

THE INCIDENCES OF THE GLOBAL CRISIS ON THE INTERNATIONAL TRADE IN GOODS

Mariana, Mihăilescu¹

Abstract: *Having its origins in the excesses occurred in the Western financial system, the global crisis has affected the world economic circuit as a whole and thus its most dynamic flux: the international trade in goods. After the sharp and synchronized downturn of the transactions in 2009, the world trade in goods experienced a revival in 2010 and, again, a slowdown in growth in 2011. The emphasis on the protectionist tendencies in 2012 and the keeping of the risk factors surrounding the global economy maintain not a very optimistic perspective in this area.*

This paper reflects the evolution of the international trade in the current period as well as the changes occurred in the hierarchy of the major retailers in the world. Also, the highlighting of the factors that caused increase and decrease oscillations to the global trade represents the main objective of this theme.

Keywords: *international trade, protectionism, world exporters, world importers*

JEL Classification: *F10, F13*

1. Introduction

One of the areas on which the current crisis has left its mark is the international trade. Its contradictory evolution in the recent years is a consequence of the crisis and also a destabilizing factor in the world economy as a whole.

The affirmation of some emerging countries that have proven to be very skillful in fighting the crisis and the decline of others represent another consequence of the globalized world we live in. The increase and decrease oscillations in the global demand, the intensification of the protectionist measures adopted by some countries, the estimates on the rising of the oil prices and food increase the degree of risk and uncertainty in the world economy and reduce the chances of the international trade sustainable development.

2. The Research Methodology

In the analysis of the international trade specific problems, I used both the quantitative and the qualitative methods of research. The qualitative analysis, the quantitative one, the connection and the classification of the investigated phenomena represent the main elements of the research methodology mentioned.

In this investigative approach, we also used the method of gathering information (by observation), of processing it (statistical and mathematical) and of interpreting it. For interpreting the information we used several methods: inductive, comparative and causal explanation.

3. The contradictory evolution of the international trade during the global crisis

The international trade has grown particularly throughout the twentieth century, especially in the second half of it. Thus, if we refer only to exports, those rose from 84 billion dollars in 1953 to 5625 billion dollars in 1999, meaning an increase value of about 67 times. This rise was due to the increase in both the physical volume of exports and the price dynamics on the international market.

In the first years of the twenty-first century, the increase continued, the exports amounting to 15,717 billion dollars (Table 1) in 2008. The great rise in exports is interrupted by the outbreak of the global economic crisis, considered by experts as the

¹ Lecturer, „Constantin Brâncoveanu” University of Pitești, Faculty of Management, Marketing in Economic Affairs, Brăila, mihaillescumariana@yahoo.com

worst in the postwar period. The decrease in value of the world trade to 12,461 billion dollars in 2009 represents the first decline of this scale in the postwar period. The collapse of the global demand, which severely disrupted the commercial activity and the price evolution, was accompanied by the considerable pressures manifested on the world financial markets, resulting in the increased cost of credit and the scarcity of resources available for financing the trade.

The main factors that have led to reducing the trade volume in 2009:

- The collapse of the global demand, which severely disrupted the commercial activity and the price trends;
- The increasing presence of the global production networks in the international trade;
- The scarcity of resources available for financing the trade;
- The intensification of the protectionist measures imposed by the governments of various countries under the impact of the global financial and economic crisis;
- The synchronized nature of the international trade decline: if the reduction in some areas had been offset by the increases in other regions, the international trade decline would have been much more subdued (Ghibuțiu, A. 2009, "Prăbușirea comerțului internațional și escaladarea protecționismului", Tribuna Economică Publishing, no. 16, p. 73-75).

After the sharp and synchronized downturn of the trade in 2009, the world transactions experienced a great revival, in 2010, amid the expansion of the global economic activity, the global exports of goods reaching the value of 15,238 billion dollars. The effective anti-crisis measures adopted in the developed countries and in some emerging countries contributed to the increasing public confidence in the real economy and in the financial sector, which led to the revival of the domestic demand and thus of the global trade. As a result of the increase in the commodity prices and of the depreciation of the U.S. dollar, the increasing of the international trade in nominal terms (in dollars) in 2010 was higher than the one in terms of volume growth (in real terms, excluding the distortions associated with the increase in the commodity prices and in the exchange rates). Therefore, the world trade in goods increased by about 22% in 2010 compared to 2009 in nominal terms and by 14.5% in real terms. This favorable evolution occurred after the sharp decline of the world trade in 2009 (by 12% in real terms and by 22% in nominal terms), a phenomenon called the great collapse of the international trade (Ghibuțiu, A. 2009, "Prăbușirea comerțului internațional și escaladarea protecționismului", Tribuna Economică Publishing, no. 16, p. 73-75).

The international trade recovery in 2010 is even more dramatic, because, after the severe contraction in 2009, they were able to return near the level of 2008, but without being able to re-enroll in the long-term trends (of sustained and increased growth) that prevailed in the pre-crisis period.

The main factors that contributed to the resumption of the global trade growth in 2010 were:

- The recovery in the global demand. Seen through the commodity structure of the international trade, it should be noted that in 2010 the global demand for the prolonged consumption products and the investment ones, such as the industrial machinery and equipment, returned to a level close to that in the years preceding the crisis. Thus, in 2009, the demand for this kind of goods recorded the most severe decline contributing, in a significant proportion, to the world trade collapse. In 2010 the demand for these goods has increased as a result of the production activity resumption, being yet about 20% below the level recorded in the years preceding the crisis. Also, the high share hold by the prolonged consumption goods and by the

investment ones in the international trade, explains the reviving global trade in 2010. The trade in semi-finished products and raw materials was not affected as much, and its decline was short-lived. In 2010, the international demand for these products has returned to a level close to that before the crisis, being only about 10% lower than in 2009;

- The increased activity of the transnational corporations - in this system, the goods traded cross the national borders several times during the production process, resulting in an increase in the quantified trade flows;
- The implementation of measures ment to revive the global economy and agreed on the occasion of the G20 meetings, including the allocation of an amount of 250 billion dollars for financing the global trade or for triggering the reform of the global financial system. A functioning banking system is the basic condition for a good economic context and for providing liquidity necessary for the proper conduct of the international trade.

In 2011, the international trade in goods continued to grow, the value volume of exports exceeding the level recorded in the years preceding the crisis (18,217 billion dollars in 2011, than 15,717 billion dollars in 2008).

Table no. 1. The evolution of the value volume of the international trade in goods during 2008-2011 (in billion \$)

	2008	2009	2010	2011
FOB Exports	15717	12461	15238	18217
CIF Imports	16127	12647	15402	18000

Source: http://www.wto.org/english/res_e/statis_e/its2012_e/its11_toc_e.htm

All the forecasts prepared by the international institutions indicate a slowdown in the global trade growth in the coming years as well as a more dynamic expansion of the trade specific to the emerging markets compared to the developed economies. For example, the International Monetary Fund experts have predicted a growth rate of the international trade of 4.0% in 2012 and of 5.6% in 2013. But, in terms of the categories of countries, there is a rate differential. Thus, the growth of exports in the developed countries will be of 2.3% in 2012 and of 4.7% in 2013, while in the developing countries will be of 6.6%, respectively of 7.2% (World Economic Outlook Report, 2012, available at <http://www.imf.org/external/pubs/ft/weo/2012/02/pdf/text.pdf>).

These forecasts are based on the maintaining of the numerous risks that will influence the global economy and the international trade. These include:

- The sovereign debt crisis in Europe - considered the biggest challenge faced by the European Union since adopting the euro, the crisis tends to threaten the entire European construction. The 27 EU Member States will reduce, by means of austere measures, the budget deficits to a maximum of 3% of the GDP by the 2014-2015 fiscal year. The implemented austerity measures to reduce the budget deficits had and will continue to have negative consequences on the economic growth in these countries and thus on the trade. Thus, the public spending cuts, the elimination of subsidies, the increase in the the tax base and the introducing of new taxes are some of the measures taken by the European countries, with slower performance effects on the European and international trade;
- The rising of the oil prices disturb the smooth world trade. The price increase for the raw material affects the consumer and companies demand. The turmoil in the Middle East and North Africa in 2011 led to an increase in the oil price of 22

dollars/barrel, ie from an average of 90 dollars/barrel in December 2010 to 112 dollars/barrel in the late 2011;

- The “Inflation Export” of China - increasingly many analysts talk about a global inflation in 2012, driven mainly by China. For example, a study in 2011 of the Societe Generale called “The domino in China erupted”, warns that the transition of China to an economy based on consumption leads to an increase in the prices of the agricultural and industrial raw materials, while the global offer is limited, reducing the ability of the world economy to cope with the increased demand. Other factors that may lead to the increased inflation in the world economy in 2012 are: the massive liquidity injections of some central banks, particularly the Federal Reserve, in the current period, the increasing food demand from the emerging countries, the diminishing of the raw material resources;
- Finally, the high level of unemployment in the developed countries has not allowed a revival of the domestic consumption, limiting the import demand growth. In the OECD Report (Organisation for Economic Co-operation and Development) on the unemployment situation in the world, made public in May 2012, shows that the number of the unemployed in the Member States of this organization was of 45 million in February 2012, with 400,000 more unemployed than in February 2011 (the OECD Report, available at <http://www.oecd.org/els/oecdemploymentoutlook2012.htm>). Also, the OECD experts warn that the unemployment rate will remain high in the developed countries, at least until the end of 2013, suggesting that priority should be given to the measures to combat the youth unemployment. In the Euro Zone, the unemployment rate increased the average being of 10.8%, the highest growth being recorded by Portugal, where the number of the unemployed increased by 3%, during that time, reaching 15%, followed by Spain with an increase of 2.7% recording an unemployment rate of 24%, the highest in the EU. As the youth unemployment rate fluctuates around the value of 50% in countries such as Spain, Greece and Portugal, it is mentioned about a “lost generation” (Dăianu, D. 2012, “Când finanța subminează economia și corodează democrația”, Polirom Publishing, Iași).

4. Changes in the hierarchy of the main world exporters and importers of goods generated by the global economic crisis

One of the consequences of the current economic crisis is the changing of the power relations, in economic terms, between the countries of the world. Among professionals and businessmen, it is increasingly emerged the idea that we are going through a key-period in establishing a new world economic order in which the great powers such as the United States of America will continue to exercise significant influence, but in which some economies such as China, India, the Russian Federation, Brazil, Turkey and Indonesia will be increasingly more important. The new emerging global balance of power implies that the USA will no longer be able to dictate the terms of the world order which is taking shape. In addition, the current crisis required a finding on the new economic geography: the emerging economies have come to finance the rich countries (Stiglitz, J.E., 2010, “În cădere liberă. America, piața liberă și prăbușirea economiei mondiale”, Publica Publishing, Bucharest).

The global economic crisis has proved to be a real test of maturity for the economies of the BRIC Group (Brazil, Russia, India and China), whose importance has grown in the recent years. The high rates of economic growth achieved by these countries, the financial support provided by the International Monetary Fund, the increasing role of this group of countries within G20 are just a few arguments in this regard. The leader of this group of

countries is China. Experiencing high rates of economic growth (13% in 2007, 9.6% in 2008, 8.7% in 2009, 10.3% in 2010, 9.2% in 2011), she became the third economic power in the world since 2007 in point of the GDP size, surpassing Germany, for becoming the second largest economy in the world, surpassing Japan, in 2010.

The achievements of China do not stop here. In 2009, China became the country with the largest auto market, surpassing the U.S.A., and the PetroChina Company became the most valuable in the world, with a market value of 336 billion dollars, surpassing Exxon Mobil (the U.S.A.). In 2009, China became the largest exporter of goods in the world, ahead of Germany.

In 2011, top 10 exporters of goods in the world were: 1. China, accounting for 10.4% of the total global exports and with an export value volume of 1899 billion dollars; 2. the U.S.A. with 8.1% of the global exports and a value volume of 1481 billion dollars; 3. Germany (8.0% and 1474 billion dollars); 4. Japan (4.5% and 823 billion dollars); 5. Netherlands (3.6% and 660 billion dollars); 6. France (3.3% and 597 billion dollars); 7. South Korea (3.0% and 555 billion dollars); 8. Italy (2.9% and 523 billion dollars); 9. the Russian Federation (2.8% and 522 billion dollars); 10. Belgium (2.6% and 476 billion dollars).

Compared to 2010, there are no big changes in this ranking: Belgium, occupies the ninth position, being surpassed by the Russian Federation in 2011, a country which was ranked 11th in 2010. But, compared to 2009, the ranking of the top ten world exporters suffered some changes: three European countries were lagging behind countries on other continents. Thus, Germany has dropped one place to become the third leading exporter, being surpassed by the U.S.A., Italy fell from the seventh place to the eighth place, being surpassed by South Korea, which climbed two positions, and Belgium fell from the eighth place to the ninth place and afterwards the tenth.

It must be mentioned the fact that in 2011, the countries in the top ten world exporters have not registered decreases in the value volume of exports compared to the previous year. However, while in China, South Korea and the Russian Federation the exports in nominal terms increased at rates similar to the world average, in the U.S.A., Japan and the EU countries the expansion of these flows was slower.

Regarding the imports, the USA continues to hold the first place in 2011. Thus, the 10 major importers of goods in 2011 were: 1. USA, accounting for 12.3% of the total global imports and with a value volume of 2265 billion dollars; 2. China with 9.5% and a value volume of 1743 billion dollars; 3. Germany (6.8%; 1254 billion dollars); 4. Japan (4.6%, 854 billion dollars); 5. France (3.9%, 715 billion dollars); 6. United Kingdom (3.5%, 636 billion dollars); 7. Netherlands (3.2%, 597 billion dollars); 8. Italy (3.0%, 557 billion dollars); 9. South Korea (2.8%, 524 billion dollars); 10. Hong Kong (2.8% and 511 billion dollars).

In this ranking it should be emphasized the elimination of Belgium among the top ten world exporters in favor of South Korea since 2010. Being tied with Japan in 2009, in point of import flows, France has dropped the 5th since 2010, a position it continues to hold in 2011 as well. The same as in the case of the export flows, regarding the imports also, it can be noticed the progress of the emerging Asian countries. In fact, in addition to the domestic consumption, the foreign trade greatly contributed to the economic growth registered by the countries of this region.

Considering the EU as a whole and excluding the trade between the Member States, the major five exporters in the world, in 2011, were: 1. the EU-27 (accounting for 14.9% of the total global exports) 2. China (13.3%) 3. U.S. (10.3%) 4. Japan (5.7%) 5. South Korea (3.9%).

In terms of imports, the ranking of the five major trading powers in the world included: 1. the EU-27 (accounting for 16.2% of the global imports) 2. the USA (15.6%) 3. China (12.0%) 4. Japan (5.9%) 5. South Korea (3.6%).

Of the EU's major competitors on the global market - the USA, China and Japan -, only China has significantly increased, in the recent years, both the export market share (from 9.5% of the global exports in 2004 to 12% in 2011, yet, registering a slight decrease from 2010, when its share in the global exports was of 13.3%) and the import market share (from 8.4% of the global imports in 2004 to 12% in 2011). Instead, the USA, the EU and Japan have decreased the share of their exports and imports in the international trade.

5. Conclusions

Characterized by uncertainty, many risks and domino effects, the growth rates of the international trade tend to slow down in the next period of time. The redistribution of power in the international area and the economic rise of Asia have caused and continue to cause mutations in the commercial power centers of the world economy.

The erosion of the U.S. industrial base while expanding the financial industry lowers its participation in the international trade. On the other hand, in Europe, the sovereign debt crisis threatens the entire European project. The social dimension of this crisis, currently most concerned about, represents a brake factor of the international trade. Therefore, the development of the global production, the regulation of the international financial system and the mitigation of the protectionism represent the main coordinates on which the governments should focus, since they lead to a continuous growth of the international trade.

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