



THE GLOBAL FINANCIAL CRISIS AND INTERNATIONAL TRADE



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ABSTRACT

Article History

Received: 27 December 2016

Revised: 10 February 2017

Accepted: 15 March 2017

Published: 24 April 2017

Keywords

International trade

Financial crisis

Great recession

Global economy

Regulatory structure

WTO

Fair trade deal.

The objective of the study is to study the global financial crisis of 2008 and its aftermath. The Great Recession, which is still found fluttering, and the consequences of the recession. As a result of the recession, the global economy is in a slowdown mode, impacting global trade in terms of magnitude and structure. The paper calls for proactive regulatory structure including of Central banks and world bodies such as IMF, WB, and WTO need to awaken to their responsibility of straightening out international finance and trade.

1. INTRODUCTION

The global financial crisis of 2008 and its aftermath is being experienced by the world at large as a Great Recession, it had an enormous impact on the global economy and is proved to be a huge game changer. For example, the central banks, including the Fed could not foresee and prevent the financial collapse; they are going out of their way to overcome the 'recessionary' crunch of the financial crisis. The crisis, said to be similar to that of the Great Depression (1929-33), which also was a great game changer, is widely held to be wayward-banks' caused. This is a massive surprise in the 21st century's age of high global finance, of which banks, big and small are rightful custodians. Is the advanced world walking backward in banking? The over 100 years old Fed must have had enough experience of the waywardness of banking and the ways and means of calling it to the right path. It is incumbent on central banking to safeguard the financial interests of the global banking community. In central banking, the CBU-Central Bank of UAE appears to set a right example through its seemingly 24/7/365 monitoring of the banking situation and putting the bank customers' interests at the center of its functioning (Ahmed, 2012).

In light of the Financial crisis, central bank functioning becomes more crucial, not only for the financial health of a nation but also its overall economic health and performance, including the external sector, which is

increasingly becoming important. For example, in the comparatively new state of the United Arab Emirates the external sector holds the key to the prosperity of the union exporting oil and other products, banking and other services. Are any adverse winds blowing across the trade sector? The sector, of course, may now escape the downturn in the global economy and its major segments of the US, and the European Union (EU). Is the crisis a setback to the market and free trade ideology built over a number of years and was going well until the crisis burst upon the global economic scene, seemingly unexpected? Economic downturn means that the trade or international business downturn too, which however may be a passing phase, but not theoretical or ideological downturn. There is a need to look into this aspect of the crisis, and this paper is a modest attempt to investigate the impact of Global Financial crisis on the global trade order and structure.

1.1. Objectives

- i. To understand the nature of the global financial crisis upsetting the global economic order in a big way.
- ii. To dwell upon the measures required to take care of such crisis and possibly prevent them from occurring in the future.
- iii. To draw lessons and policy recommendation from the crisis, which is of historical significance and had considerable impact on trade.

2. METHODOLOGY

The methodological ware of the exercise is drawing the rules of the game and deviations from it and the resultant waywardness. The apparently self-inflicted crisis calls for self-refer. It is a human error. To err may be human and to forgive may be divine, but not in the case of market rules and regulations. Eternal vigilance is the price of free market philosophy and free trade ideology. The post –UNO, IBRD, IMF, WTO, World Bank etc., age is a different age of international monitoring of the world economic situation. The data have been collected from major and original sources and have been analyzed to draw conclusions and recommendations.

There is, no doubt, a good number of studies on the global financial crisis (2008) and a large amount of data on it, pertaining to bankruptcies, bank failures, bailouts, bad debts, banking ‘derivatives’ unemployment, growth, budgetary and trade deficits etc., are appropriate for the purpose on hand. More appropriate is the global trade, exports and imports, ups and downs and shifts therein that are the fallouts of the Global financial crisis. The external aspects of the financial crisis appear not to have been adequately paid attention to, where too it appears to have been the game changer. Following this, trade data from IMF, WTO etc., is of utmost importance for the analysis of the problem on hand.

3. LITERATURE REVIEW

Financial crunch is the crisis of banking and financial system’s collapse and situation of hard financial situation of drying up of financial resources. As per (Krugman, 1979) a currency crisis is more likely to happen in an economy which does not have enough foreign reserves. Financial crisis may be transmitted through trade linkages from an affected country to others despite the latter's relatively good fundamentals, which is the contagion effect. As trade is the most obvious economic linkage between countries, much research has been devoted to this connection. While importance of trade imbalances in triggering financial crisis is widely accepted, there is no agreement on the importance of trade in transmitting financial crisis.

The relationship has fascinated a number of scholars, Eichengreen and Andrew (1999) test whether bilateral trade linkages transmitted crisis between industrial countries between 1959 and 1993. They found that the probability of a financial crisis occurring in a country increased significantly if the country had high bilateral trade linkages with countries in crisis and concluded that trade was an important factor. Glick and Rose (1999) conducted a similar analysis with more countries between 1971 and 1997 and obtained a similar result. Forbes (2000) used company's

stock market data to study the importance of trade in financial crisis transmission and his result also showed that trade played an important role. However, other papers have provided different answers to the problem. For instance, [Baig and Goldfajn \(1999\)](#) thought that trade was unimportant in the East Asian Crisis because the direct bilateral trade volumes between those economies were very small. [Masson \(1998\)](#) analyzing the Mexican crisis and the Asian crisis, obtained similar results.

The effects of the financial crisis on trade are a precondition for the discussion of whether trade transmits crisis. Little work has been done on this subject to date. There seems to be a belief that the financial crisis will only affect imports and exports of the countries through changes in exchange rates. However, this view cannot be correct. A devaluation of a national currency increases the export volume and decrease the import volume. Classic international trade theory shows that devaluation improves the trade balance if the Marshall-Lerner condition is satisfied. Since in a financial crisis a country usually experienced a devaluation of its national currency, the same analysis would apply, i.e., the affected countries' imports will decrease but their exports will increase after the crisis. Furthermore, financial crisis (including currency crisis, banking crisis or both) could also affect trade through channels besides the exchange rate.

[Calvo and Reinhart \(1999\)](#) pointed out that financial crisis usually caused capital account reversal ("sudden stop") and triggered an economic recession. [Mendoza \(2001\)](#) showed that in an economy with imperfect credit markets these sudden stops could be an equilibrium outcome. The economic recession reduces not only domestic demand, but also total output and export capability, whereas capital outflow forces the country to increase export. [Eichengreen and Bordo \(2002\)](#) have provided definitions of currency crisis and banking crisis: "For an episode to qualify as a currency crisis, we must observe a forced change in parity, abandonment of a pegged exchange rate, or an international rescue. For an episode to qualify as a banking crisis, we must observe either bank runs, widespread bank failures and suspension of convertibility of deposits into currency such that the latter circulates at a premium relative to deposits (a banking panic), or significant banking sector problems (including but not limited to bank failures) resulting in the erosion of most or all of banking system collateral that are resolved by a fiscally-underwritten bank restructuring."

[Chor and Manova \(2012\)](#) examine the collapse of international trade during the global financial crisis and found that credit tightening contributed importantly to the fall in trade volumes and countries with higher costs of capital exported less during the peak of the crisis mainly in financially vulnerable sectors. [Berns et al. \(2013\)](#) analyzed the causes of the collapse in international trade during the 2008–2009 global recession and they found that the collapse in aggregate expenditure, concentrated on trade-intensive durable goods, as the main driver of the trade collapse and conclude that changes in trade policy did not play a large role and one benefit of the trade collapse is that it has stimulated research in neglected areas at the intersection of trade and macroeconomics.

[Pentecôte and Rondeau \(2015\)](#) analyze the trade spillovers on output growth during the 2008 financial crisis from a monthly data for 26 countries over 1993–2013 and then simulate the dynamic responses of domestic activity to a demand shock and to a financial crisis and found that the trade contributes to growth in the context of a demand shock (from 63% for developing countries to 433% for NAFTA) whereas it dampens output loss in the context of the 2008 financial crisis (from –38% for developing countries to –127% for NAFTA).

For the present crisis, there is a continuous diagnosis of the situation by the World Bank, IMF, and the WTO, who find that the trade is affected by the financial crisis. The institutional reports apart, there are individual studies.

3.1. The Financial Crisis and Great Recession (FC & GR)

The global financial crisis of 2008, from which the world has to come out fully, is an important turning point episode in world financial history from which many lessons in financial management are to be drawn, with wide-ranging implication ([Ahmed, 2012;2013](#)). The range of finance extends to every corner of the world, in these days of high global finance and every sector of national and world economies. International business too is within its range,

any global financial fluctuation would affect international business as finance being the life blood of any business. The decline in FDI flows was in contrast to growth in GDP, trade, gross fixed capital formation and employment (Table 1). The global FDI decline masks regional variations. While developed countries and economies in transition saw a significant decrease, however, inflows to developing economies remained at historically high levels.

Table-1. Growth Rates of Global GDP, GFCF, trade, employment & FDI, 2008-2016 (in %)

Variable	2008	2009	2010	2011	2012	2013	2014	2015a	2016a
GDP	1.5	2.0	4.1	2.9	2.4	2.5	2.6	2.8	3.1
Trade	3.0	-10.6	12.6	6.8	2.8	3.5	3.4	3.7	4.7
GFCF	3.0	-3.5	5.7	5.5	3.9	3.2	2.9	3.0	4.7
Employment	1.2	1.1	1.2	1.4	1.4	1.4	1.3	1.3	1.2
FDI	-20.4	-20.4	11.9	17.7	-10.3	4.6	-16.3	11.4	8.4
FDI value (In \$ trillion)	1.49	1.190	1.33	1.56	1.40	1.47	1.23	1.37	1.48

Source: UNCTAD, FDI/MNE database for FDI in 2008–2014; UNCTAD (2015) for GDP; IMF (2015) for GFCF and trade; ILO for employment; and UNCTAD estimates for FDI in 2015–2016. [a] Projections. Note: FDI excludes Caribbean offshore financial centers. GFCF = gross fixed capital formation. UNCTAD, World Investment Report, 2015, p.2.

What of recovery? The Fed's dilemma of whether to raise rates or not is too well known with weak employment or re-employment figures, so is the case of ECB. Even in 2016, eight years after the financial crisis of 2008, major banks mislead in sponsoring 'shell' companies that are unfolding. Many nations may be experiencing deficits in their foreign business accounts, especially the United States of America, the epicenter of the crisis. Then there is the ever looming case of India, the largest democracy in the world, a struggling case. Its trade fortunes are linked to a large extent with the USA and the EU. It is laden with large oil and gold imports, but struggling imports made worse by the GFC (Government of India, 2015). The young and exemplary UAE is another important trade case (Ahmed, 2015). Interestingly, the UAE and India are very closely linked in trade, wherein Ricardo's principle of free trade of comparative costs and advantage appears to be on full display, setting an example for bilateral and multilateral trade sans fissure. Whether the big crisis is likely to alter this fair international business equation is a question.

The magnitude of the financial crisis can be well imagined by the fact that it being said to be next only to the Great Depression of 1929-33 in intensity, impact severity and range (Ahmed, 2013). There is a sizeable 'crisis' literature which is quite wide ranging in the interpretation of the problem, from the Left's capitalism's illness to once-in-a while occurring of the banking crisis, which is quite understandable on this turning point episode of the banking crisis. Reinhart and Reinhart (2015) Still, it had happened in the very first decade of a new economically hopeful century with MDGs -Millennium Development Goals of poverty eradication and others, and a new global trade order under the aegis of the is a surprising fact. It seems a setback to the world development and trade. Trade has a new light thrown upon it as an engine of economic growth and prosperity, free trade extending the frontiers of trade to extreme limits. Now, are these frontiers compressed? Are there any winds blowing against free trade? Trade must not only be free but also 'fair' holding scales evenly different participants. External or foreign trade needs to be a win-win, not a win-loss one, for all the participants.

Among the writers of the crisis, Paul Krugman, the eminent new trade theorist and Nobel Laureate appears to stand out, for his clinical analysis of the problem, and pinpointing the causative factor. Prof Krugman's NYT Column is justly famous on the problem. According to him, the Wagner's bankers had dragged the American. His association of the problem in a word is with 'greed' the so-called eminent bankers' (Krugman, 2014) They are still being pursued and hauled for their many irregularities (McLaughlin and Schoenberg, 2015). Banks, according to Warren Buffett, appears to have lost public confidence and trust as never before (Buffett, 2008). His superb advice to investors is worth remembering. 'Beware of geeks bearing formulas'. The phrase made most familiar by the crisis is subprime advances, which are simply unsound or doubtful advances. In real banking, there is no place for subprime loans, made 'infamous' by the crisis. There is no place too in the banking world. MBSs-Mortgage backed securities put in

free sale, collateralized debt obligation (CDOs) and any others which are beyond the ken of the ordinary banking and investment public. Even removing all barriers to banking does not call for such banking devices.

A good banking will shun such notions. It is not progressive banking which the new age of globalization calls for, but a regressive one, the result of which can only be financial and economic collapse. In fact, the collapse was signaled by the collapse of the mid-19th century-origin icon in Lehman Bros on 15th September 2008, marking it as a black day in the financial history of the United States of America. LB was worth more than \$600bn, which is more than the GDP of many countries. Securitization was like adding fuel to the subprime fire.

If subprime debt was malaria, then securitization was mosquito carrier. The vehicle for growing lower quality debt was the securitization and repacking provided by a series of new financial derivatives (Eiteman *et al.*, 2013). The securitization business calls for detailed investigation and its forever banishment, for being harmful to the economic wellbeing of nations and their people and the international community at large.

They blissfully ignored the fact that house prices had recently skyrocketed, loan practices had deteriorated and many buyers had opted for houses they couldn't afford. In short, universe "past" and universe "current" had very different characteristics, But leaders, government and media largely led to recognize this all important fact" (Buffett, 2008).

What is most surprising is the overlooking of this fact by the Fed, the World Bank and the IMF, high think tanks and the large economies resulting in the very costly Great Recession, the first of its kind in the new, dynamic and hopeful century. Commercial or any banks are like lighthouses amidst the turbulent economic seas that remain quite steadfast in their functioning promoting thrift, savings, investment and growth and welfare, which is the virtuous banking path taught to any beginner student of business and economics in any college or university in the world and that any deviation from it spells disaster. And, not the least, the central banks are to keep the banking functions in working order for which they have instruments of regulations and not least the 'moral persuasion. At any time and in any country, the central bank is the unquestioned leader of banking. The Fed, represents the number one economy in the world, the health of which is a matter of concern for the world, the health of which is a matter of global interest and repercussion.

The Fed has kept rates near zero since late 2008 for long time to give a boost to the economy. The cost of the crisis is deep recession and a global economic setback, which is especially severe in the United States of America and the EU. Greece is an extreme case. Of course, even amidst all that the recession in the United States keeps making advances. For example, Apple is a legend of our times. The Gates continue to combine business and philanthropy. It is the 50th year of Warren Buffett being at the head of Berkshire Hathaway, BH continues to march from strength –to–strength. All these, however, do not take away the great recessionary state of the American economy.

Even China with a pile of Forex reserves appears to be having shadows of Growth Rates with a reduced growth rate of 10.6 % in 2010 to 7.3 % in 2014 and further down to 6.9 % in 2015, the lowest in 25 years. It is the first time that China has experienced such an extended period of deceleration after the transition to a market economy in 1979. The Chinese government goal is to maintain a moderately high growth rate of 6.5 % (Magnier, 2016). China's great run of foreign trade history. Others too are on trade run, including India in deficit or CAD. It is a paradox that the new shining star of global growth, India, is in trade straits. Does it mean growth and trade are unrelated? But, India's growth rate of some 7.6 % at what human and environmental costs? And, India is a laggard global trade Shine. But, India is found to be a new global growth for Business. It's an age of trade driven growth, China standing an all-time example of it. Has the big recession downed the fortunes of trade?

The history of foreign trade is very interesting to go through, especially from Mercantilism to free trade, a turning point in the fortunes of trade and development. Has the Recession put a halt to the march of global trade and changed the fortunes of its participants? Table-2 shows Asia and North America exports grow faster than the world average (15.0 per cent and 23.1 per cent, respectively), whereas slower than average growth was recorded in Europe

(10.8 per cent), the CIS (10.1 per cent), the Middle East (9.5 per cent), Africa (6.4 per cent) and South and Central America (6.2 per cent).

The modest 2.5 per cent rise in world merchandise trade volume in 2014 was again roughly equal to the 2.5 per cent increase in world GDP for the year. It also marked the third consecutive year in which world trade volume grew less than 3 per cent. Trade growth averaged just 2.4 per cent between 2012 and 2014, the slowest rate on record for a three-year period when trade was expanding (excluding years like 1975 and 2009 when world trade actually declined).

Table-2. Peak Recessionary Period GDP and Merchandise Trade by Region, 2007-10 (Annual percentage change)

	GDP			Exports			Imports		
	2008	2009	2010	2008	2009	2010	2008	2009	2010
World	1.4	2.4	3.6	2.2	-12.0	14.5	2.2	-12.8	13.5
North America	0.1	-2.8	3.0	2.1	-14.8	15.0	-2.4	-16.7	15.7
United States	0.0	-2.6	2.8	5.8	-14.0	15.4	-3.7	-16.4	14.8
South and Central America*	5.1	-0.2	5.8	0.8	-7.9	6.2	13.2	-16.3	22.7
Europe	0.5	-4.0	1.9	0.2	-14.1	10.8	-0.6	-14.2	9.4
European Union (27)	0.5	-4.2	1.8	0.0	-14.5	11.4	-0.9	-14.2	9.2
Commonwealth of Independent States (CIS)	5.5	-7.1	4.3	2.0	-5.2	10.1	16.4	-25.6	20.6
Africa	4.8	2.1	4.7	1.2	-4.2	6.4	14.6	-5.0	7.0
Middle East	5.3	0.8	3.8	3.5	-4.3	9.5	14.2	-7.8	7.5
Asia	2.8	-0.2	6.3	5.5	-11.2	23.1	4.7	-7.5	17.6
China	9.6	9.1	10.3	8.5	-10.5	28.4	3.8	2.9	22.1
Japan	-1.2	-6.3	3.9	2.2	-24.8	27.5	-1.0	-12.2	10.0
India	6.4	5.7	9.7	14.4	-6.8	19.9	17.3	-1.0	11.2
Newly industrialized economies (4)**	1.9	-0.8	7.7	4.9	-5.7	21.3	3.5	-11.4	18.0
Developed Economies	0.2	-3.7	2.6	0.8	-15.1	12.9	-1.2	-14.4	10.7
Developing and CIS	5.7	2.1	7.0	4.2	-7.8	16.7	8.5	-10.2	17.9

*Includes the Caribbean. **Hong Kong, China; Republic of Korea; Singapore; and Chinese Taipei. Source: WTO Secretariat, World Trade Report 2011, p.22.

Several factors contributed to the sluggishness of trade and output in 2014 and 2015, including slowing of the GDP growth in emerging economies, an uneven economic recovery in developed countries, and rising geopolitical tensions, among others. The strong exchange rate fluctuations of around 15 per cent in the US dollar terms against a broad basket of currencies since the start of 2014 further complicated the trade situation.

Table-3. Growth in the Volume of World Merchandise Exports and Production, 2010-2014

World Merchandise Exports and Production	2010-14	2012	2013	2014
World merchandise exports	3.5	2.5	3.0	2.5
Agricultural products	3.5	1.5	3.0	2.5
Fuels and mining products	1.5	3.0	0.5	1.0
Manufactures	4.0	2.0	2.5	4.0
World merchandise production	2.5	2.5	2.0	2.0
Agriculture	2.5	1.5	5.5	1.5
Mining	1.5	2.5	0.5	2.5
Manufacturing	2.5	2.5	1.5	2.5
World GDP	2.0	2.0	2.0	2.0

Source: WTO (2015)

The world merchandise exports from 3.5 per cent in 2010-14 came down to 2.5 per cent in 2014. Low-income countries have been on the receiving end of the global economic shock, despite having little or no responsibility for its origins. They have suffered from knock-on effects such as reduced trade finance availability (Auboin, 2009;2013)

reduced remittances from workers living abroad, and lower demand for raw materials and commodities. Dabla-Norris and Gündèz (2012) have showed that the amplitude and frequency of economic shocks tend to be higher in low-income countries than in advanced and developing country G-20 members.

There are, of course, ups and downs in world trade depending upon so many elements, climate to political factors. There, however, has been no Great Depression's New Deal –like, thing to deal with the current Great Recession, associated with the job loses, unemployment and general economic downturn, including trade (Penguin, 1983). Amidst all this come Buffett's stunning and unnerving endorsement job cuts to increase profit margins at 2015 Annual meet at Omaha (Bloomberg, 2015). Does it add to trade, which by the indication of the Great Depression (1929-33) is one of the greatly hit areas by the current global recession.

The latest on the global economy is that it is in a 'slitter mode' (Fe Bureau, 2015). Its major PMIs are found down in April 2015, with expectation of a good recovery in the overall growth performance in 2015-16. For example, India's growth rate is expected to be 7.7 % and the major US's around 3 %. Even after 8 years of crisis, major banks are found guilty of many 'pre-crisis banking malpractices. And, the latest reading of the situation by the IMF is that the rate of recovery is slender and fragile, with China turning inward with a weak growth rates (6 %) and Germany, too showing signs of co-sickness. India's with 7.6 % growth rate in 2016 found to be a new growth leader but in trade aspects, its disequilibrium (M-X). The Government of India's 24/7/365 pre-occupation is with an 8-9 % growth through the talisman of FDI.

Table-4. Manufacturing PMI April 2015 Economic Majors

Euro Zone	52.0
China	48.9
India	51.3
Germany	52.1
France	48.0
Greece	46.5
US	51.5

The Financial Express, 5 May, 2015, p.4

The world economy's growth prospects for the current year seemed somewhat dented on with China's manufacturing growth suffering the steepest drop in a year in April and the sector's exhaustion causing from the March level in both the euro zone and India. The latest data also reveals the US manufacturing industry that came off the relatively robust levels six months was yet to rebound" (Fe Bureau, 2015). It is Germany with No.1 economy of EU, which appears bright in the above PMI (Purchasing Managers Index) table, and Greece very woeful. Surprisingly, India appears ahead of China. France's Index is so. The US's too is quite ahead of China's.

Thus recession born out of the avoidable global financial crisis appear to be still a haunting experience of the global economy. What is the experience of trade during the period? Especially, is there any ideological setback to the ideology of free trade and free-trade order trust? What have been the fortunes of global trade in the Recessionary situation?

3.2. Global Trade

The impact of the crisis on Trade has been found to be a "collapse" by, among others, Eaton *et al.* (2011); Alessandria *et al.* (2010) and Baldwin (2009). Ahn *et al.* (2011); Amiti and Weinstein (2011); Chor and Manova (2012) finds financial 'shocks' giving jolts to exports. Not the least, Auboin and Engemann (2012) finds the need to give boost to trade finances. The WTO finds its post formation period (1995) a period of expanding trade (Ahmed *et al.*, 2016).

The “world merchandise exports (excluding significant re-exports from Hong Kong, China) have experienced strong growth over the last 20 years, climbing to US\$ 18,494 billion in 2014, almost four times the value of US\$ 5,018 billion recorded in 1995. Europe has been the leading destination of exports over the past 20 years followed by Asia which has greatly increased its importance as a trading region. In 2014, world merchandise exports to Asia amounted to US\$ 5,465 billion, almost a third of the total of world merchandise trade. Developing economies have increased their participation in international trade over the last 20 years. The share of exports to developing economies increased from 26 per cent in 1995 to 39 per cent in 2014 while exports to developed economies dropped from 68 per cent in 1995 to 56 per cent in 2014” (WTO, p.24).

What of global trade during the time of big recession? In theory, with worldwide depressed condition, global trade too has a downward trend, as trade follows business conditions. There cannot be a divergence between the two. This time, there is the umpiring by WTO in taking care of global trade through good and bad times, and taking care of the rules of free trade by the member countries. The WTO, however, needs to be proactive rather than reactive and hold the balance fairly between the developed and developing countries.

The following table-5 provides world trade data for the 21st century period of 2000 to 2014. The period is divisible into two periods-pre & post crisis periods, with the dividing line at 2008, the year of the beginning of the crisis.

Table-5 portray the 21st century voyage of international business pre and post crisis periods, the crisis making no great presumptive and feared fall in international business, as during the Great Depression of 1929-33. The hallmark of international trade is (X-M), pre and post-Recession. The need for robust exports and imports seem no problem. The Great Recession is found to be downing both exports and imports quite steeply in 2009, exports from \$16 to \$12.35 trillion and imports from \$16.5 trillion to \$12.7 trillion. The trade growth slowed from about 30 % pre-recession to 16 % pre-recession. Thus the fortunes of foreign trade are more than halved by Recession.

Table-5. World Trade 2000 to 2014 (USD, millions)

Sno	Year	Exports	Imports	Trade Balance
Pre-Recessionary Crisis Period				
1	2000	6377528.52	6582189.16	-204660.64
2	2001	6128121.85	6357231.91	-229110.06
3	2002	6421953.53	6601585.76	-179632.23
4	2003	7504124.17	7712629.41	-208505.24
5	2004	9117194.55	9436670.00	-319475.45
6	2005	10387032.74	10754351.81	-367319.07
7	2006	12012247.14	12360550.25	-348303.11
8	2007	13880642.57	14269872.04	-389229.47
9	2008	16050749.55	16509170.64	-458421.09
Post-Recessionary Crisis Period				
10	2009	12353672.72	12715713.41	-362040.69
11	2010	15104668.61	15449181.71	-344513.10
12	2011	18041680.18	18409549.14	-367868.96
13	2012	18116448.92	18513166.27	-396717.35
14	2103	18479936.87	18730790.02	-250853.15
15	2014	18654397.29	18916181.85	-261784.56

Authors Computed values from the International Monetary Fund, Direction of Trade Statistics, 2015.

Among others, [Forbes \(2000\)](#) companies, which are also international business houses, continue in their assets' march. With 579 companies, America is quite ahead of 2nd ranked China with 232. However, it is Chinese banks which are at the top of the rankings, bringing into focus the importance of banking in national and international business. The US 'too big to fail' banks are expected not to sabotage the case of America with their 'high-end'

workings, as prominent companies are expected to work for the national and international business advancement (Forbes, 2015).

3.3. Trade Deficits (X-M)

India is a good example of this, its trade deficit is burgeoning and it is one of the worrying problems of the Indian economy, a major emerging market economy (GoI, 2015). The nation is a 1991 convert to the principles of competition and free trade. Among other things, the crisis appears to have stunted its exports trade. India is also a case of growth hit economy, and now the attempts of the nation is to get back to the pre-crisis growth rate of 8-9 per cent from the present around 7.5 per cent.

The crisis, even though temporary appears to have changed trade fortunes of trading majors. The rise of China and decline of the USA is too well known. In India, from nowhere, China has emerged as the principal source of imports (12 %). “Today, China became one of the de-facto lenders of last resort to governments experiencing financial troubles...” Is a result of its reserves” (Government of India, 2015). Meanwhile, China is believed to be rising its fizz while India is attempting to build its trade fortunes through FTAs, presently with EU. The desired state of investment and trade following growth rate, is brought out by UNCTAD (2015) and WTO (2015a; 2015b).

Another interesting case of the crisis hit trade is oil, the liquid gold, the fortune maker of the Arab World economies appears to have greatly reduced demand for oil, plunging oil prices from >100 USD to <50 USD a barrel, due to reduced economic activity world-wide. The oil hit economy calls for a special study, as the fortunes of the resurgent Arab world are greatly dependent on the fortunes of Oil & Oil prices. However, the falling of oil prices, have proved to be a windfall gain for heavy oil importing countries like India and others. For foreign trade, it has proved a fortune changer, and making the trade economics uneven and chaotic. The recession has proved to be nascent to trade with the exception to China.

4. CONCLUSION

The global financial crisis has proved to be a momentous event, reinforcing the role of central banks in financial management. There is a loss of business face and popular anger against it. In trade, though, no great dip of the Great Depression, there are gaping deficits and changed fortunes. Still, the free market and free trade ideologies do not seem to be any dented. The need is for a Fair Trade Deal (FTD).

Funding: This study received no specific financial support.

Competing Interests: The authors declare that they have no competing interests.

Contributors/Acknowledgement: All authors contributed equally to the conception and design of the study.

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