

Global Trade Scenario and Emerging future trends

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1. Current Trade Environment

1.1. Global Trade Scenario and Emerging future trends

The global trade scenario over the last three decades can be summarized in the following points:

- Today's global trading system is being fuelled by the dramatic reduction in global transport and communication costs. Geopolitics is also playing a decisive role in restructuring and reinforcing these global trading patterns.
- The increasing prominence of international supply chains can be seen from the fact that world trade (imports and exports) on average has grown on nearly twice as compared to world production (GDP).
- Growth in merchandise trade has been observed to be mostly due to changes in the intensive margin of trade (i.e. trade in the existing goods categories) rather than in the extensive margin of trade (i.e. trade in new goods) although the latter did make a sizable contribution.
- World merchandise and commercial services trade on average increased by about 7% over the last three decades, reaching a peak of \$18 trillion and \$4 trillion, respectively, in 2011 proving the larger role of services in value added terms.
- In global trade over the last three decades developing economies have propelled not only their share of world exports from 34% to 47% but their share in world imports as well from 29% to 42%; Asian countries playing a more important role than ever.
- Specialization in exports has been on a declining trend with both developed and developing countries diversifying their exports. Countries still relying on concentration of exports are majorly those rich in natural resources.
- Regionalization of trade has been seen as a growing trend in most developing nations around the globe especially in Asia. This comes as a contrast to the industrialized nations (NA and Europe) who have experienced their intra-regional trade to be declining or stagnating in the last few years.

1.2. Key factors influencing the trade environment going forward

1.2.1. Goods and Services Tax (GST)

As per the economic theory, the GST should not have an impact on the terms of trade rather should lead to overall improvements. However, for a large number of countries international trade came down with the introduction of GST. As per a 2009 paper by NCAER this divergence is observed because of two main reasons.

- Firstly the Governments imposed heavy GST rate on most traded sectors, and,
- Secondly, failed to provide adequate GST rebates on exports.

Brief Summary of changes under GST:

The introduction of GST would subsume all the varied taxes under 3 headers:-

- Central GST (CGST)
- State GST (SGST)
- Integrated GST (IGST)

Central GST would account for the Excise duty etc. and State GST would be there for VAT, Entry Tax etc. that we have now.

This would resolve a lot of problems as the myriads of taxes would be simpler to understand. Further CGST and SGST paid can be checked and verified through the software infrastructure of the GST network. Giving Tax Credit on inputs (ITC) would be more transparent for state and central taxation.

When moving goods from one state to another instead of paying CGST and SGST, the seller pays an equivalent IGST. This IGST would be an ITC which can then cover for the CGST and SGST at the point of sale and final consumption. Any shortfall would have to be paid separately and any surplus can remain as surplus tax credit on the accounts of the seller. Thus, under GST the Input Tax Credit chain would not break in inter-state commerce. With respect to the import taxes under GST, the Basic Customs Duty (BCD) would still remain. Remaining all taxes would be subsumed under IGST. Goods thereafter can be moved to any state and the IGST would be carried over as tax credit. The IGST credit can be used in the consuming state to cover for the SGST and CGST there. Any deficit in IGST would have to be paid additionally. The key difference here would be that since taxes are collected at one point and through one system, the mechanism for refund and exemptions would be easier and more predictable. When GST kicks in some of the current issues because of various state taxes should find resolution.

However, GST being a major transformation in India's trade & business ecosystem, this change presents an opportunity for enabling steps for ease of doing business and reducing transaction costs. While GST is a positive development per se, its impact on India's Exports rests with how the export promotion schemes are altered. Currently, the FTP lays out the rebates for exports through its duty exemption and remission schemes. An effective alignment of the FTP with GST could make the difference between a decline and increase in trade with the introduction of GST.

1.2.2. WTO

While WTO and its roles have evolved from the earlier limited setup of GATT some of the issues have been persistent. One such issue has been the 'anti-dumping' law. Anti-dumping actions have been on a rise over the past three decades. While most developed countries made use of these measures up to 1990, the recent trends indicate developing countries taking a major chunk of it as well post the establishment of WTO. The trends indicate that the mutual anti-dumping actions among developing countries have been much more than the anti-dumping actions between developed and developing countries as well as between developed countries itself. Although India has mostly acted under the limitations of the WTO's anti-dumping policies it is still regarded as the third biggest initiator of anti-dumping actions after US and EU in the world.

While India's anti-dumping actions have been primarily focused on the developing nations, a growing number of anti-dumping actions have been placed on Indian exports by the developed nations especially US and EU. India's one third of export earning is contributed by the small scale industries which most likely cannot afford the legal costs of anti-dumping hearings. Thus the increasing numbers of anti-dumping actions against India are not only an immediate concern but a future threat as well which can impact Indian exports exponentially in the long run.

India in its current position as a leading initiator of anti-dumping actions may not be in a position to protect its industries from a retaliatory action. Therefore India needs to be more careful in using the anti-dumping option and ensure that any domestic industry lobby is not propagating it. As an upcoming leader among the developing countries, India should join countries like Japan and South Africa which have opposed the indiscriminate use of anti-dumping law by developed countries like the U.S. South Africa in particular has taken a series of measures to restructure its anti-dumping system. Like India South Africa has been one of the major and frequent users of anti-dumping measures. With its increasing number of anti-dumping measures, the country had been facing increased pressure from the WTO members to bring its legislation and the administration of these measures in line with the Anti-Dumping Act (ADA) of WTO. South Africa's Department of Trade and Industry invited comments from all the stakeholders on the draft of its anti-dumping regulations to inform all stakeholders of the substance and the procedures involved in anti-dumping investigations. With the publication of the International Trade Administration (ITA) Act on 22 January 2003, the restructuring of the anti-dumping regime finally became a reality, creating a new body, the International Trade Administration Committee (ITAC), for the administration of trade remedies within South Africa. A detailed promulgation of anti-dumping regulations followed in November 2003 to guide ITAC in conducting its anti-dumping investigations. Use of the ADA as a model for South Africa's anti-dumping legislation is an example of how a country can make use of WTO instruments to comply with its

obligations. Countries can fine-tune these instruments to best suit their various needs without going to a length to reinvent the system. The whole case study of the use of anti-dumping measures by South Africa and the process it has undergone, both domestically and in the WTO, shows that developing countries can use the world trading system to their advantage by using WTO's instruments effectively. Thus our first priority should be to reduce the south-south anti-dumping measures to the minimum which can be achieved by formulating a robust anti-dumping system with inputs from all stakeholders. This will not only create a more congenial and competitive environment for trade but will also put India's image in WTO in a whole new positive perspective.

1.2.3. Emerging future trade scenario

Some of the future trends that can be arrived at from the current analysis are:

- The share of developing countries is likely to rise in world trade with their increasing intra-regional trade.
- Services increasingly are likely to play a more important role for the world trade for both developed and developing nations.
- Despite the regionalization of trade, multilateral trade agreements are likely to increase significantly with the increasing sophistication of world trade.

1.2.4. Analysis on how global countries are handling export promotion, multi-lateral trade agreements & anti-dumping measures

1.2.4.1. United States of America

International Trade Administration (ITA) acts as a specialized division of DOC playing an important role in all the three activities that is export promotion, multi-lateral trade agreements and anti-dumping measures. The only difference that can be deduced is while export promotion and multi-lateral trade agreements are completely controlled by sub-units of ITA, for anti-dumping measures part role is played International Trade Commission (ITC) as well, and ITA doesn't have complete control over it like for the other two activities. Some of the measures carried out for handling export promotion, multi-lateral trade agreements & anti-dumping measures are set out below.

Export Promotion:

Under the auspices of the United States Department of Commerce, International Trade Administration (ITA) works to strengthen the competitiveness of U.S. industry by promoting trade and investment, and ensuring fair trade through enforcement of trade laws and agreements.

ITA is organized into three distinct but complementary business units:

- The Global Markets unit utilizes ITA's domestic field staff, regional experts and special trade promotion programs to avail the entire package of country-specific export promotion services and market access advocacy to the U.S. firms, at the same time promoting the United States as an investment destination.
- The Industry and Analysis (I&A) unit utilizes ITA's economic, trade, and industry experts to enhance the competitiveness of U.S. industries through various international trade and investment policies and promotion strategies.
- The Enforcement and Compliance unit covers ITA's responsibilities of enforcing U.S. trade laws and ensuring trade agreement's compliance

The U.S. Commercial Service serves as the dedicated trade promotion arm of the ITA. It has 108 offices located domestically and 150 around the world, covering 96% of U.S. export markets.

Multi-lateral Trade Agreements:

The Office of Trade Negotiations and Analysis (OTNA) acts as ITA's principal advisor for trade policy issues, and key international trade negotiations and policy initiatives. OTNA capitalizes on its complex economic and trade policy analyses in deliberations and negotiations of international policies impacting domestic industries.

Anti-Dumping Measures:

The process is jointly managed by ITA and International Trade Commission (ITC). While ITA through its Enforcement and Compliance Division determines "less than fair value", ITC determines "injury". Enforcement and Compliance division enforces laws and agreements to protect U.S. companies from unfair pricing by foreign companies or through unfair subsidies to foreign companies by their governments. The International Trade Commission on the other hand determines whether the domestic industry is suffering material injury as a result of the imports of the dumped or subsidized products. Affirmation from both bodies issues Anti-Dumping Duty orders.

1.2.4.2. Japan

While export promotion is a sole business of a federal agency JETRO (under the jurisdiction of the government), multi-lateral trade agreements are entirely managed by a sub-unit of METI that is TPB. Anti-Dumping measures are again under the authority of METI but with no dedicated sub-unit as in other cases. Some of the measures carried out for handling export promotion, multi-lateral trade agreements & anti-dumping measures are set out below.

Export Promotion:

JETRO was originally established in Osaka in 1951 as a private sector organization. Later, the government realized the importance of export promotion and transformed JETRO into a government agency in 1958. JETRO's work included export promotion, encouragement to Japanese businesses to invest overseas and aggressive development of import promotion. Today, JETRO's acts as an independent federal agency with main focus on investment promotion in Japan and SME's exports.

Multi-lateral Trade Agreements:

Multilateral Trade Systems Department under the Trade Policy Bureau (TPB) (which reports directly into METI) acts as a principal advisor of TPB in executing multi-lateral trade agreements around the globe.

Anti-Dumping Measures:

Unlike USA, Japan does not have a permanent organization looking exclusively into anti-dumping complaints. In case any such arises an investigation body is formed by several officials from METI, Ministry of Finance (MoF) and the Ministry that has jurisdiction over the concerned industry and the decision is taken on the complaint post the investigation.

1.2.4.3. South Korea

In case of South Korea, MOTIE has control over export promotion and multi-lateral trade agreements through its two sub-units while anti-dumping measures are under the jurisdiction of a complete separate entity Korea Trade Commission directly reporting to the Minister of Finance and Economy. Some of the measures carried out for handling export promotion, multi-lateral trade agreements & anti-dumping measures are set out below.

Export Promotion:

The main governmental bodies dealing with international trade in the country are Ministry of Trade, Industry and Energy (MOTIE) and its child body Korea Trade-Investment Promotion Agency (KOTRA). While MOTIE deals with the designing and implementation of Foreign Trade Policy in the country, KOTRA focuses on promotion of exports and foreign investment. KOTRA serves as a guide as well as a guardian for domestic businesses, helping them promote their products in various overseas markets in a coordinated manner.

Multi-lateral Trade Agreements:

Multilateral Trade Cooperation Division a sub-unit of Bureau of Trade Policy (which reports into Vice Minister of Trade and Energy directly working under MOTIE) takes care of all the multi-lateral trade agreements signed or to be signed by the country globally.

Anti-Dumping Measures:

While Korea Trade Commission (independent Govt. organization) is responsible for investigations for anti-dumping complaints, the Minister of Finance and Economy takes the final call on imposition of Anti-dumping measures.

1.2.4.4. Malaysia

MITI has complete control over all the three activities that is export promotion (through its sub-unit, MATRADE), anti-dumping measures (without a dedicated sub-unit) and multi-lateral trade agreements (directly taken care by the Deputy Secretary General of Trade). Some of the measures carried out for handling export promotion, multi-lateral trade agreements & anti-dumping measures are set out below.

Export Promotion:

The main governmental bodies dealing with international trade in the country are Ministry of International Trade and Industry (MITI) and its federal agencies Malaysia External Trade Development Corporation (MATRADE) and Malaysian Industrial Development Authority (MIDA). While MITI deals with the designing and implementation of Foreign Trade Policy in the country, MATRADE focuses on promotion of exports and MIDA on foreign investment.

In order to further intensify exports MITI's export promotion department was restructured as MATRADE in 1993. Started with a limited focus on international fairs and leading trade missions abroad MATRADE has come a long way in defining its current roles and responsibilities.

Multi-lateral Trade Agreements:

Deputy Secretary-General of Trade (who reports to the Secretary- General under the Minister) is responsible for all the multi-lateral agreements carried out by the country globally.

Anti-Dumping Measures: Like Japan Malaysia also does not have any permanent organization to look into anti-dumping issues. In case of a complaint, an investigation body is formed by several officials from Ministry of International Trade and Industry (MITI) further which a proper action is taken in favour or against it.

1.2.4.5. South Africa

DTI has complete control over export promotion (through its sub-unit, TISA) and multi-lateral trade agreements (through International Trade and Economic Development office), anti-dumping measures are processed by an independent public entity ITAC directly reporting to the country's government. Some of the measures carried out for handling export promotion, multi-lateral trade agreements & anti-dumping measures are set out below.

Export Promotion:

The main governmental bodies dealing with international trade in the country are Department of Trade and Industry (DTI) and its trade and investment promotion arm, Trade and Industry South Africa (TISA). While DTI deals with the designing and implementation of Foreign Trade Policy in the country, TISA's role is focused on promotion of exports and foreign investment.

Multi-lateral Trade Agreements:

A team lead by DTI's International Trade and Economic Development Division officer works on all the multi-lateral trade agreements to be executed by the government.

Anti-Dumping Measures:

The International Trade Administration Commission of South Africa (ITAC), a schedule 3A Public Entity was established on 1st June 2003 to raise incomes and promote investment and employment in South Africa. The core functions of the organization are import-export control, customs tariff investigations and trade remedies. Its three 'Trade remedies' instruments are safeguards, anti-dumping and countervailing measures.

1.2.4.6. Brazil

Ministry of Industry, Foreign Trade and Services (MoIFTS) has complete control over all the three activities that is export promotion (through Apex Brazil), multi-lateral trade agreements and anti-dumping measures (both through its sub-unit SECEX). Some of the measures carried out for handling export promotion, multi-lateral trade agreements & anti-dumping measures are set out below.

Export Promotion:

The main governmental body dealing with international trade is the Ministry of Industry, Foreign Trade and Services (MoIFTS). Under MoIFTS is the Secretariat of Foreign Trade (SECEX) which looks after the

designing and implementation of Foreign Trade Policy while an autonomous body called Apex Brazil is responsible for Trade and Investment promotion.

Multi-lateral Trade Agreements:

Secretariat of Foreign Trade (SECEX) under MoIFTS handles all the multi-lateral trade agreements decisions to be taken by the government.

Anti-Dumping Measures:

This again is taken care by the Secretariat of Foreign Trade (SECEX) holding authority on anti-dumping case investigations and decision.

1.2.4.7. Australia

Export promotion and multi-lateral trade agreements are completely under the jurisdiction of DFAT through its sub-units (Austrade for trade and FTD for multi-lateral trade agreements), anti-dumping measures are under the complete jurisdiction of DIAS through its sub-unit Anti-Dumping Commission. Some of the measures carried out for handling export promotion, multi-lateral trade agreements & anti-dumping measures are set out below.

Export Promotion:

The main governmental bodies dealing with international trade in the country are Department of Foreign Affairs and Trade (DFAT) and the federal trade and investment promotion agency Australian Trade Commission (Austrade). While DFAT deals with the designing and implementation of Foreign Trade Policy in the country, Austrade's role is primarily focused on promotion of exports and foreign investment. It provides a range of services and supporting programs to fulfil its primary mandate: "to reduce the time, cost and risk associated with selecting, entering and developing foreign markets."

Multi-lateral Trade Agreements:

Free Trade Agreement Division (FTD) under DFAT works on all the multi-lateral trade agreements signed or to be signed by the government.

Anti-Dumping Measures:

Anti-Dumping Commission under the Department of Industry, Innovation and Science (DIAS) is the sole authority on Anti-Dumping investigations and actions in the country. The agency is not related to DFAT in any way.

Export promotion and multi-lateral trade agreements are completely under the jurisdiction of DFAT through its sub-units (Austrade for trade and FTD for multi-lateral trade agreements), anti-dumping measures are under the complete jurisdiction of DIAS through its sub-unit Anti-Dumping Commission.

Summary of the above has been set out in the table below:

Exhibit 1: Summary

Country	Ministry of Commerce and Industry (MoCI), India Equivalent Organization	Government Body Responsible for Export Promotion	Government Body Responsible for Multi-lateral Trade Agreements	Government Body Responsible for Anti-Dumping
United States of America	Department of Commerce (DOC)	US Commercial Trade Services under the International Trade Administration (ITA)	Office of Trade Negotiations and Analysis under ITA	Jointly managed by ITA and International Trade Commission (ITC).
Japan	Ministry of Economy, Trade and Industry (METI)	Japan External Trade Organization (JETRO), a federal agency	Multilateral Trade Systems Department under Trade Policy Bureau (TPB)	No permanent organization
South Korea	Ministry of Trade, Industry and Energy (MOTIE)	Korea Trade-Investment Promotion Agency (KOTRA), a federal agency	Multilateral Trade Cooperation Division under Bureau of Trade Policy	While Korea Trade Commission (independent Govt. organization) is responsible for investigations for anti-dumping complaints, the Minister of Finance and Economy takes the final call on imposition of Anti-dumping measures
Malaysia	Ministry of International Trade and Industry (MITI)	Malaysia External Trade Development Corporation (MATRADE), a federal agency	Deputy Secretary-General of Trade	No permanent organization
South Africa	Department of Trade and	Trade and Industry South Africa (TISA),	DTI's International	The International Trade Administration Commission

Country	Ministry of Commerce and Industry (MoCI), India Equivalent Organization	Government Body Responsible for Export Promotion	Government Body Responsible for Multi-lateral Trade Agreements	Government Body Responsible for Anti-Dumping
	Industry (DTI)	who reports to DTI	Trade and Economic Development Division officer	of South Africa (ITAC), a schedule 3A Public Entity
Brazil	Ministry of Industry, Foreign Trade and Services (MoIFTS)	Apex Brazil, an autonomous body	Secretariat of Foreign Trade (SECEX)	Secretariat of Foreign Trade (SECEX)
Australia	Department of Foreign Affairs and Trade (DFAT)	Australian Trade Commission (Austrade), a federal agency	Free Trade Agreement Division (FTD) under DFAT	Anti-Dumping Commission under the Department of Industry, Innovation and Science (DIAS)

__End of Note__