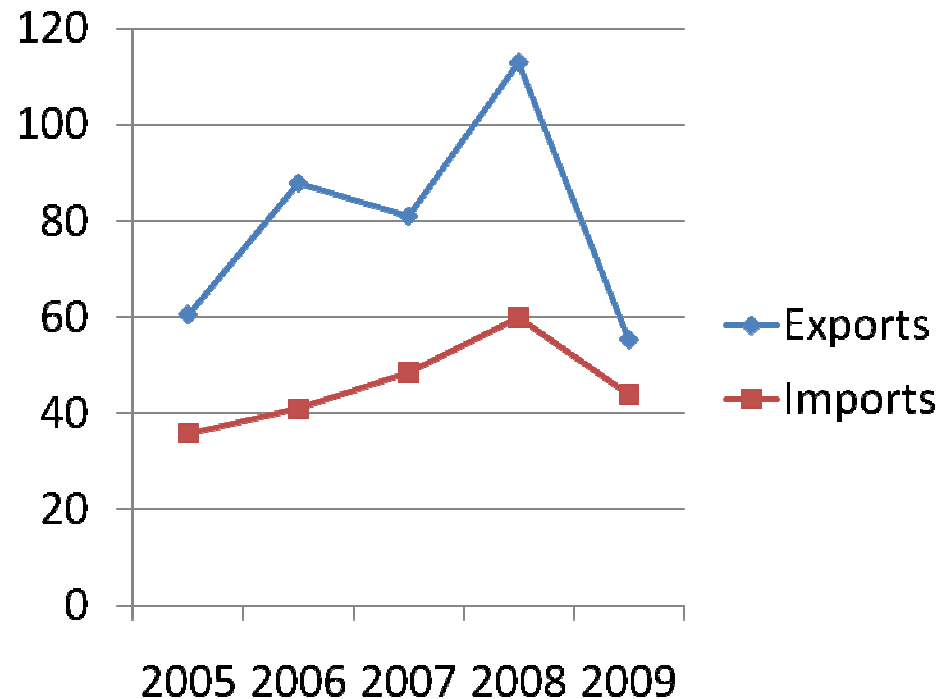
Internal Policy Responses

Pillar 5 “A More Diversified, knowledge intensive economy”

MTI: “To grow & diversify trade, especially exports of non-energy goods & services”

T&T at a Glance (2009)

- **GDP at Current Prices: TT\$ 124.116 Bn.**
- **Population: 1,310,106**
- **GDP/capita at Current Prices: TT\$94,797 (approx. US\$15, 038)**
- **Exports: TT\$55 Billion**
- **Imports: TT\$49 Billion**



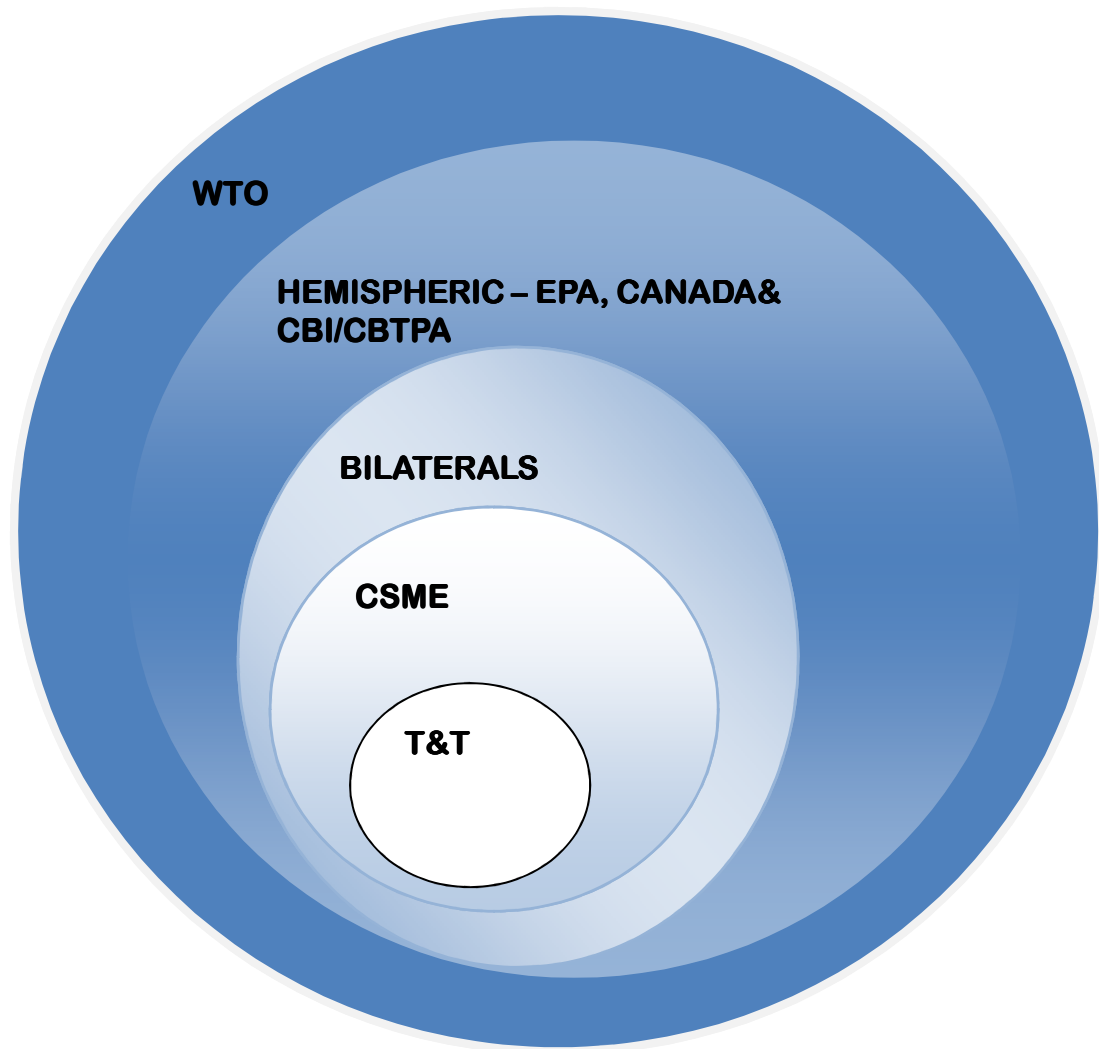
Data Sources: Trade data: CSO

GDP & population data: Review of the Economy (2010)

T&T Trade Negotiation Agenda

Negotiating Trade Agreements

- Increase market access of goods and services exported by T&T at favourable conditions
- Lock-in existing preferences
- Create predictability and transparency of the trading regime (critical for long term investment decisions)
- Increased focus on implementation to increase utilization rates of concluded trade agreements
 - E.g. currently exports to the 5 CARICOM bilaterals account for 5% of T&T's exports.



Addressing Competitiveness Issues

- Implementation of Single Electronic Window for Trade & Business Facilitation (SEW)**
- Implementation of ASYCUDA World**
- Steady improvements in T&T's ranking in the Global Competitiveness Report:**
 - 92 in 2008-2009 (out of 131 countries)**
 - 86 in 2009-2010 (out of 133 countries)**
 - 84 in 2010-2011 (out of 139 countries)**

...Addressing Competitiveness Issues



R&D Facility

- **Maximum grant reviewed from \$100,000 to \$500,000**
- **Maximum grant for the registration of patents increased from \$50,000 to \$300,000**



smExchange: allows registered members access to sell their products online (<http://www.smexchange.com>)



Trade Finance: EXIM Bank
www.eximbanktt.com

Export Credit
insurance
Post-shipment
financing
Pre-shipment
financing & guarantee

Trade Promotion & Development

- **Overseas representation**
 - **Trade Facilitation Office in Cuba**
 - **Use of T&T Foreign Missions**
 - **Strengthening the capacity of T&T Foreign Missions**
- **Establishment of an implementation unit for trade agreements**

Creating an Enabling Environment

- **Industrial Policy (2011-2015) to identify new poles of growth & strategies to promote them**
- **Trade Policy (2011-2015) to identify strategies to grow and diversify exports**
- **Investment policy (2011-2015) to facilitate investment in the non-energy sectors**
- **National Services Industries Strategy: to identify ways of developing the services sector as new growth pole for economic diversification & trade**
- **Fair Trading Commission to discipline unfair competition e.g. price fixing, uncompetitive mergers etc**

LOOKING FORWARD

- Review of existing Agreements
- Seek opportunities for expanding trade
- Enhancing our trade infrastructure
- Building the capacity of the local trade sector

END