

Trade and Globalisation after the Crisis

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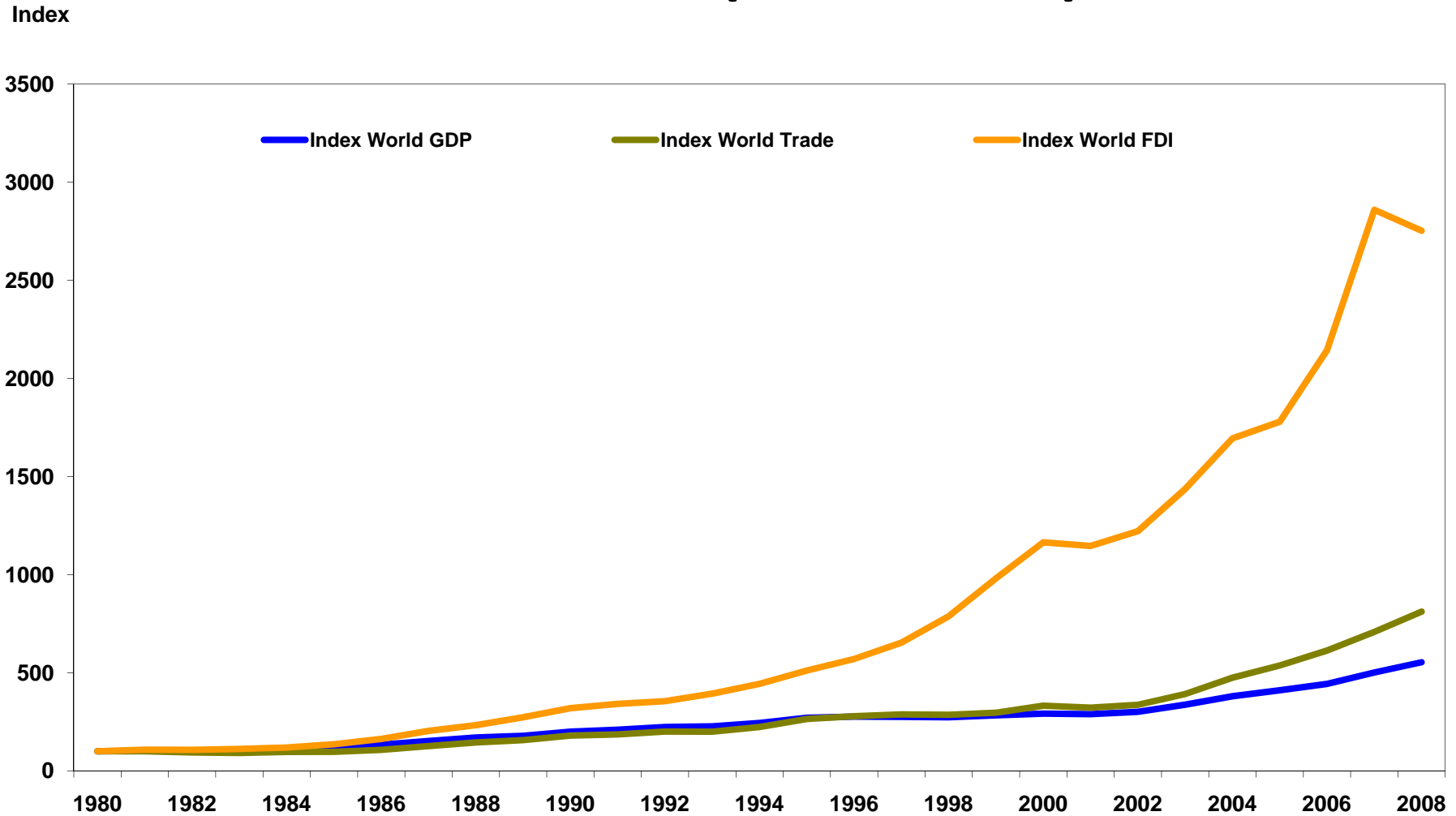
Trade and Globalisation after the Crisis

- The long globalisation boom, 1980s-2007
- The global economic crisis and aftermath: shift to the East
- The global policy outlook: East and West
- The key players
- The future of regional and global trade governance

Trade and Globalisation after the Crisis

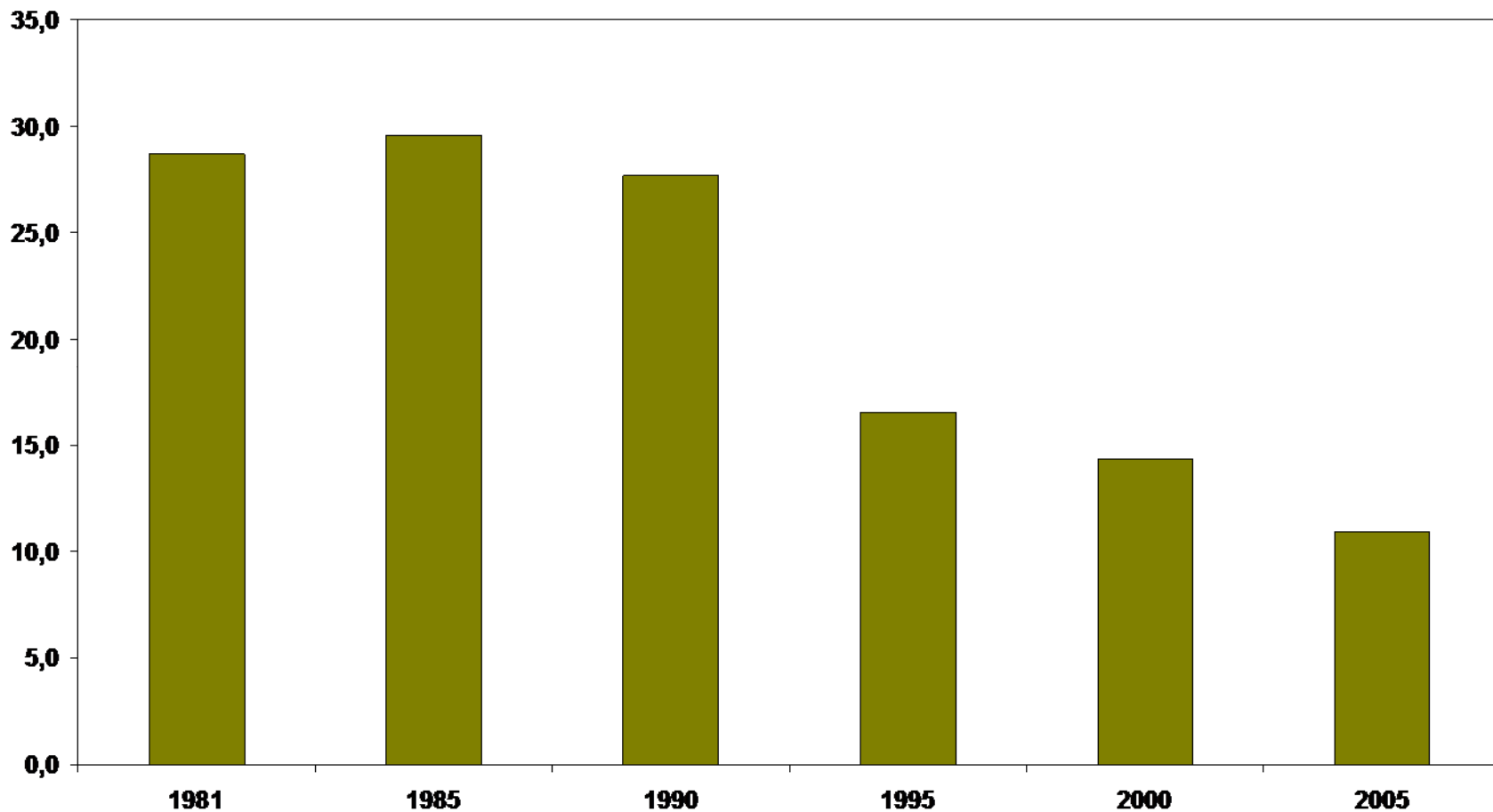
- **The Goldilocks global economy**
 - Strong growth in global trade and FDI; rise of Asia in late 20th century/early 21st century globalisation; golden conditions 2001-2007
 - Policy environment: strong liberalisation 80s and 90s – opening of 2nd and 3rd World; slowdown thereafter; stable geopolitical environment; unfinished business

Growth in World Trade, FDI and GDP - current US\$ (1980-2008)



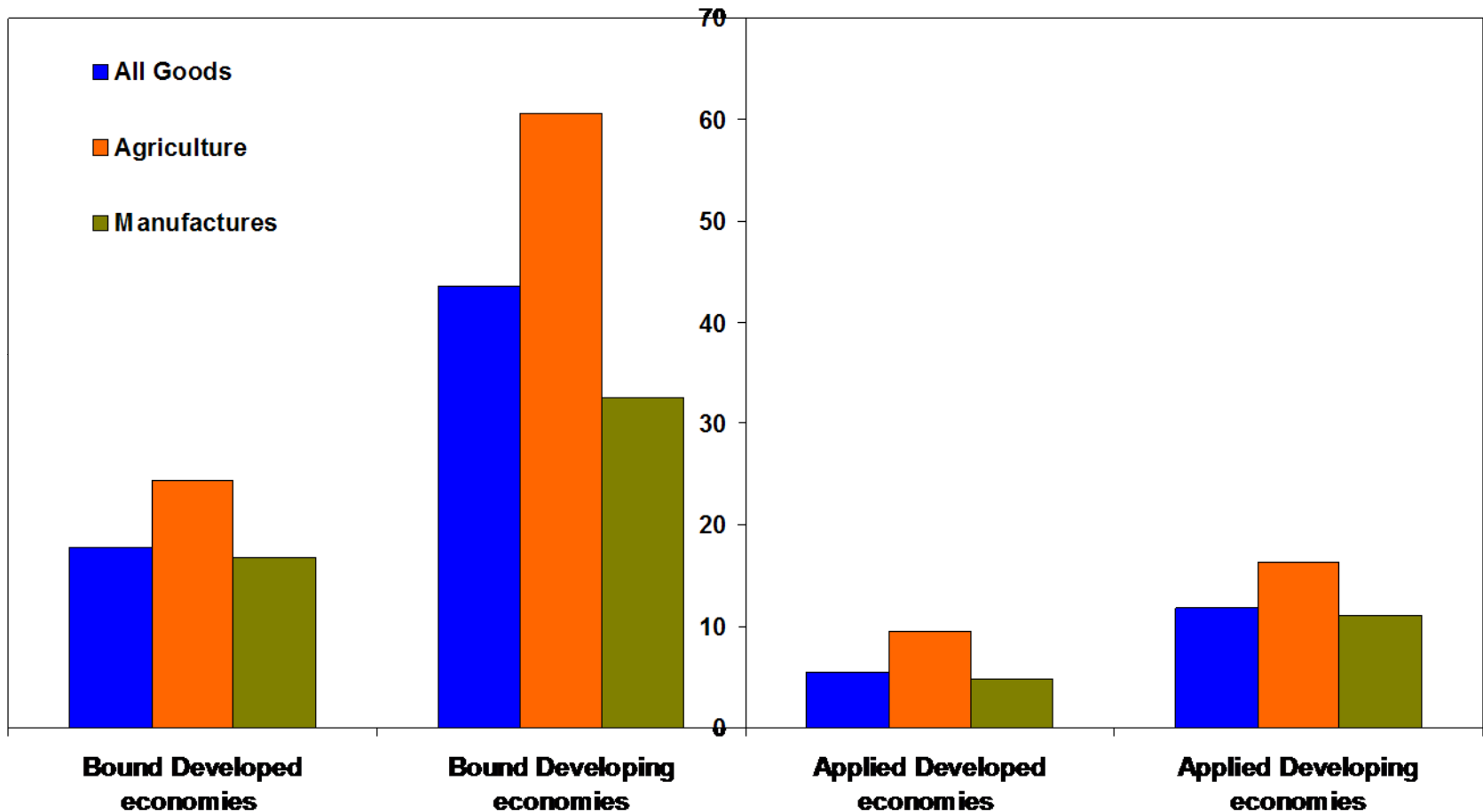
Average Applied Tariff Rates in Developing Countries - Unweighted in % (1981-2005)

**Average Applied Tariff Rates in Developing Countries
Unweighted in % (1981-2005)**



Bound and Applied Rates Developed and Developing Countries

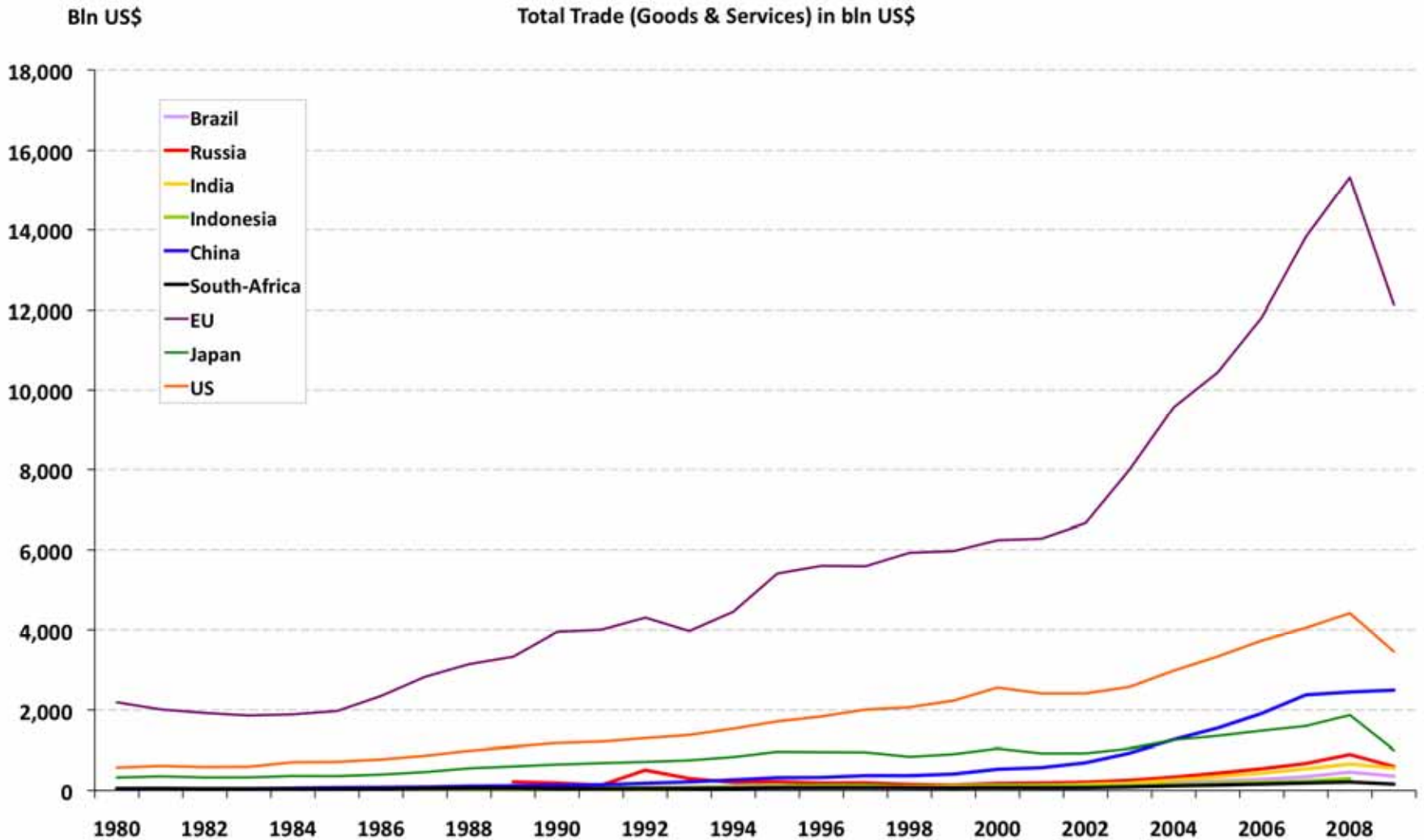
**Bound and Applied Tariff Rates
Developed Countries ('02-'04) & Developing Countries ('98-'04)**



World Ranking in Ease of Doing Business (2010)

	Ease of Doing Business	Starting a Business	Dealing with Construction Permits	Employing Workers	Registering Property	Getting Credit	Protecting Investors	Paying Taxes	Trading Across Borders	Enforcing Contracts	Closing a Business
US	4	8	25	1	12	4	5	61	18	8	15
Japan	15	91	45	40	54	15	16	123	17	20	1
Singapore	1	4	2	1	16	4	2	5	1	13	2
H-Kong	3	18	1	6	75	4	3	3	2	3	13
N- Zealand	2	1	5	15	3	4	1	9	26	10	17
S-Africa	34	67	52	102	90	2	10	23	148	85	76
Denmark	6	28	10	9	47	15	27	13	6	28	7
Brazil	129	126	113	138	120	87	73	150	100	100	131
Russia	120	106	182	109	45	87	93	103	162	19	92
India	133	169	175	104	93	30	41	169	94	182	138
Indonesia	122	161	61	149	95	113	41	126	45	146	142
China	89	151	180	140	32	61	93	130	44	18	65
S-Africa	34	67	52	102	90	2	10	23	148	85	76

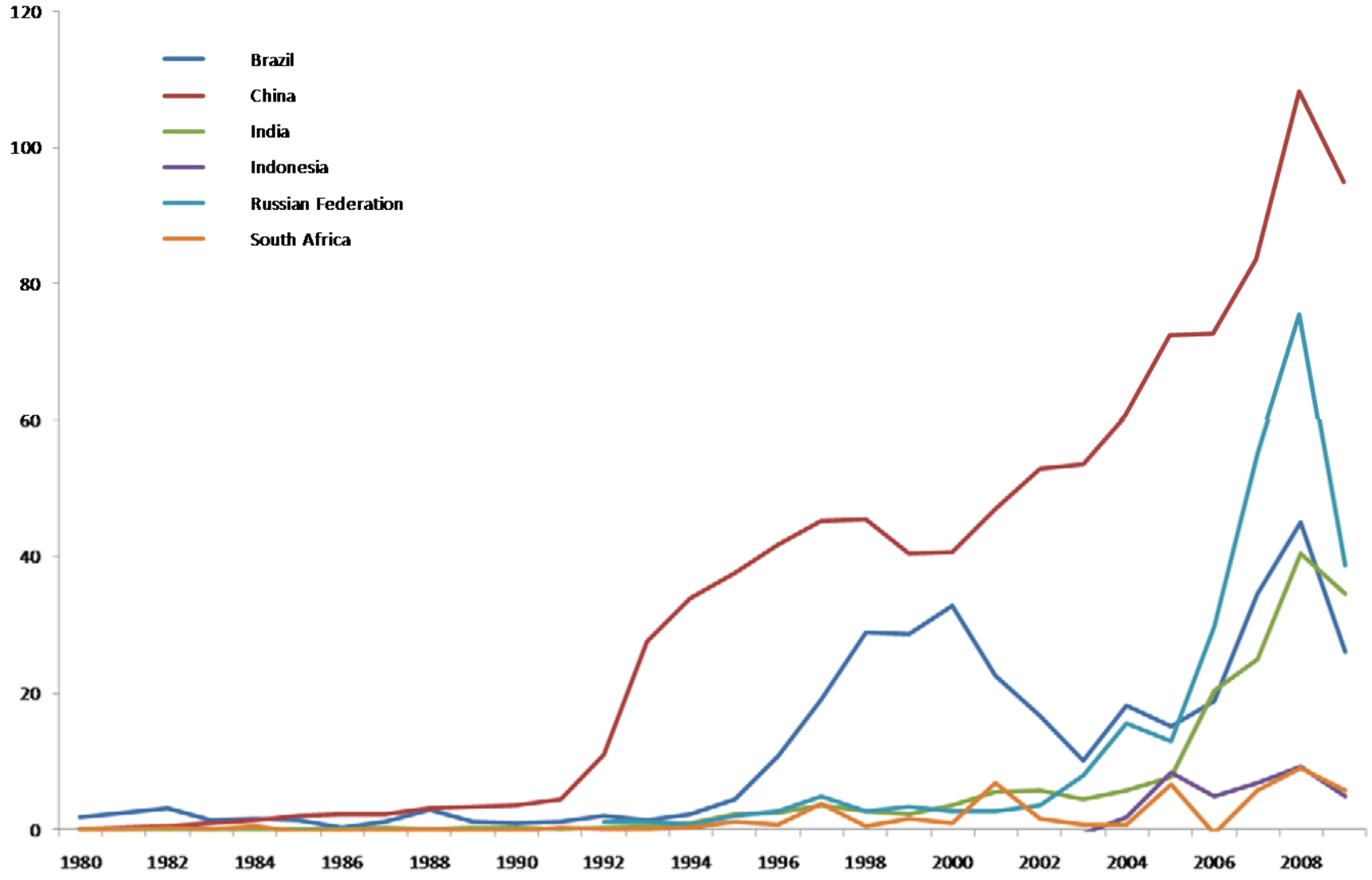
Total Trade (Goods and Services) in bln US\$ for BRIICS, EU, US and Japan (1980-2009)



US\$bn

Inward FDI for BRIICS (1980-2009)

- Brazil
- China
- India
- Indonesia
- Russian Federation
- South Africa



Trade and Globalisation after the Crisis

- **Global economic impact: focus on trade and FDI**
 - Sharp contractions: growth and deglobalisation
 - No decoupling
 - Asia/emerging markets vs. the West
 - Shift to the East: Asian/emerging-market optimism, Western pessimism
 - Short-term divergence of economic performance; accelerated long-run convergence of emerging markets on West

Global Indicators IMF (April 10)





GDP Growth and Growth Estimates

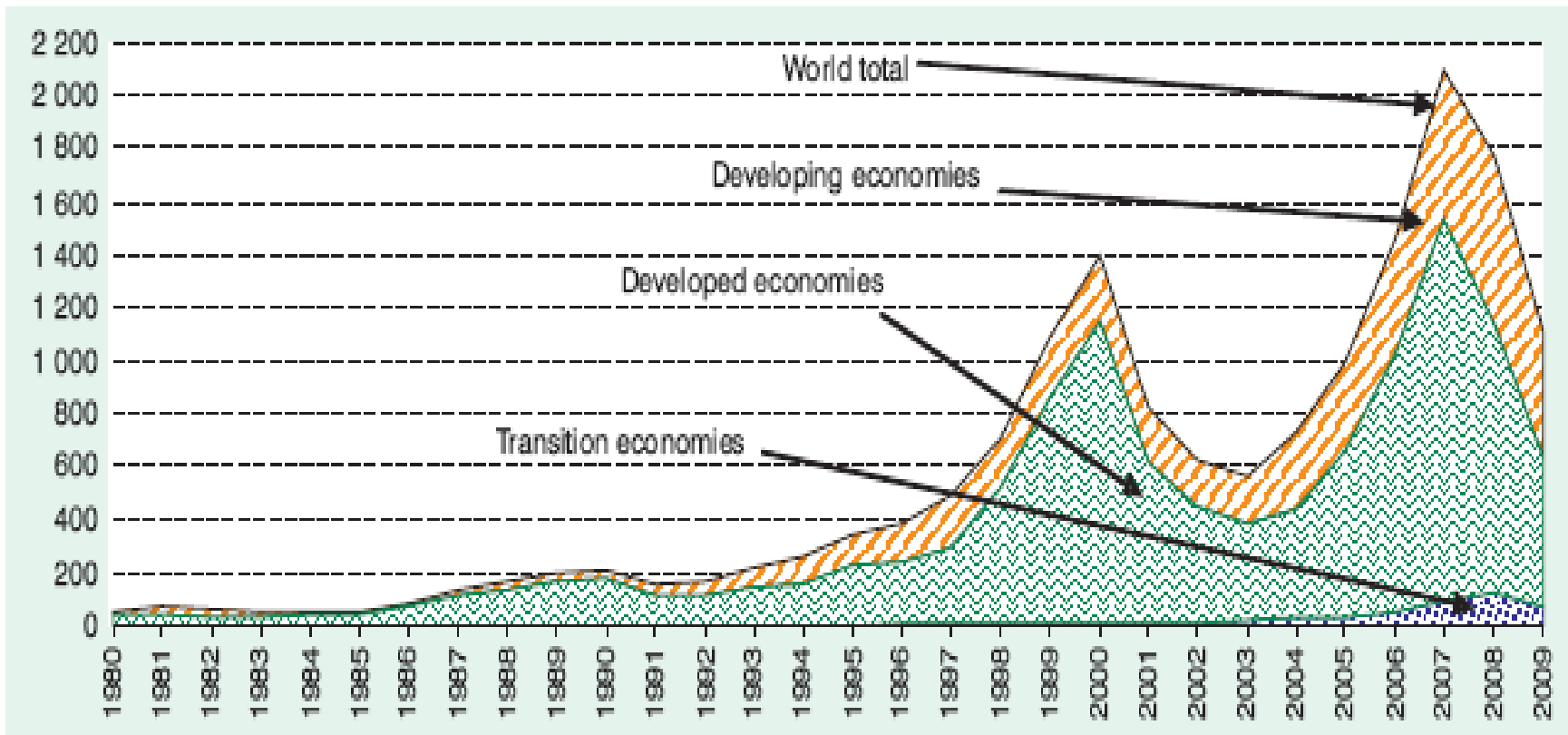
	2008	2009	2010
Advanced economies	0.5	-3.2	2.6
Africa	5.6	2.2	5.0
Developing Asia	7.7	6.9	9.2
Western Hemisphere	4.2	-1.8	4.8

International Monetary Fund, World Economic Outlook Database, July 2010

Trade Volumes

	2008		2009		2010		2011	
	Import	Export	Import	Export	Import	Export	Import	Export
Advanced Economies	0.4	1.9	-12.7	--12.4	10.1	11.0	5.2	6.0
Emerging/ Developing Economies	9.0	4.6	--8.2	-7.8	14.3	11.9	9.9	9.1

FDI inflows, global and by groups of economies, 1980-2009 (billions of dollars)



Source: UNCTAD World Investment Report 2010

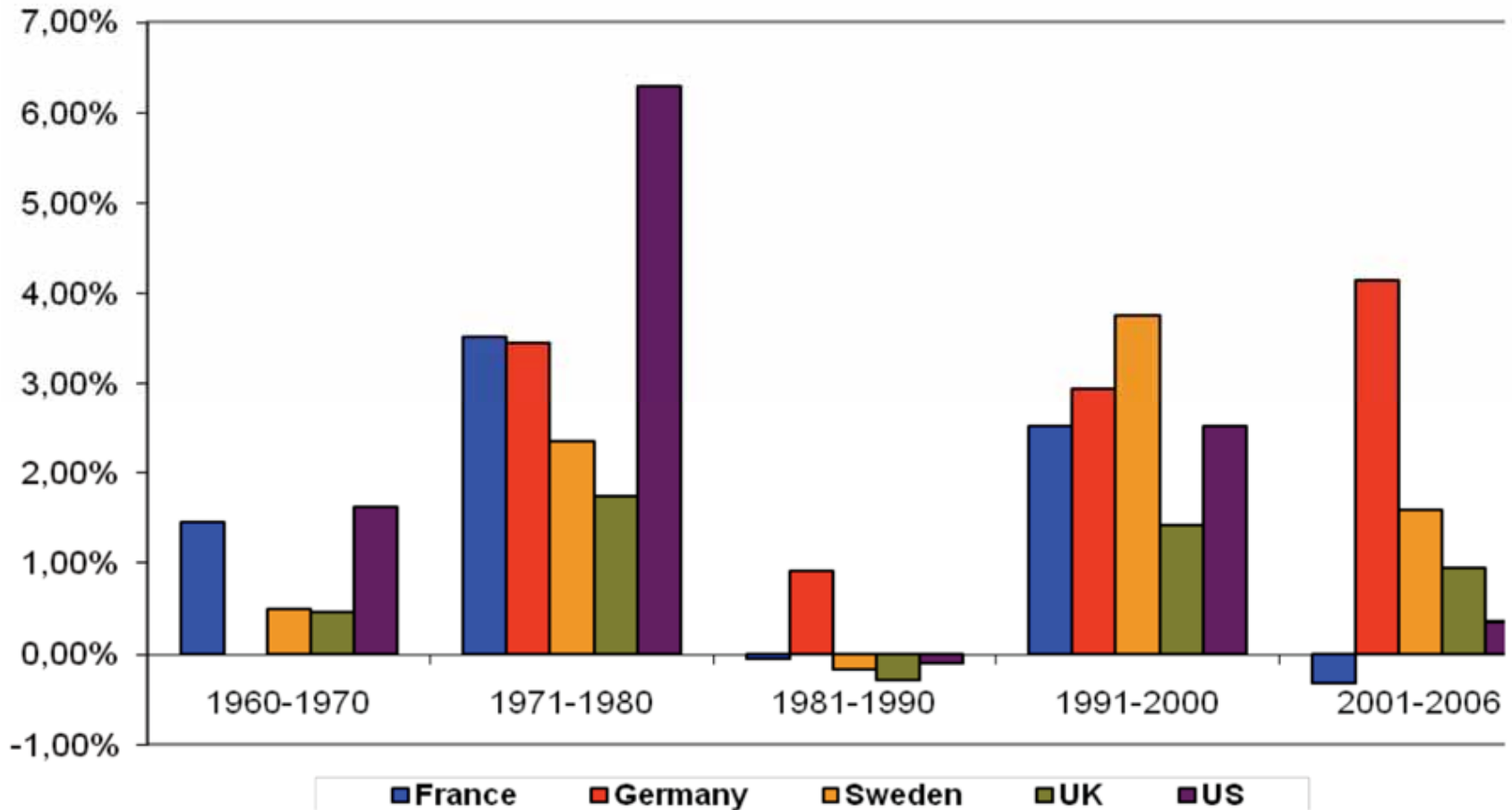
US\$BIn	FDI	2007	2008	2009
Brazil	Inflows	34.6	45.1	25.9
	Outflows	7.1	20.5	-10.1
China	Inflows	83.5	108.3	95.0
	Outflows	22.5	52.1	48.0
India	Inflows	25.0	40.4	34.6
	Outflows	17.2	18.5	14.9
Indonesia	Inflows	6.9	9.3	4.9
	Outflows	4.7	5.9	2.9
Russia	Inflows	55.1	75.5	38.7
	Outflows	45.9	56.1	46.1
South Africa	Inflows	5.7	9.0	5.7
	Outflows	3.0	-3.1	1.6

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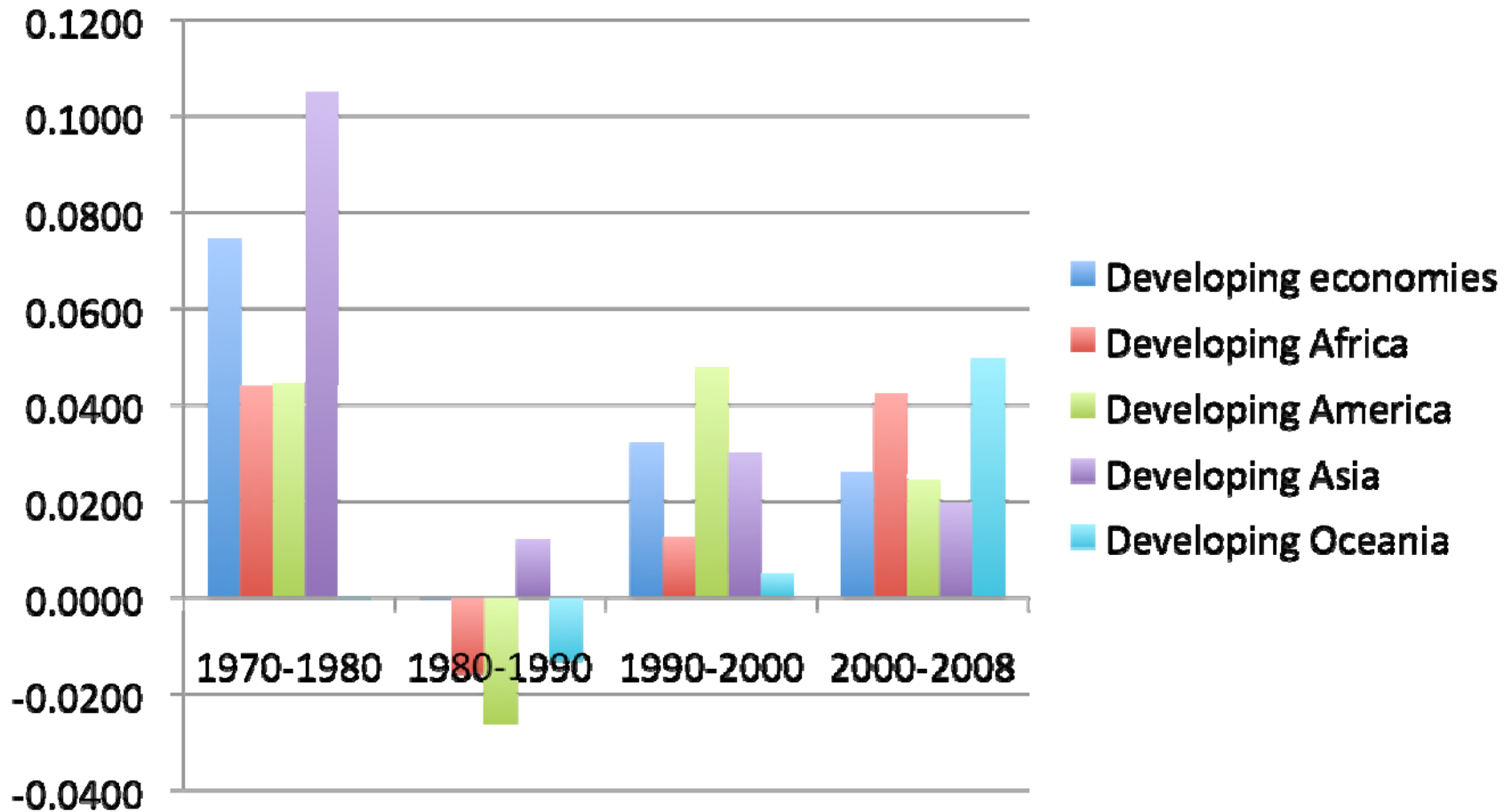
■ Global policy outlook

- Big shift in policies and ideas against free markets and in favour of government intervention
- Domestic crisis interventions: bank bailouts; fiscal stimulus; v. loose monetary policies – much worse consequences for West than emerging markets
- Emerging protectionism: very little up-front protectionism; rather creeping regulatory protectionism
- Parallels with the 1970s, not 1930s

Annual average growth of trade as part of GDP



Annual average growth of trade as part of GDP



Source: UNCTAD Statistical Handbook

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- Emerging protectionism:
 - Very little increase in traditional protectionism
 - But insidious increase in non-traditional protectionism arising from domestic crisis interventions
 - China the main target

Emerging Protectionism

- **Emerging protectionism**
 - Tariffs
 - Import licensing
 - Financial mercantilism
 - Subsidies
 - “Buy national” measures
 - Foreign-investment restrictions
 - Migrant labour
 - Anti-dumping duties
 - Standards protectionism, including climate change
- Threatens to deepen and prolong crisis and deglobalisation
- Domestic economic policy and trade policy are linked: lessons from previous eras
- Markets, globalisation and WTO rules restrain traditional protectionism, but fewer constraints on non-traditional protectionism

Top 10 biggest targets of discriminatory measures

Top 10 Targets	Number of discriminatory measures imposed on target		Number of pending measures, which if implemented, would harm target too	
	This report (June 2010)	Increase from previous G20 meeting (2nd GTA report)	This report (June 2010)	Increase from previous G20 meeting (2nd GTA report)
China	282	183	125	48
EU27	266	na	80	na
USA	213	127	46	27
Germany	204	120	56	26
France	188	110	46	22
UK	181	109	44	24
Italy	175	105	50	27
Belgium	170	92	42	21
Japan	168	90	47	24
Netherlands	163	92	42	24

Note: Unfortunately when our second report was prepared data on the total number of times the EU 27 nations were harmed was not collected, hence frustrating direct comparisons between early June 2010 and early September 2009. Data on EU27 was reported from the third report on due to requests from users. Moreover, individual member state information in this table may indicate the extent how often some European trading nations have been harmed since the Pittsburgh summit.

Source: Evenett (2010), see footnote 17

Crisis measures – which countries have inflicted most harm?

Rank	Metric, Country in specified rank, Number			
	Ranked by number of (almost certainly) discriminatory measures imposed	Ranked by the number of tariff lines (product categories) affected by (almost certainly) discriminatory measures	Ranked by the number of sectors affected by (almost certainly) discriminatory measures	Ranked by the number of trading partners affected by (almost certainly) discriminatory measures
1.	EU27 (146)	Venezuela (784)	EU27 (55)	EU27 (168)
2.	Russian Federation (73)	Kazakhstan (719)	Algeria (54)	Argentina (161)
3.	Argentina (41)	Nigeria (599)	Nigeria (45)	China (161)
4.	India (31)	EU27 (437)	Venezuela (38)	Indonesia (152)
5.	Germany (29)	Russian Federation (421)	Kazakhstan (36)	Russian Federation (142)
6.	UK (24)	India (347) Indonesia (347)	Russian Federation (34)	Finland (132) Germany (132) South Africa (132)
7.	Indonesia (22)		Ethiopia (32)	
8.	China (19) Italy (19)	Ethiopia (345)	Indonesia (32)	
9.		Argentina (336)	India (31)	
10.	Austria (17)	China (335)	Germany (27)	Belgium (131) Brazil (131)

Note: There is no single metric to evaluate harm. Different policy measures affect different numbers of products, economic sectors, and trading partners. GTA reports four measures of harm.

The EU27 refers to the sum of all of the measures taken by the 27 national governments of the European Union and the measures taken by the European Commission. To be included in this total a state measure must have involved discrimination against the commercial interests of another state, including potentially another member of the European Union.

Source: Evenett (2010), see footnote 17

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- **A review of the troops**
 - USA
 - EU
 - China
 - Japan
 - India
 - Russia
 - Brazil
 - South Africa

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■ USA

- Obama administration: interventionism at home; ambivalence on trade; domestic weakness cramps external leadership
- No free-trade initiatives; overall defensiveness; trade policy v. low priority
- USA not leading; but still no substitute for US leadership

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- EU
 - Crisis aftermath: Single Market under stress; defensiveness abroad
 - Sovereign debt problems; crisis in eurozone; lack of structural reforms/Eurosclerosis
 - Internally divided and externally weak

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■ China

- Now one of Big 3: exports as well as imports order
- The golden years of liberalisation and globalisation
- Recent policy slippage: stalled reforms and industrial-policy activism
- Basic problems with the Chinese model – exacerbated by crisis measures!
- Mixed picture: Beijing is not “rocking the boat”, no aggressive mercantilism; but no further opening or structural reforms either; limits ability to lead and continuing international tensions

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- India
 - Strong crisis performance and recovery based on domestic consumption; stable government in Delhi
 - Optimistic scenario: growth up to 10% plus, even without big reforms; India emerges as global economic/political power
 - Not in league of China; can't export global order
 - Reforms stalled since 2004, including trade reforms: no unilateral liberalisation, defensiveness in WTO, trade-lite FTAs
 - Growth concerns: less benign global economy; lack of reforms
 - Without reforms no big transformations in agriculture, services and industry
 - India's forward and backward races
 - A second-tier emerging power

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- **Japan**

- A Western-style crisis: exceptional for Asia

- Domestic political and economic quagmire; still a global political dwarf

- Domestic blockage affects trade policy: passive and reactive

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- Brazil
 - Stabilisation and unilateral liberalisation late '80s/90s
 - Stalled liberalisation since mid/late 90s; lack of structural reforms; high regulatory barriers and business costs
 - Active in DDA (G20) but not enough focus on Brazil's commercial interests; trade-lite, South-South FTAs
 - Weathered crisis well, strong rebound, v. little new protectionism
 - Like India, a second-tier emerging power

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- Russia
 - Liberalisation in '90s but strong deliberalisation since 2004; de facto nationalisation of energy sector
 - Hard mercantilism and state capitalism; aggressive foreign policy to “near abroad”
 - Ups and downs of WTO accession negotiations
 - Severe crisis, more protectionism and state intervention
 - A second-tier emerging power

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- South Africa
 - Big opening in mid-90s alongside transition to multi-racial democracy, but stalled trade/FDI liberalisation since late 90s.
 - Better trade specialisation and productivity growth, but weak trade/FDI growth compared with other emerging markets
 - Defensiveness in DDA; FTA mess in southern Africa; trade-lite South-South FTAs elsewhere
 - More emphasis on selective industrial policy, less on external liberalisation
 - High domestic regulatory barriers in labour market and key sectors
 - Little chance of becoming a BRIC – a third-tier emerging power

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- WTO
 - DDA remains stuck; need to conclude a Doha-lite package and move on to a serious post-Doha agenda
 - A leadership vacuum; need “minilateral” cooperation among G5 (USA, EU and Big 3 emerging markets) as well as middle powers

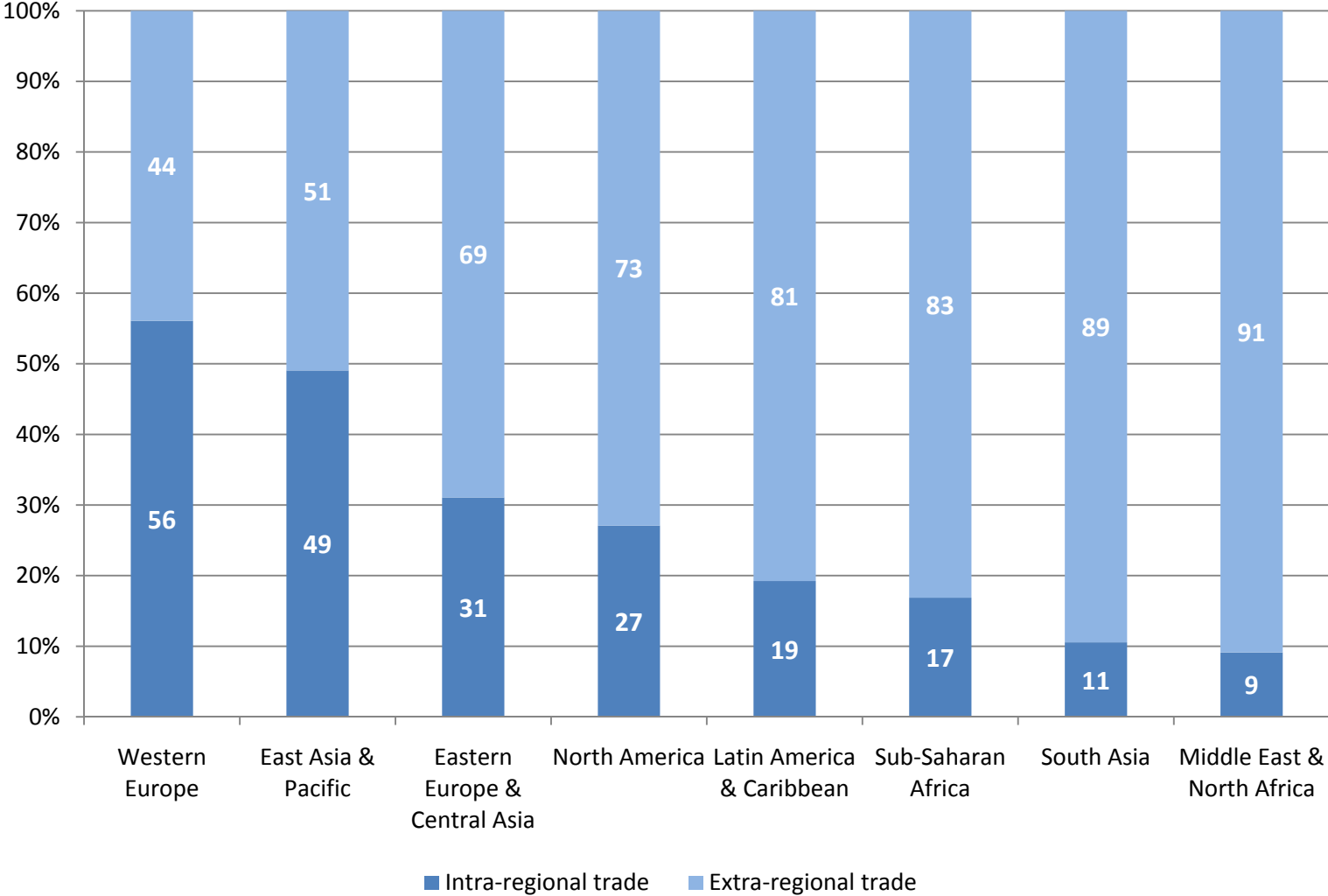
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- G20
 - Better than G8 but still hyped
 - A chat forum and very soft cooperation; too large, unwieldy and with diverse interests to have “hard” cooperation
 - No prospect of hard cooperation on trade policy, nor indeed on macroeconomic policy and financial regulation

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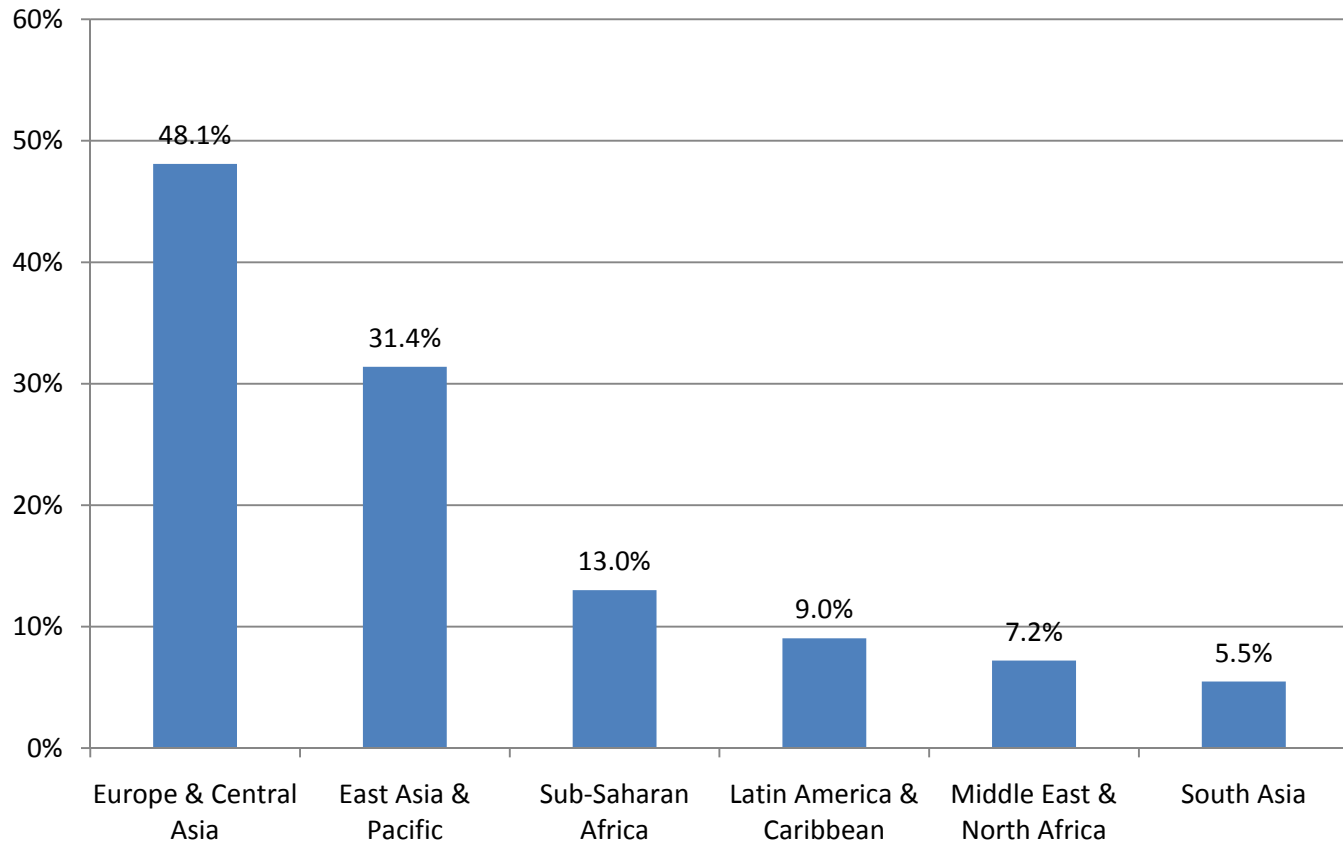
- Emerging markets in regional trade governance
 - Malintegrated regional/sub-regional markets
 - Trade-lite FTAs

Figure 1: Intra- and Extra-regional Trade, 2008



Source: COMTRADE database

Figure 2: Intra-regional Trade as a Share of GDP, 2008



Source: World Development Indicators Database

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- Emerging markets in global trade governance (cont.)
 - Western, esp. US, leadership declining
 - Asian powers will be more powerful in multilateral institutions and “minilateral” cooperation, but can they lead? Still no substitute for US leadership?
 - Inhibiting factors: intra-regional divisions and rivalries (including geopolitics); domestic economic-institutional weaknesses; inflexible political systems; innovation gap with West

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- Conclusion
 - Shift to East undeniable; grounds for emerging-market, esp. Asian, optimism
 - Western decline, Asian/emerging market rise – but still a leadership vacuum

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■ Conclusion

- Short-term challenges: containing policy deterioration and emerging protectionism
- Medium-term challenge: get back on track with liberalisation, structural reform and globalisation