



Chapter 5

Global Trade and Economic Crisis: In Context to South Asian Countries


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ABSTRACT

Governments and corporations with the obstinacy to operate on a global scale can engage in international trade. Even today's global economy relies on the interdependence between nations. The South Asian region's connectivity can only be improved by enhancing intra-regional commerce. The present study is based on the global trade and economic crisis from the perspective of SAARC nations. In the current study, an effort has been made to examine the export, import, economic growth, and links between global trades for SAARC nations from 1990 to 2021. The analysis's findings suggest that the GDP, imports, and exports are growing in a cyclical pattern. The Granger causality result suggests that there are unidirectional and bidirectional causal relationships between world trade and country GDP development as well as within nations in the case of GDP growth. Therefore, the authors draw the conclusion that the key cause of the economic crisis in SAARC nations is global trade.

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INTRODUCTION

The single counterintuitive idea about trade deals is that they are not all about trade. The modern era of free trade started about 1944 when all the bright minds of liberal economics has get to gather at 'Bretton Woods', New Hampshire. At that time the world was a pretty dim place and people were not yet overcome with World War I and World War II was raging across the Atlantic. And at that time the only thing at the top of everyone's mind is to maintain world peace. Thus, the creation of such an economy is much needed that fosters and necessitates world peace (Bhandari & Mohite, 2022). This idea emerges and seized out as economic independence, this involves the basic idea that if nation-states were dependent on each other for supply chain, and hence they couldn't go to war with each other. This is all the idea behind the 'Bretton Woods Conference' which later became General Agreement on Tariffs and Trade (GATT). GATT created the world we know today for trade, it created outsourcing, it created globalisation, it basically created the Multi-National Corporations (MNCs) we are looking at today, the structure we are looking at today (Upender, 2007) .

Trade is the engine of the global economy, more people, more goods, and more services are crossing borders today than ever before. But the scenario in trade has changed dramatically in the 21st century. Throughout much of history, a good produced in the country is largely made a part source there today products are composed the parts from all over the world. In order to fully understand trade, we have to measure the value-added at each point in the process, which outlines that the standard trade data do not reflect the accessory part considered in the production of the final product (Siriwardana, 2007). This brings out the need of developing the system for tracing the value that is added by all countries involved that produced the accessories of that product.

The Organization for Economic Co-operation and Development (OECD) - World Trade Organization (WTO) trade, and value-added initiatives aim for people to understand that traditional trade data is telling incomplete stories. Standard data shows that China has high surfaces with the United States and the European Union and a large deficit with Japan looked at in value-added terms, China surpluses and deficit decrease as Chinese exports have a high foreign content (Abdin, 2015). Japan is another country that runs high trade surfaces with the United States and more recently with China value-added data reveals smaller surfaces with China and larger surfaces with the United States. This analysis is able to illustrate the beneficiary who actually benefits from the trade and the quantified value in terms of both income and jobs. Trade improves competitiveness, cheaper imports of parts, and cheaper access to services bring benefits to consumers and companies alike. To realize the full potential we need seamless border crossings, simpler customer procedures, more

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