

# Changes in Global Trade Regime and Impacts on the Global South

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G-24 Technical Group Meeting  
Building Resilience to Meet Global Challenges  
21-22 February 2024 | Manila, Philippines



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STEP 1

TAKE A STEP *back*



# Some observations on global trade?

(Goldberg & Reed, 2023)

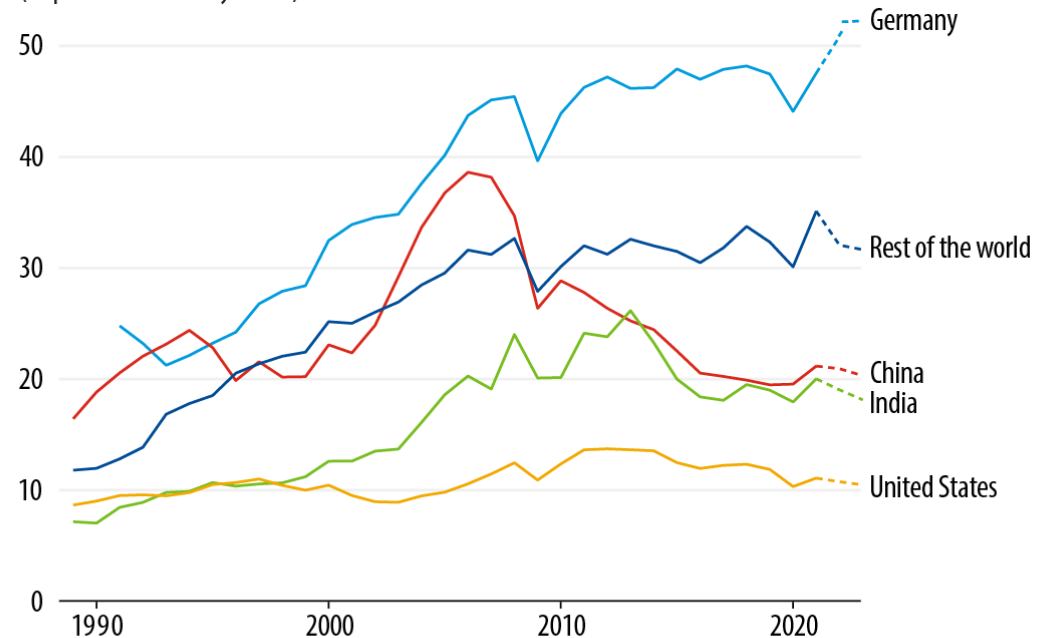
- Still no strong evidence of a retreat from globalization (deglobalization)
- Policy choices chart the trajectory of international trade and the multilateral system.
  - Slow down further international integration
  - Embrace protectionist policies

Chart 1

## Diverse trade experiences

Trade as a share of GDP is falling in a number of major economies, especially China and India.

Exports of goods and services  
(as percent of country's GDP)



Source: Goldberg and Reed (2023a).

# Some observations on global trade?

(Goldberg & Reed, 2023)

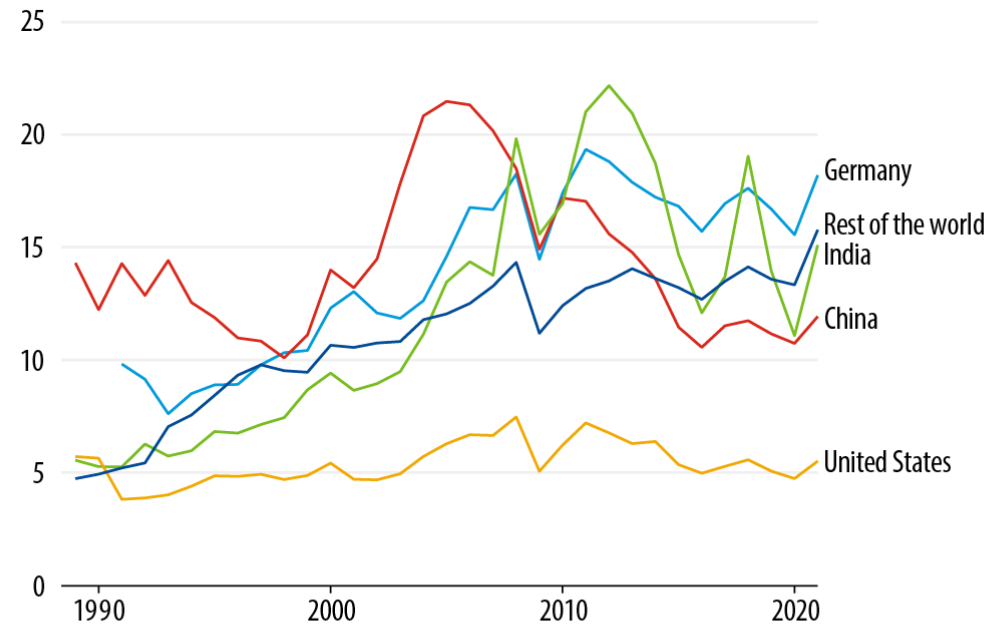
- No conclusive evidence that international trade is deglobalizing.
- Global trade growth slowed after the 2008 Global Financial Crisis; declined sharply during the COVID-19 pandemic.
  - Global trade has rebounded to pre-pandemic levels (in terms of USD).
  - Global trade has fallen modestly (in terms of % GDP)
    - driven mostly by China and India
    - reflects the end of an export boom
    - Imports and exports of intermediates by the rest of the world are still growing (in terms of % GDP)

Chart 2

## Intermediate imports

Imports of intermediate goods used in global manufacturing value chains continue to rise in many countries.

Intermediate goods imports  
(as percent of country's GDP)



Source: Goldberg and Reed (2023a).

# Key drivers to current global trade

## Disruptions to “hyperglobalization”

- Stalemate in global trade negotiations
- Race for economic supremacy and leadership

## Rise of mega RTAs

- Trade negotiations go beyond tariffs
- Trade agreements cover multiple policy areas that affect trade and investment in goods and services
- Trade policies includes behind-the-border regulations (e.g., competition policy, government procurement rules, intellectual property rights)

## Increasing importance of services

- Steep rise of trade in services
- More pronounced servicification of manufacturing, trade, global value chains



# Trends in global trade

- Disruptions in global value chains
  - Changes vs. Curbs
    - Trade was reallocated, not reduced.
    - Pursued deeper regional or plurilateral trade agreements.
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# Disruptions to global trade

- The pandemic led many economies to temporarily restrict exports of medicines and health-related resources (e.g., medical professionals)
- Geopolitical issues halted shipments of wheat and other foods as prices spiked following the Russia-Ukraine war.
- Some economies continued to aggressively pursuing economic integration
  - Mutual Recognition Arrangements (ASEAN MRAs) for professionals
  - Emergence of common safety standards under trade in goods
  - Ratification of RCEP
- Impacts of disruptions on global value chains and macroeconomic fundamentals

# Pandemic Effects

## Emphasis on resilience in trade

- Resilience requires diversification

## Diversification of trade

- Preserve existing trade relationships
- Forged new trade relationships
- The intuition is that supply shocks are less correlated across economies than within them
- Access to multiple suppliers makes it easier to respond to country-specific shocks.

## Highlighted the fragility of supply chains

- Strengthening of global value chains



# Geopolitical Pressures

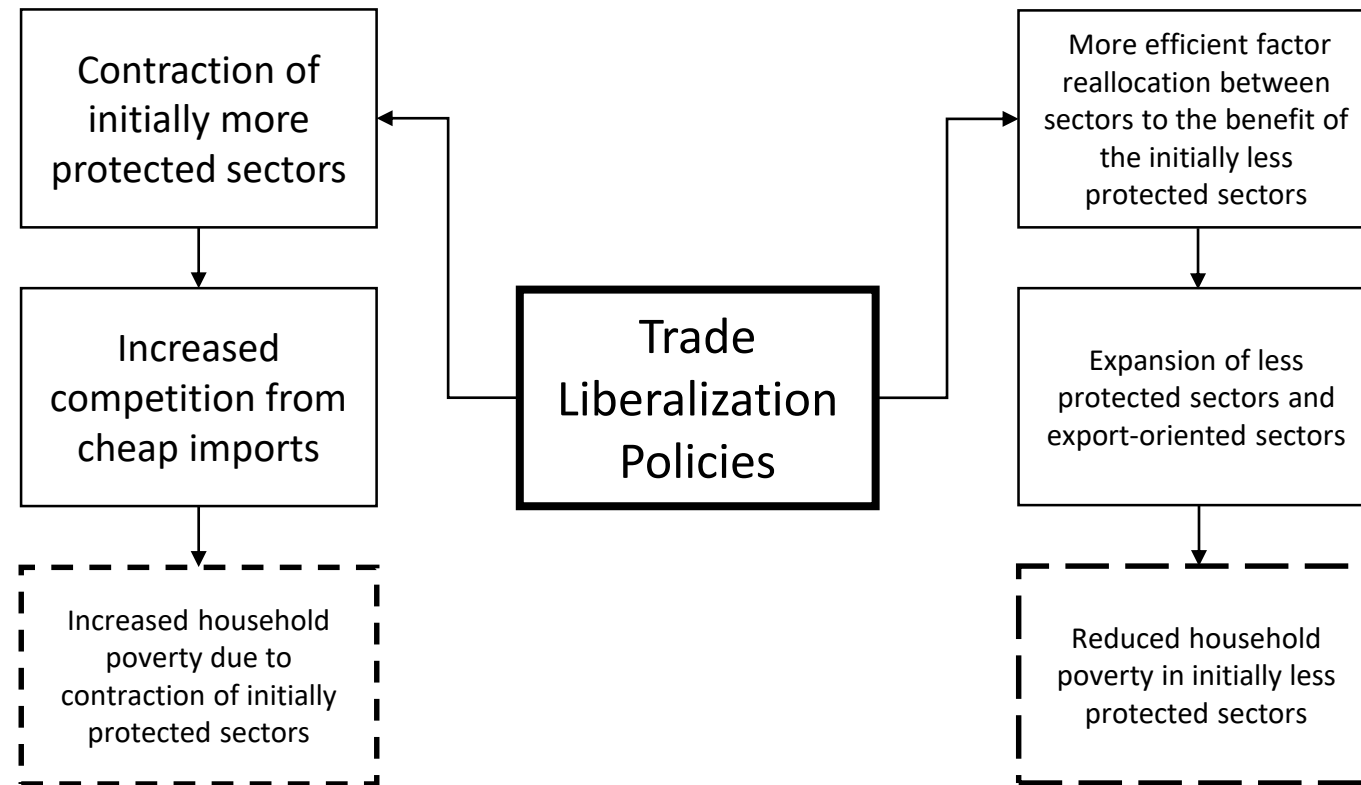
## Lessons from the Russia-Ukraine conflict

- Highlighted new risks from international specialization
- Pros and cons of decoupling

## Lessons from the US-China trade relationship:

- Economies are not just characterized by trade, competition, and innovation
- Most advanced economies do not just compete but also foreclose

# Is liberalization/protectionism the way to go?



# Is liberalization/protectionism the way to go?

Evidence from the Philippines (Rivera & Tullao, 2023)



## On labor emigration:

Labor emigration is not beneficial for agriculture.

- Although labor emigration increases employment in manufacturing, it does not increase production because of limited capital inputs.

It reduces employment and production in agriculture.

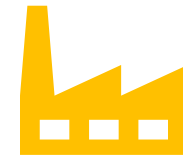


## On remittances:

Remittances are not beneficial for agriculture.

It increases reservation wage.

- Decreases the supply of labor and production of agriculture.
- Decreases the demand for labor and the wage rate.



## On FDI flows:

FDI flows are beneficial for manufacturing but not necessarily for agriculture.

# Moving forward (direction for emerging economies)

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- RTAs have been increasing, expanding, and innovating in terms of:
    - Nature
    - Objectives
    - Scope
    - Degree of liberalization

# Moving forward (direction for emerging economies)

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- Rise of mega RTAs
  - Further liberalize trade in goods and services, while enhancing competition policy, intellectual property rights, investment, economic and technical cooperation, and government procurement
  - Establish a modern, comprehensive, high quality, and mutually beneficial economic partnership that would bring employment and market opportunities and accelerate economic growth and development in a particular region.
  - Allows for the expansion of cooperation on untouched areas.
  - Sustainability considerations
- Design supply chains given its own sensitivities, vulnerabilities, and opportunities.

# Moving forward (direction for emerging economies)

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- Design supply chains given its own sensitivities, vulnerabilities, and opportunities.
- Trade in services and servicification of manufacturing
  - Reforms in the services sector would bring significant benefits not only to exporters, but also to firms serving the local market, since services provide important inputs to, and facilitate trade in other sectors.
  - Liberalize services not just to enhance the competitiveness of the services sector itself, but also to raise productivity of manufacturing which uses services as inputs.
  - Be more developmental than regulatory in services – the most sensitive areas in services trade negotiations.

# THANK YOU

**SALAMAT**

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Arabic

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Korean

धन्यवाद

Hindi

ขอขอบคุณ

Thai

ありがとう

Japanese

**TERIMA KASIH**

Malay / Indonesian

ຂອບໃຈ

Lao

谢谢

Chinese

