

International Trade as a Driver of Economic Growth⁺

Globalization & International Trade

Globalization is a human activity connecting peoples from distinct tribes, clans, castes, cities, counties, countries, companies and institutions of this planet-earth with disparate cultures, religions, politics & economies. Globalization as a process has accelerated with GATT tariff reductions and corresponding trade liberalization accompanied by a technological-communication revolution. Removal of barriers to trade and investment has resulted in increased world trade, world gross output, and foreign direct investment. Growth in world trade and investment has greatly exceeded world GDP growth [See Figure 1].

Globalization is not a new phenomenon. Since the mid-19th century, there have been at least two episodes of globalization. The most recent period of globalization starting in the immediate post- World War II

period, strongly augmented by new communications and transport technologies, has been marked by a expanded period of strong international trade and economic growth^[14] International trade - encompassing exports & imports of manufactures, global supply chains linking raw-materials & semi-finished components - is integral to the process of globalization. Over many years, governments in most countries have increasingly opened their economies to international trade, whether through the multilateral trading system or increased regional cooperation and free trade agreements, or as part of domestic reforms.

On the bright side: Trade and globalization in general have brought enormous benefits to many countries and citizens. Trade has allowed nations to benefit from specialization and economies to produce at a more efficient scale. It has raised productivity, supported the spread of knowledge and new technologies, and

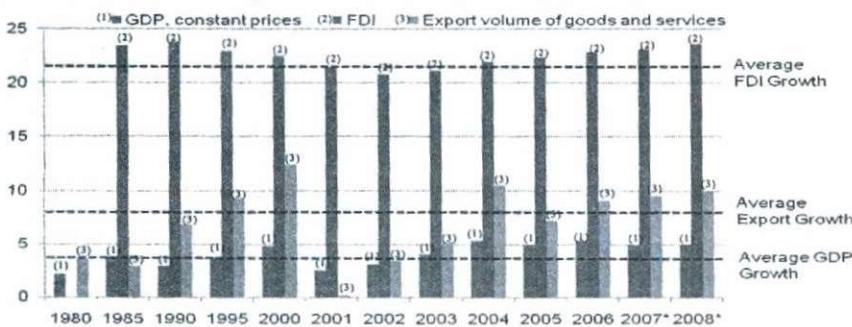
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reached all sections of society. Globalization is also not without critics who highlight the dark side.

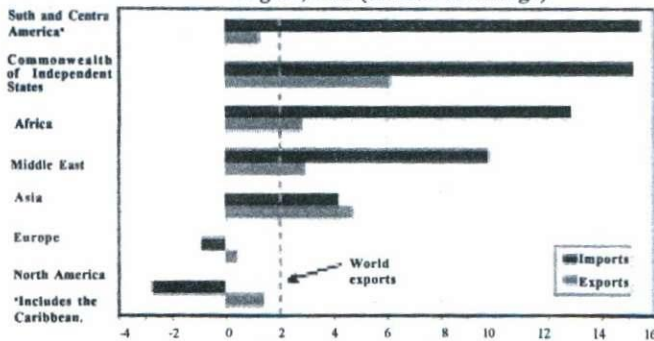
Post-war reconstruction gave rise to the first wave of globalization and the rapid expansion of international marketing / exporting by multinationals primarily across the Atlantic^[2]. The second wave followed the oil shortages and price changes accompanied mainly by a shift of manufacturing. An example is the production and pricing of automobiles by Japan, during a period of *endeka* - the foreign exchange crisis - and later followed by a variety of consumer goods entering international markets. A third wave and new era of globalization is now with us after GATT/WTO resulting in trade liberalization, record growth in world trade and investment that are leading to economic benefits and improved standards of living to a growing new middle-class and larger consuming population of Asia, with India and China - the most populous nations in the world. In terms of competition as well as consumption, noteworthy growing target markets are in the combined Asia NICs and developing Asia, CIS [former Soviet Republics], Latin America, and Middle East as seen in the variations in trade volume growth by region, 2008 in Figure 2. Economic growth correspondingly cements the motto: 'as countries grow, markets grow'. The emerging country markets in the regions, [including Asia with giant populations of China and India], identified in Figure 2 have added a larger middle-class market than the USA and the EU. The collapse in global demand brought on by the biggest economic downturn in decades will drive exports down by roughly 9% in volume terms in 2009, the biggest such contraction since the Second World War, WTO economists forecast today. The contraction in developed countries will be particularly severe with exports falling by 10% this year. In developing

Figure 1: World GDP. Export Volume & FDI Growth (%) 1980-2008



Source: IMF World Economic Outlook Database

Figure 2: Real Merchandise Trade Growth by Region, 2008 (annual % change)



Source: World Trade Report 2009, WTO

enriched the range of choices available to consumers. But deeper integration into the world economy has not always proved popular, nor have the benefits of trade and globalization necessarily

countries, which are far more dependent on trade for growth, exports will shrink by some 2%-3% in 2009. [18] "Economic contraction in most of the industrial world and steep export declines already posted in the early months of this year by most major economies – particularly those in Asia makes for an unusually bleak 2009 trade assessment", said the WTO in its annual assessment of global trade. [18]

Signs of the sharp deterioration in trade were evident in the latter part of 2008 as demand sagged and production slowed. Although world trade grew by 2% in volume terms for the whole of 2008 it tapered off in the last six months of the year and was well down on the 6% volume increase posted in 2007. [5] The global economy is in a severe recession inflicted by a massive financial crisis and an acute loss of confidence. Wide-ranging and often unorthodox policy responses have made some progress in stabilizing financial markets but have not yet restored confidence, nor arrested negative feedback between weakening activity and intense financial strains. While the rate of contraction is expected to moderate from the second quarter onward, global activity is projected to decline by 1.3 percent in 2009 as a whole before rising modestly

during the course of 2010. (Figure 4,4a,4b) [5]

The following factors are attributable to the highest increases in world trade recently:

[a] Trade between China and the U.S. which accounted for 25% of the increase in global imports,

[b] Growth of international trade in the Asian NICs and ASEAN,

[c] Remarkable growth in emerging markets such as Brazil, Russia India, China [BRICs], Korea and South Africa [BRIC-KS] – all recorded increases of over 30% in both exports and imports;

[d] Trade in energy and mining resources, information technology and intermediate commodities such as iron, Steel and chemicals in China and India, and

[e] China's robust capital investment, soaring auto sales, export-led FDI, and strong economic growth in Natural resources exporters such as Brazil and Russia [6] [7].

In 2008 world trade was expected to be over \$15 trillion, from \$200 billion three decades ago [3] [16], and export growth, followed by imports, along with investment flows was much larger than world GDP output growth. World trade in 2007-2008 expanded less in real

terms than in the preceding four years, but that of developing and transition economies continued to grow unabated (Figure 2, 3). Their exports rose by more than 9 per cent in volume terms, but there are considerable regional differences. As the supply response to higher commodity prices has generally been weak, regions that have a large share of primary commodities in their exports saw lower growth in export volumes than regions that have a large share of manufactures in their total exports. The United States experienced a particularly sharp slowdown in import volume growth, which was associated with a significant improvement in its current-account balance owing to sluggish domestic demand and a sharp depreciation of the dollar. Overall, the financial turmoil, the commodity price hikes and the huge exchange-rate swings are having an enormous impact on the global economy and are casting a shadow on the outlook for 2009 to continue GNP and world trade growth.

[According the UNCTAD Trade Development Report 2008, "the financial turmoil that erupted in August 2007, the unprecedented oil price increases and the possibility of tighter monetary policy in a number of countries presage difficulties for the world economy in 2008 and proceed to 2009. The impact of the sub-prime crisis has spread well beyond the United States, causing a widespread squeeze in liquidity and credit. And price hikes in primary commodities, fuelled partly by speculation that has shifted from financial instruments to commodity markets, adds to the challenge for policymakers intent on avoiding a recession while at the same time keeping inflation under control." The situation could become even more difficult if large movements in the exchange rates of major currencies add to the turmoil in the financial markets, a risk that has increased as seen in 2008. In this highly uncertain environment, output in the world economy as a whole was expected to grow by around 3 per cent in 2008, almost one percentage point less than in 2007, and in developed countries as a group, GDP growth is likely to fall to about half this rate. By contrast, growth in developing countries as a group can be expected to remain quite robust, at around 6 per cent, "as a result of the

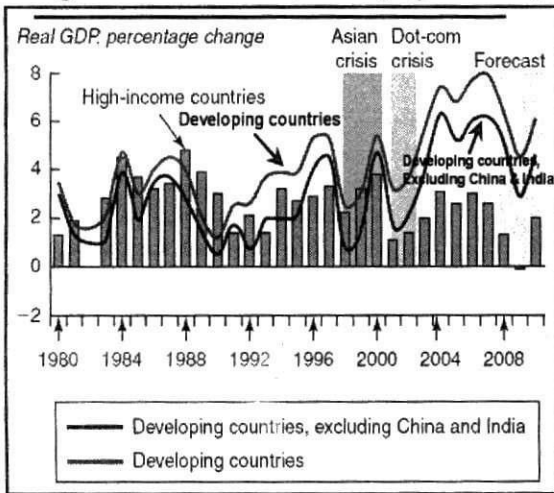
Figure 3: Classification of Economic Groups and their shares in Aggregate GDP, Exports of Goods and Services, and Population, 2008¹ (Percent of total for group of world)

	Number of Economies	GDP		Exports of Goods and Services		Population	
		Advanced economies	World	Advanced economies	World	Advanced economies	World
Advanced economies	33	100.0	55.3	100.0	65.1	100.0	15.3
United States		37.4	20.7	14.3	9.3	30.3	4.6
Euro area	16	28.5	15.7	43.9	28.6	32.4	5.0
Germany		7.6	4.2	13.4	8.7	8.2	1.2
France		5.6	3.1	5.9	3.8	6.2	0.9
Italy		4.8	2.6	5.3	3.4	5.9	0.9
Spain		3.7	2.0	3.4	2.2	4.5	0.7
Japan		11.5	6.4	7.0	4.5	12.7	1.9
United Kingdom		5.8	3.2	6.0	3.9	6.1	0.9
Canada		3.4	1.9	4.1	2.7	3.3	0.5
Other advanced economies	13	13.3	7.4	24.6	16.0	15.3	2.3
<i>Memorandum</i>							
Major advanced economies	7	76.2	42.1	56.1	36.5	72.6	11.1
Newly industrialized Asian economies	4	6.7	3.7	13.1	8.5	8.3	1.3
		Emerging and developing economies	World	Emerging and developing economies	World	Emerging and developing economies	World
Emerging and developing economies	139	100.0	44.7	100.0	34.9	100.0	84.7
Regional groups							
Africa	47	6.9	3.1	7.8	2.7	15.2	12.9
Sub-Sahara	44	5.5	2.4	5.7	2.0	13.8	11.7
Excluding Nigeria and South Africa	42	2.8	1.3	3.1	1.1	10.3	8.7
Central and eastern Europe	11	7.8	3.5	10.3	3.8	2.9	2.5
Commonwealth of Independent States ²	13	10.3	4.6	11.5	4.0	5.0	4.3
Russia		7.4	3.3	7.6	2.7	2.6	2.2
Developing Asia	23	46.9	21.0	39.5	13.8	62.4	52.9
China		25.5	11.4	24.1	8.4	23.8	20.2
India		10.7	4.8	3.9	1.4	21.4	18.1
Excluding China and India	21	10.8	4.8	11.5	4.0	17.2	14.5
Middle East	13	8.7	3.9	16.2	5.6	4.4	3.7
Western Hemisphere	32	19.3	8.6	14.7	5.1	10.0	8.5
Brazil		6.4	2.9	3.3	1.2	3.4	2.9
Mexico		5.0	2.2	4.5	1.6	1.9	1.6

Sources: IMF World Economic Outlook 2009

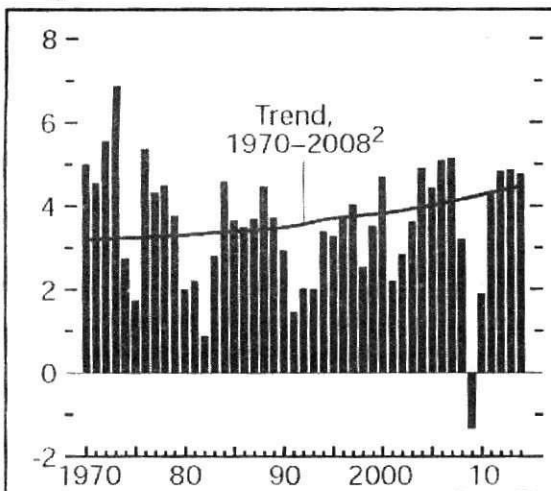
¹The GDP shares are based on the purchasing-power-parity (PPP) valuation of country GDPs. The number of countries comprising each group reflects those for which data are included in the group aggregates.

Figure 4: GDP Growth (Developing countries)



Source: World Bank, WDI 2008

Figure 4a: World Real GDP Growth

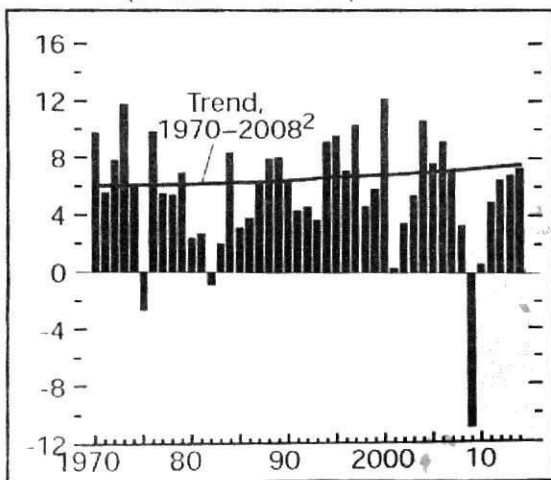


Source: IMF World Economic Outlook April 2009

¹Shaded areas in 4a & 4b for years 2009-2014 is based on IMF Staff estimates

²Aggregate growth rates for individual countries uses PPP weights; aggregate weights shift over time in favor of faster-growing economies, giving the line an upward trend in both Fig. 4a & 4b.

Figure 4b: World Trade Volume (Goods and Services)



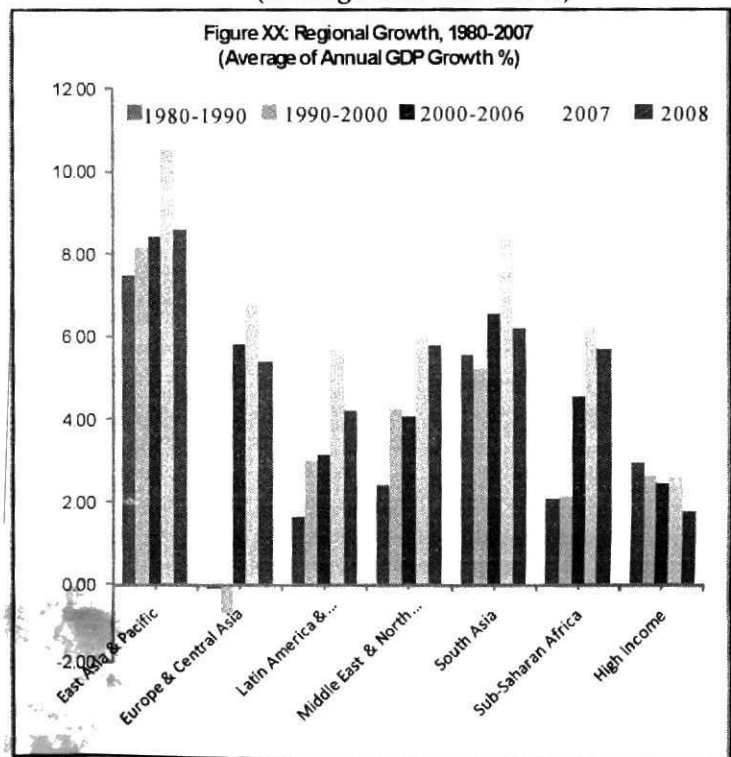
Source: IMF World Economic Outlook April 2009

relatively stable dynamics of domestic demand in a number of large developing economies. However, possible restrictive monetary policy responses to increasing pressure on the overall price index from higher commodity prices could well lead to a further deceleration of growth in developed and developing countries alike⁽¹⁷⁾ In mid-2008 signs became evident that the global economy was teetering on the brink of recession. "The downturn after four years of relatively fast growth is due to a number of factors: the global fallout from the financial crisis in the United States, the bursting of the housing bubbles there and in other large economies, soaring commodity prices, increasingly restrictive monetary policies in a number of countries, and stock market volatility. Without strong and internationally

coordinated action on macroeconomic policy, a fully-fledged global economic recession seems unavoidable." "Growth in developing and major emerging-market economies as seen in Fig.5 has been fairly resilient in 2007 and continued in the first half of 2008, but there is escalating evidence that most, even China and India, cannot escape the global slowdown as 2008 ends and in 2009. Even under benign circumstances in the second half of the year, pace of world output growth was expected to decline to around 3 % in 2008." [Figure 5].

According to World Economic Outlook, Growth in real terms (i.e. adjusted to discount changes in prices) in merchandise trade slowed significantly in 2008 to 2 per cent, compared with 6 per cent in 2007. However, trade still managed to grow more than global output, as is usually the case when production growth is positive. Conversely, when output growth is declining, trade growth tends to fall even more, as is evident in 2009. In dollar terms (which includes price changes and exchange rate fluctuations), world merchandise exports increased by 15 per cent in 2008, to US\$15.8 trillion, while exports of commercial services rose 11 per cent to

Figure 5: Regional Growth, 1980-2008 (Average GDP Growth %)



Source: World Bank, WDI 2009

US\$3.7 trillion. The share of developing economies in world merchandise trade set new records in 2008, with exports rising to 38 per cent of the world total and imports increasing to 34 per cent. Germany's merchandise exports in 2008, which totaled US\$1.47 trillion, were slightly larger than China's US\$1.43 trillion. Germany retained its position as the world's leading merchandise exporter.^[10]

Growth of International Trade & Role of Trading Companies

Of significance to international trade growth are the contributions of trading companies - Japan's SogoShosha and Korea's Chaebols - that have, through these waves of globalization, provided expertise in international marketing, branched into new areas of transacting business across boundaries with offset, offshore and counter-trade, and bringing a large number of countries with foreign exchange shortages to enter the international trading system. Their roles in economic miracles of Japan and Korea are legendary. Japan's SogoShosha is prominent in international trade in every country from Japan to Australia-Asia, and importantly in Sri Lanka they continue to play key roles in exports, imports and infrastructure projects. Counter-trade as a strategic marketing tool is equally significant to governments and state sectors of Russia and the former Soviet Republics and China. A major counter-trade is the barter agreement between China and Sri Lanka named the Rice-Rubber Pact was in effect from 1953- 1973. Initially the Rubber-Rice barter agreement was signed to barter 50,000 metric tons of Sri Lanka rubber for 70,000 tons of rice each year for 5 years, subject to annual value revision adjustments. The barter agreements was renewed every five years in pacts

signed first for 1953-57, second for 1958-62, third for 1963-67, and fourth for 1968-73. Records indicate that over 80 countries engaged in counter-trade exchanges. The British Department of Trade & Industry has suggested 15%, while numerous scholars believe it to be closer to 30%, with east-west trade having been as high as 50% in some trading sectors of Eastern European and Third World Countries. International marketing/exporting has developed into an art where firms are now looking to adapt to the changing world economic landscape and mega-competition. Exporting has remained the mainstay of international marketing model.

A recent JETRO survey cited obstacles faced by Japanese manufacturers which are also akin to exporters in many nations including Sri Lanka. They are, a lack of information on:

- [a] best prospective and target markets;
- [b] importers and distributors;
- [c] foreign language skills;
- [d] employees to take on new tasks;
- [e] partners for mergers;
- [f] sufficient funds for entering overseas markets;
- [g] information on investment risk;
- [h] know-how for setting up a company in local markets;

[i] hands-on trade know-how:

[j] tax/legal issues^[6].

Despite these obstacles, most manufacturers through the years have utilized Japan's SogoShosha to successfully enter foreign markets. SogoShosha span the globe with subsidiaries or affiliated officers supported by international trade specialist-staff world-wide and handle a myriad of products to serve their clients. The SogoShosha have gone beyond their image of mega-merchants to become large-scale project managers, business service providers and downstream retailing specialists. In the process, SogoShosha have gained mammoth sales and won a place among the global giants from mid 1980s through mid 1990s. Progressively more, we live in an interdependent shrinking world that has become dramatically more competitive. Several factors explain this unparalleled competition across cultures^{[11][10]}, viz: communications & logistical revolution; financial and non-monetary settlement systems; trade liberalization & world trade growth; foreign direct investment & industrialization; expanding dominant trade role of U.S. and non-U.S. Multinationals; rebirth of Japan's Keiretsu & SogoShosha [accounting for nearly \$1 trillion in sales]; reorganization of Korea's Chaebols

Figure 6: Top 13 Exporters & Importers in World Trade, 2003-2008 (\$bn)

Rank 2008	Exporters				Rank 2008	Importers					
	Country	2008	2007	2005		2003	Country	2008	2007	2005	2003
1	Germany	1465	1326	977	751	1	USA	2166	2020	1733	1303
2	China	1428	1217	761	438	2	Germany	1206	1058	777	604
3	USA	1301	1162	907	724	3	China	1133	956	659	412
4	Japan	782	712	594	471	4	Japan	762	621	514	382
5	Netherlands	634	551	349	264	5	France	708	615	482	370
6	France	609	553	438	364	6	UK	632	619	483	380
7	Italy	540	491	372	299	7	Netherlands	574	491	310	233
8	Belgium	477	430	335	255	8	Italy	556	504	384	297
9	Russia	472	355	243	135	9	Belgium	470	413	318	234
10	UK	458	437	371	304	10	Korea	435	356	261	178
11	Canada	456	419	359	272	11	Canada	418	389	331	245
12	Korea	422	371	284	193	12	Spain	402	372	287	208
13	HK, China	370	367	299	231	13	HK, China	393	370	299	231
	World Total	16127	13833	10230	7503		World Total	16415	14057	10588	7778

Source: WTO International Trade Statistics (2007, 2008), IMF Economic Indicators (2003, 2005)

[accounting for \$500 billion in sales]; military power failure & universal desire for security & global peace; technology transfer that drives the world toward a converging commonality; globalization of markets & shrinking Product Life Cycles; internet, consumerism and sophistication of customers; entrepreneurship and privatization, education and skill levels in newly developed/emerging economies, coupled with aspirations towards enriching quality-of-life. Japan's SogoShosha and/or Korea's Chaebol models and practices have been adapted by many companies to utilize trading companies and/or state enterprises/corporations to enter markets worldwide. South Korea's Chaebol are often compared with Japan's keiretsu business groupings, the successors to the pre-war zaibatsu ("Chaebol" and "zaibatsu" are Korean and Japanese pronunciations of the same Chinese characters). However, the Chaebol are still largely controlled by their founding families, unlike the keiretsu, which are run by professional corporate managers. Additionally, the government prevented the Chaebol from owning private banks, partly in order to increase its own leverage over the banks in areas such as credit allocation. The keiretsu, in contrast, usually work with an affiliated bank, giving the affiliated companies almost unlimited access to credit.

Top 13 Global Exporters and Importers

Growth in real terms (i.e. adjusted to discount changes in prices) in merchandise trade slowed significantly in 2008 to 2 per cent, compared with 6 per cent in 2007. However, trade still managed to grow more than global output, as is usually the case when production growth is positive. Conversely, when output growth is declining, trade growth tends to fall even more, as is evident in 2009. In dollar terms (which includes price changes and exchange rate fluctuations), world merchandise exports increased by 15 per cent in 2008, to US\$15.8 trillion, while exports of commercial services rose 11 per cent to US\$3.7 trillion. The share of developing economies in world merchandise trade set new records in 2008, with exports rising to 38 per cent of the world total and imports increasing to 34 per cent.

Germany's merchandise exports in 2008, which totaled US\$1.47 trillion, were slightly larger than China's US\$1.43 trillion. This meant that Germany retained its position as the world's leading merchandise exporter. ^[5] Note ranking number 13 in Fig. 6 is Hong Kong which is a province of China. If China and Hong Kong trade statistics are added, then China becomes the world's largest exporter and second largest importer.

The USA a super power in economic and military terms, has been the world's largest exporter for over ¾ of a century, only to be replaced by a more competitive Germany - as seen in Fig 6 - becoming the flagship of the 'TRIAD' with estimated exports \$1.465 trillion, a trade balance of \$251 billion, and a positive current account of \$213 billion in 2007, followed by China, United States and Japan. China is 2nd among the "Top 12 Exporters and Importers in World Trade" with impressive growth of exports estimated at \$1,465 billion in 2008 from \$761 billion in 2005 and \$438 billion in 2003. When combined with Hong Kong exports of \$286 billion, China [discounting intra-trade] surpasses USA to become the number two exporter in the world, taking second place after Germany in 2007. ^[12] Germany & China continued export growth in 2008. World trade is dominated by large corporations in the 'TRIAD' region - NAFTA with the USA, The EU4 with Germany and Asian NICs with Japan, Korea and now China & India - together share about 75% or more of all world trade [see Figures 7 & 8].

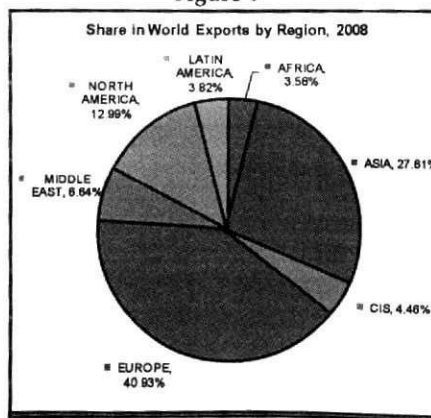
Nonetheless, according to the US Department of Commerce, export assistance programs and state trade agencies along with world trade

councils and other trade associations have enabled many small and medium sized enterprises (SMEs) to actively pursue exporting ^{[2][13][16]}. Globalization and export dependency is seen from the fact that 85% of the world market potential is outside for USA for Japan 88% and for Germany 95% ^{[11][12]}. Major Fortune 500 firms receive nearly 50% of their profits from overseas operations ^[12]. International trade, both exports and imports, is critical to the health of the domestic economy of countries caught up in the new era of globalization. Taking USA as an example, Bergsten ^[4] states:

"Over the past generation, the share of trade in U.S. GNP has tripled, to about 30 percent. The competitive stimulus provided by rapid globalization has helped spur a dramatic increase in productivity, thus contributing to faster growth and job creation as well".

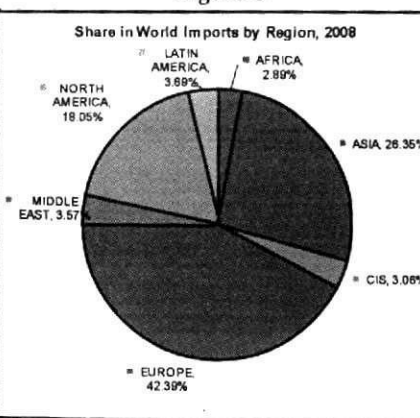
Bergsten attributes foreigners' willingness to invest more than \$500 billion annually in the U.S., funds massive trade deficits and makes up for low domestic savings. Overall, he says, the reduction of trade barriers over the past 50 years has raised the annual income of the average family in the U.S. by \$2000. Yet, the US exports as a share of the GDP is lower than Germany, The Netherlands, Canada, UK, France, Malaysia and Singapore. Likewise the US, largest economy in the North America region, is lower than the share of Asia and Europe, among others; and per-capita exports are lower than leading competitors like Japan and Germany. ^[11] Furthermore, Japan and Germany by export performance forte have accumulated the largest surpluses in trade and current accounts while the USA is facing recurrent chronic imbalances in both accounts.

Figure 7



Source : WTO Statistics Database

Figure 8



Source : WTO Statistics Database

The positive trade and current balances of Japan, Germany and China is reflected in the massive foreign exchange reserves accumulated by these countries during 1995-2008 in Figure 9. 2008 indicate that China's foreign exchange reserves exceed \$2 trillion and Japan \$1 trillion.

Competitive Power is in a QUINTET formed by JUG, China & India

China & India, along with TRIADS's JUG [Japan, USA and Germany] account for an increasing share of global trade [70%], FDI [80 %] Mergers & Acquisitions [85%] and GNP [70%] respectively and thereby leads global competitiveness. China and India Asia's giants are dominant global suppliers of manufactured goods and services. These markets will become a driving force and will balance the world economy. Japan, USA and Germany anchored in the TRIAD with concentrated economic and competitive power in the 1980s through 1990s; is now joined by China and India in the mid 2000s to form a mega-competitive QUINTET with characteristics anew, as in Figure 10, with impressive QUINTET's GDP growth at current and PPP terms projected to 2012 by WEO and EIU. China's unrivalled economic growth over the past quarter-century has surpassed all records and created a new standard in the history of economic development. Judging by the pre-eminent position India had in early history [1500] and last decade's

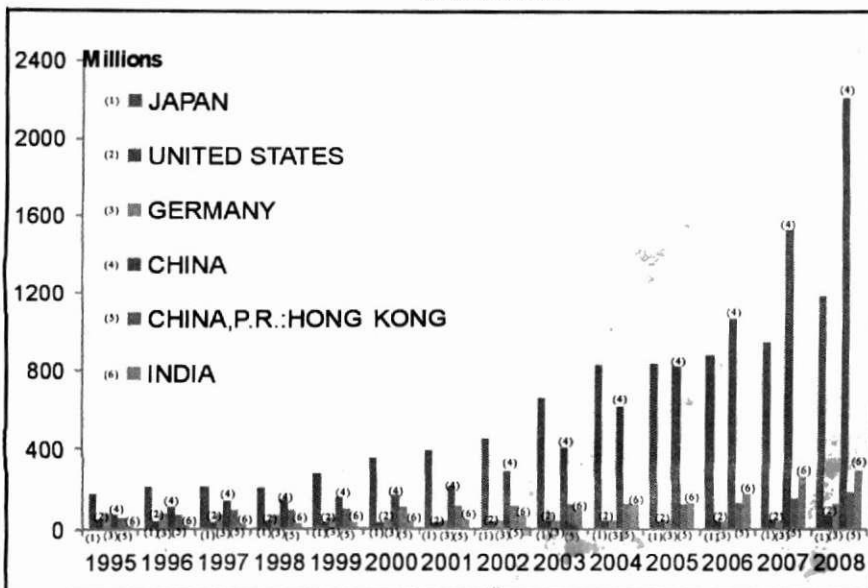
impressive GDP growth backed by economic reforms, if India can fulfill its growth potential, it can become 'a motor for the world economy' and like China a key contributor to generating spending growth with a growing middle class. India may overtake the G6 economies faster than envisaged. Indeed, India's GDP will surpass that of the USA before 2050, making it the world's second-largest economy.

China and India have followed radically different models - India's entrepreneurial advantages vs. China's public sector blessings formulate the best of all possible models. China is not only an export machine, but also has become an increasingly open market for imports from its major trading partners, the EU, Japan, US, and rest of Asia. This phenomenon is acclaimed to have resulted in increased jobs, profits, revenues to government, as well as wider choice for customers for a variety of goods at low cost. In competitive terms, it is called the "China price" in manufactures and is also credited to have kept inflation down worldwide while "India price" is for business and professional services. At the start of the new millennium, the US - the largest economy - was more than twice the size of the next largest economy, Japan and nearly twice of Germany. The emerging fourth largest economy, India, is a little over one-quarter the size of the US economy. The next five positions are taken by the big

three of Europe: the United Kingdom, France and Italy. Brazil and Russia bring up the rear with their joint size less than that of India. In turn, the size of these three economies together is less than that of China.

In the coming years the global economy will be transformed from the current focus on the TRIAD to a QUINTET. China is projected to become the largest economy in the world along with the US within 10-15 years. Though India is not too far behind China, its share in world GDP will continue to grow. As the current trends continue in the coming decade, India's economy will become larger than that of Japan, thus taking it to the third place, behind the US and China. The incremental impact of the Indian economy on the rest of the world through trade and FDI and other investment flows contributing to GDP at the current exchange rate are taken into account. By the end of the decade, China and India are to become a larger driver of global growth than the European Union's six largest economies. The combined impact of the Japan, China and India will exceed that of the US. Noteworthy, South Korean economy in contrast is expected to grow and join the major players. The largest shares of the world GDP, trade and investment are to be shared by the USA, China, India, Japan and Germany [EU4] forming a QUINTET, replacing the current TRIAD, with a much larger population, purchasing power and diffused international relations forte.

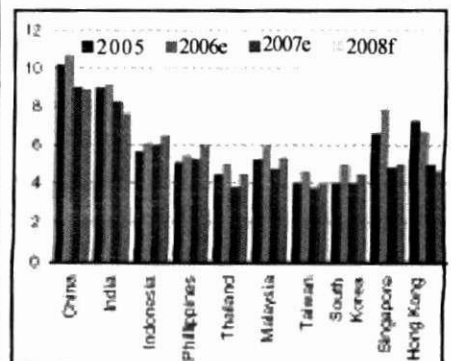
Figure 9: Foreign Exchange Reserves by Country (1995-2008) in \$ millions



Source : IMF Financial Statistics Database, IMF WEO Database

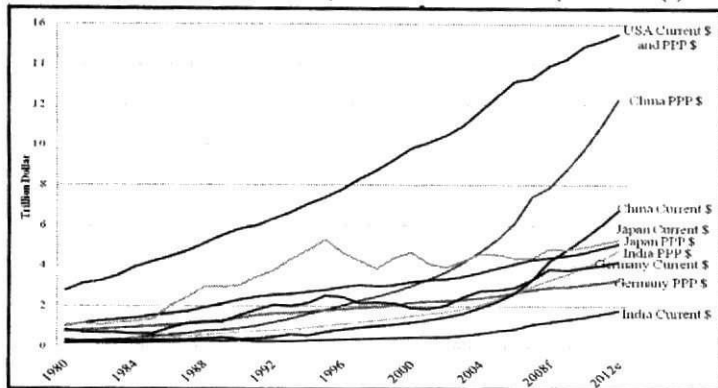
In 2009, growth in developing Asia, led by China and India is expected to pick slowly. UNCTAD [2008] projection assumes modest recovery in the global economy in 2009, an outcome that is

Figure 10: China and India Lead in Real GDP Growth in Asia, 2005-2008, %/oy



Source: Deutsche Bank Research Database

Figure 11: QUINTET* Nations GDP at current \$ & PPP \$ (1980-2012)(e)



Source: IMF World Economic Outlook. Economist Intelligence Unit

far from guaranteed due largely to events of late 2008. Though favorable policies and structural conditions should carry growth in the near term, emerging fiscal and inflation stresses have the potential to pull down growth.

Inflation pressures should recede slightly in 2009. The forecast deceleration in inflation is based on an assumption of some moderation in commodity prices through 2009 and monetary policies that lean against inflation pressures. Current account surpluses are expected to narrow further in 2009, and should help rebalancing, and at an aggregate regional level may fall below 5% of GDP. Even if global demand growth recovers, it is likely to be modest, and real exchange rates are expected to appreciate for many Asian economies. International trade prowess of Japan and China has enabled them to amass almost \$1 trillion and \$2 trillion respectively and claims the largest foreign exchange reserves in the world Figure 9 [15]. The USA chronic imbalances in trade and current account have been a recurring phenomenon following the Oil Shock of the 1970s. While policymakers in USA need to urgently address the balance of payments disequilibrium, it is a matter largely in the hands of American manufacturers to re-gain the competitive posture, explore international marketing opportunities both in traditional markets, big emerging markets and newly developing nations [4].

In the final analysis, there is valuable evidence for exporters to benefit from the new-era of globalization. The sum of competitive advantages and the competitive power of the QUINTET is the formidable alliance of the all-time

reallocate the global shares of trade, and investment inflows (Figure 11). The author is able to draw on his experiences as the chair of the World Trade Council of Wichita, interviews with international trade executives and review of trade literature to assist exporters by presenting the export market development strategy model to facilitate the export process by examining the steps necessary to advance exporting decisions, export market entry decisions, and exporting marketing strategy [8][9]. At the outset equally important to traditional exporting MNCs and SMEs as well as new-to-export firms is the ability to adapt new paradigms and strategies to rejoin the globalization odyssey - an odyssey started by entrepreneurs and risk-takers who have alleviated problems of market down-turns at home and considered reasons for exporting.

CONCLUSION

In summary, substantial benefits can accrue to those firms who fathom the new-era of globalization driven mega-competition in the international marketplace and succeed in building an international trade/business by understanding initially what it takes to export, export pre-requisites, reasons for exporting, costs-merits-benefits, eliminating pitfalls/mistakes, export process, procedures, and adopting an appropriate export market development strategy model. They are equally applicable to Sri Lanka at a time of globalization drivers, trade liberalization, WTO compliance, and subsidies [e.g. quota eliminations in export categories like garments, and other products] as they are to all other emerging country exporters with respect to their products facing intense global mega-competition. A look

export powerhouses of Japan, USA, and Germany [JUG] with the emerging economic giants, China and India, that will reshape a and

beyond exporting to other modes of foreign market entry, especially FDI supported export-led projects has become strategic international trade tools. In the final analysis, good exporters are good profit-makers that can enrich a country's comparative advantage and a company's competitive advantage, image, viability and sustained growth. International trade and FDI foster better understanding among nations, peace, better standards of living, and sustainable economic progress.

Editor's Note:

The author holds the full responsibility of the format and contents of this article.

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Footnotes:

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