Global Trade In The New Millennium

(An EU Perspective)

Swami (Dr.) Parthasarathy

Foreword written by Karel De Guchet

(European Commissioner for Trade, European Union & Former Deputy Prime Minister of Belgium)



© Copyright 2010 by Author

This book may not be duplicated in any way without the express written consent of the publisher, except in the form of brief excerpts or quotations for the purpose of review. The information contained herein is for the personal use of the reader and may not be incorporated in any commercial programmes, other books, databases, or any kind of software without written consent of the publisher. Making copies of this book or any portion thereof for any purpose other than your own is a violation of copyright laws.

Limits of Liability/Disclaimer of Warranty

The author and publisher have used their best efforts in preparing this book. The author makes no representation or warranties with respect to the accuracy or completeness of the contents of this book, and specifically disclaim any implied warranties of merchantability or fitness for any particular purpose. There are no warranties which extend beyond the descriptions contained in this paragraph. No warranty may be created or extended by sales representatives or written sales materials. The accuracy and completences of the information provided herein and the opinions stated herein are not guaranteed or warranted to produce any particular results, and the advice and strategies contained herein may not be suitable for every individual. Neither Dreamtech Press nor the author shall be liable for any loss of profit or any other commercial damages, including but not limited to special, incidental, consequential, or other damages.

Trademarks

All brand names and product names used in this book are trademarks, registered trademarks, or trade names of their respective holders. Dreamtech Press is not associated with any product or vendor mentioned in this book.

ISBN: 978-93-5004-011-9

First Edition: 2010

Printed at: Himal Impression, Delhi.

Table of Contents

	Chapter 1: Globalization	
1.1 1.2 1.3 1.4	Globalization Modern Globalization 1.2.1 Promotion of Free Trade Measuring Globalization Effects of Globalization 1.4.1 Different Types of Effects 1.4.2 Negative Effect	2 2 3 4 5 5 7
1.5	 1.4.3 Financial Clashes of Interest 1.4.4 Pro-globalization (Globalism) Globalization and Environment 1.5.1 Social Environment 1.5.2 Commitment to Social Justice 	8 8 9 9
	1.5.3 Human Dignity and Freedom 1.5.4 A Realistic View of Human Nature 1.5.5 Environmental Impact 1.5.6 Political Accountability 1.5.7 Transnational Corporations	10 10 10 11 11
1.6 1.7 1.8 1.9	New Technologies Advantages & Disadvantages Anti-globalization The Economy and Trade Agreement Case Study: Dell Global Citizenship Principles	11 12 12 16 17
	Chapter 2: Trade	
2.1 2.2 2.3 2.4 2.5	Export Import Benefits Available in Respect of Goods Export 2.3.1 Export Under Claim for Rebate Export of Goods Under Bond Without Payment of Duty Procedure for Export (xiii)	22 22 22 22 22 23 24

2.6 2.7 2.8	2.5.1 2.5.2 2.5.3 2.5.4 2.5.5 2.5.6 Special Proced Proper Markin Trade Statistic 2.8.1 2.8.2	ng of Packages Meant for Export	24 24 25 25 25 25 26 28 28 28 29
		Chapter 3: Trade Environment	
3.1 3.2 3.5 3.6	3.1.1 3.1.2 3.1.3 3.1.4 Trade and Env 3.2.1 3.2.2 3.2.3 Case Study 1: T Case Study 2: C Trade Policy at		34 34 34 35 35 35 36 37 38 40 43 44
		Chapter 4: Government Influence On Trade	
4.1 4.2	Protectionism 4.2.1	Government get Involved in International Business? Increased Pressure to Impose Restrictions	48 48 48
4.3	Tariff Barriers	The de Destrictions Described Trailing	49
4.4	4.3.1 Non-Tariff Bar	Trade Restrictions Based on Tariffs	50 51
1.1	4.4.1	Anti-dumping	51
4.5	Subsidy	0 1	53
	4.5.1	Direct Subsidies	53
	4.5.2	Indirect Subsidies	53
	4.5.3	Labor Subsidies	53
	4.5.4	Perverse Subsidies	53
	4.5.5	Production Subsidies	54
	4.5.6	Regulatory Advantages	54
	4.5.7	Infrastructure Subsidies	54

	4.5.11	Trade Protection (Import) Export Subsidies (Trade Promotion) Procurement Subsidies Consumption Subsidies Corporate Welfare	54 54 54 55 55
		Chapter 5: Emerging Market Economies	
5.1 5.2 5.3 5.4 5.5	Dreaming with Bric Summit 5.4.1	ket Economies Industry Interface In BRICs: The Path to 2050 A Free Trade Agreement with Korea: Automotive Opportunities Industry Interface In BRICs: The Path to 2050 A Free Trade Agreement with Korea: Automotive Opportunities Industry Interface Impact of a Canada-Korea FTA on the Automotive Sector Seoul should not Repeat 'Beef' Mistakes with EU	58 59 59 62 63 64 64 64
		Chapter 6: Foreign Direct Investment	
6.1 6.2 6.3	Foreign Direct Effects of FDI Trends in FDI 6.3.1 6.3.2 6.3.3	Investment Foreign Direct Investment (FDI) in India Government Initiatives Investments Scenario	78 80 82 83 83 84
		Chapter 7: Financial Crisis and Economy	
7.1 7.2 7.3		s and the Economy s and the Developing World ppiness	88 88 90
		Chapter 8: International Taxation	
8.1	International 7 8.1.1 8.1.2 8.1.3 8.1.4 8.1.5	Taxation Double Taxation Double Tax Relief Vs. Double Tax Avoidance Methods of Avoiding Double Taxation Position in India Currency Devaluations	94 94 94 95 95

	Cł	napter 9: EU India Trade & Business Relations	
9.1 9.2		re of Trade for Development erview of India EU Business Relations	100 101
9.3	Trade in Good		102
7. 0		Key Features of India's Total Merchandize Trade with EU	104
		India's Merchandize Exports to EU	105
	9.3.3		107
9.4		ince with India	108
9.5		andize Imports from EU	110
9.6	Trade in Servi		113
	9.6.1	India- EU Trade in Services	113
9.7	EU's Wish Lis		115
9.8	Trade in Inves		116
		EU's Investment in India	116
		India's Investment in EU	120
		Motor Vehicles and Automotives	121
9.9	European Uni		122
	9.9.1	EU Automotive Sector	122
	9.9.2	Main Issues for Automotives in the EU	124
9.10	European Uni		130
		Structure and Development of the EU Textile	130
		EU Textile and Clothing Trade Patterns	131
9.11		her than Investment	132
		IPR System in the EU	133
		Main Issues Regarding IPR in the EU	134
9.12		egy for Competitiveness	136
		lia-EU Business Relations - Issues, Challenges and Prospects	138
		Chapter 10: India EU Cooperation	
10.1	Political Relati	ions between India and EU	146
	10.1.1	Partners in Progress	146
		Civil Society Links	146
		Growth of EU-India Relations	147
		Economic Relations Between India and EU	147
		Providing an Excellent Climate for Cooperation	150
10.2		2	150
10.2	Joint Action P	ian	
10.3	Review		150
		Political Dialog and Cooperation have been Strengthened	150
	10.3.2	, , , , , , , , , , , , , , , , , , , ,	151
		Scientific and Technical Co-operation has Developed	151
	10.3.4	Cultural and People-to-people Links have Deepened	151
10.4	New Activitie	S	152
	10.4.1	Promoting Peace and Comprehensive Security	152

	10.4.2	Promoting Sustainable Development	152
	10.4.3	Promoting Research and Technology	153
	10.4.4	Promoting People-to-People and Cultures Exchanges	153
10.5	Strategic Partn	0 1	154
10.6	Monetary Poli	•	155
	10.6.1	Objective of Monetary Policy	155
	10.6.2	Scope of Monetary Policy	156
	10.6.3	Long-Run Neutrality of Money	156
	10.6.4	Inflation - A Monetary Phenomenon	156
		Instruments of Monetary Policy in India	157
10.7	Non-Trade Ba		157
		Technical Barriers to Trade	157
	10.7.2	Challenges for EU Companies Exporting to India	158
	(Chapter 11: Impact of Free Trade Agreement	
11.1	Introduction		162
11.2	EU-India FTA:	: Issues of Concern	162
11.3	Food Security,	Livelihoods, Access to Healthcare Threatened by EU-India FTA	165
		fits of an EU-India FTA	165
	11.4.1	Relatively Easy to Negotiate	165
	11.4.2	Potential for 30% Increase in each way Flow	166
	11.4.3	Potential for Economic Gains for both Sides	166
	11.4.4	Potential for Regulatory Convergence	167
	11.4.5	Potential costs of an EU-India FTA	168
	11.4.6	Structural and Policy Impediments in the Indian Economy which	168
		may Limit the Gains from Deep Integration	
	11.4.7	Anti-dumping Policy could Undermine the Benefits of FTA	169
11.5	Main Economi	ic Impacts of the FTA	170
11.6	Main Social In	npacts of the FTA	170
11.7	Main Environ	mental Impacts of the FTA	171
11.8	Critical Evalua	ation of FTA between India and EU	172
11.9	Impact of Gene	eralized System of Preference	173
		Introduction	173
	11.9.2	Chronology	174
11.10	Structure of th	e EU's GSP	174
		Arrangements	174
		2 Beneficiary Countries	175
	11.10.3	3 Originating Products	175
		The General Arrangements	175
	11.10.5	The Special Incentive Arrangements for the	176
		Protection of Labour Rights	
	11.10.6	6 The Special Incentive Arrangements for the Protection of the	176
		Environment	

	11.10.7 The Special Arrangements for Least Developed Countries	177		
	11.10.8 The Special Arrangements to Combat Drug Production			
	and Trafficking			
	11.10.9 Rules of Origin	178		
	11.10.10 Cumulation of Origin	178		
	11.10.11 The Communication Contains Three Elements	179		
11.11	'GSP+': A New Deal for Vulnerable Countries	180		
	11.11.1 In Order to Benefit from 'GSP+', Countries	180		
	11.11.2 Background	180		
	11.11.3 Figures on EU GSP Imports	180		
	11.11.4 EU Imports from Developing Countries	181		
	11.11.5 India and EU GSP	181		
11.12	Impact of WTO	182		
	11.12.1 On Industrial Products	182		
	11.12.2 On Agriculture	182		
	Chapter 12: Seniton, and Physic Seniton, Massures (SDS)			
	Chapter 12: Sanitary and Phyto-Sanitary Measures (SPS)			
12.1	Introduction	186		
	The Meaning of WTO SPS Agreement	186		
12.3	Vertical Dimension: Main Issues in the Sector	187		
	12.3.1 European Union	187		
12.4	12.3.2 India	189 191		
12.4	Impact Assessment SPS 12.4.1 EU Impacts	191		
	12.4.1 Et impacts 12.4.2 India Impacts	193		
12.5	Conclusion	196		
	Chapter 13: Challenges & Hurdles in Trade			
13.1	Economic Issues and Trends	200		
	13.1.1 European Union	200		
	13.1.2 India	201		
13.2	Social Issues and Trends	203		
10.0	13.2.1 European Union	203		
13.3	Environmental Issues and Trends	208		
	13.3.1 EU 13.3.2 India	208 209		
13 4	Suggestions	212		
	Conclusion	213		
				

Chapter 14: Sustainable Development Through Global Economic Governance

 14.2 Highlights - Proposals For Action 14.2.1 Respect Multilateral Trade Rules 14.2.2 Improve Trade Surveillance and Transparency 	219 219 220 220
14.2.1 Respect Multilateral Trade Rules 14.2.2 Improve Trade Surveillance and Transparency	220 220
	220
14.2.3 Boost Trade Finance	224
14.2.4 Improve Dispute Settlement	221
14.2.5 Deliver Transatlantic Leadership	221
14.2.6 Democratize and Expand Developing Country Participation	221
14.2.7 Renew the UN's Role and Pursue Regional Collaboration	221
14.2.8 Discipline Regional and Bilateral Trade Arrangements	222
14.2.9 Improve Impact Assessment	222
14.2.10 Climate and Energy	222
14.2.11 Natural Resources, Biodiversity and Pollution	222
14.2.12 Employment	222
14.2.13 Democratize National Trade Policymaking Process	223
14.3 Global Trade Governance and the G20: The Need for US Leadership	224
14.4 Resist Us Protectionism: The Top Trade Priority for the G20	226
14.5 The Upside of a Downturn: A Chinese Perspective	230
14.6 2009 Priorities for Global Trade Governance	231
14.7 Resurgent Protectionism: Risks And Possible Remedies	233
14.8 Rising Risk of Protectionism	233
14.9 Policy Recommendations 1: Mitigate Risks Now	235
14.10 Policy Recommendations 2: Adopt Longer-term Measures to Reduce	236
the Likelihood of a Resurgence of Protectionism in Future Crisis	
14.11 From Crisis Management to Sustainable Development: Why we need	236
a WTO Ministrial Conference this Year?	
14.12 The G20 Agenda, Trade, and the Developing World	239
14.13 The Governance of Global Trade: How Human Rights can Help Define Priorit	ies? 241
14.14 The Global Economic Crisis, Murky Protectionism, and Developing Country	243
14.15 Trading Our Way Out of the Financial Crisis: The need for WTO Reform	245
14.16 The Way Forward	246
14.16.1 A New Mandate for Monitoring in the Trade	247
14.16.2 Improving the Relevance of Content	248
14.16.3 Alternative Sources of Information	249
14.16.4 More Effective Forums for Peer Pressure	249
14.16.5 A Forward-looking Agenda For Global Economic Governance:	250
Trade, Climate, and Inequality	
14.17 Harnessing Trade for a Global Green Transition	252
14.18 Dealing With Global Governance Deficits and the MDGs: A Trade Agenda	253
for G20 Leaders	
14.18.1 A Compliance Deficit	254
14.18.2 A Coherence Deficit	254

14.18.3 A Triple Democratic Deficit	254
14.19 The Demand for Global Governance: Containing the Spread of the Financia	
Crisis to the Trade Sector	1 200
14.20 Trade Policy Challenges After the Food, Fuel and Financial Crisis	258
14.21 Trading Places: Why Controlling Finance Should be the Top Priority	260
for Trade Negotiators	200
14.22 Keeping the Door Open: Options for China and the World	262
1 0 1	265
14.23 Globalization's Systemic Shifts and Seismic Shocks: Perspectives	203
for Developing Countries to 2015	247
14.24 De-risk and De-carbonize Through Better Governance of Trade	267
14.25 Avoid the Ossification of the Multilateral Trading System WTO by	269
Enhancing its Functions	
14.26 Africa, Trade, and The Crisis: A Stimulus Package for Africa	271
14.26.1 Critical Challenges	272
14.26.2 Trade-related Threats	272
14.26.3 Key Global Trade Governance Priorities for Sub-Saharan Af	frica 273
14.26.4 The Trade System Amidst the Global Financial Crisis	274
14.26.5 Global Economic Governance Priorities of G20 Leaders:	275
An African Perspective	
14.26.6 Global Trade Governance and the G20: Opportunities for	277
Developing Countries	
14.26.7 Let Developing Nations Rule	279
14.26.8 Interests and Priorities of Developing Nations	280
14.26.9 New Developing Countries' Responsibilities	281
14.27 East Asia, the G20, and Global Economic Governance	281
14.27.1 East Asian G20 Members Must Develop A Pro-active Voice	282
14.27.2 Should Big Developing Countries Like China, India and Br	
Represent the Developing World?	
14.27.3 East Asian G20 Leaders Should Push Trade a Top G20 Prior	rity 283
14.28 Developing Nations and the New Global Order	283
14.28.1 Keeping International Markets Open	284
14.28.2 How to Avoid Rich Nation Protectionism?	284
14.28.3 Global Warming	284
14.28.4 Finally, will this Opportunity be Seized by Developing Cou	
14.29 A Forward-looking Agenda For Global Trade Governance and Sustainable	263
Development from a Southern Perspective	200
14.29.1 Avoiding Harm Has Many Parts	288
14.29.2 Use Transparency to Keep World Trade Flowing	291
14.29.3 Three Things that G20 Leaders can and Ought to do	291
14.30 Strengthening the Global Trade Architecture for Economic Development:	291
An Agenda for Action	• • •
14.30.1 Recognizing Political Constraints is Imperative	291
14.30.2 Grand Bargains are Still Possible	292
But Need to go beyond the WTO	
14.30.3 Four Areas for Action	292
The Resource Persons Cooperated	296
Annexures (I-XII)	303-348
Glossary	349-376