



CENTRE FOR  
STRATEGIC AND  
INTERNATIONAL  
STUDIES

# Outlook of Global Trade Governance

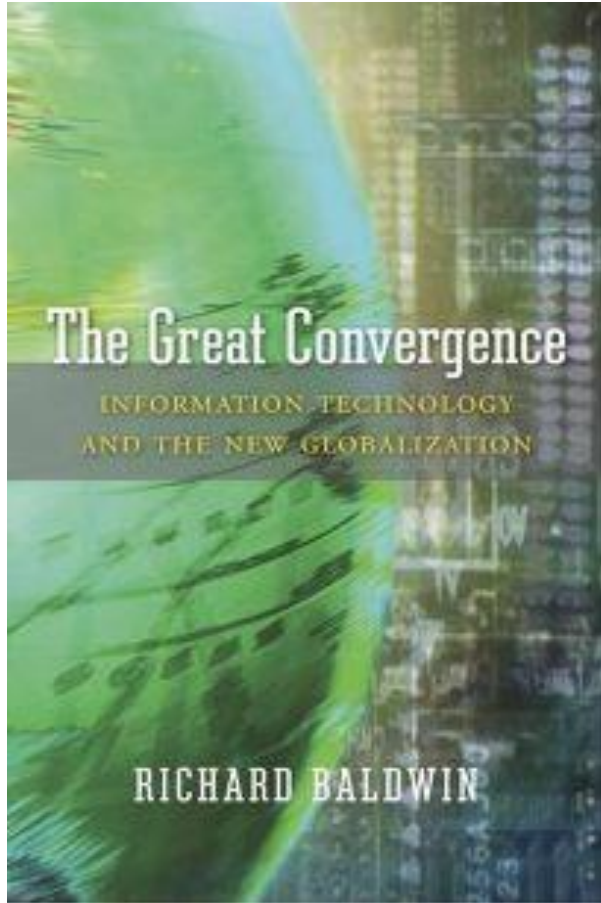
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# Key Messages

- Globalization of 21<sup>st</sup> century would go on
  - It is about the trade in “know-how” instead of trade in goods
  - That has impacted everyone at a very individual level
- WTO is for 20<sup>th</sup> century trade, not for the 21<sup>st</sup> century
  - International economic activities require different rules of the game
- Anti-globalization is in the rise
  - Due to negative feedback from globalization and technological change
- But perhaps “resistance is futile”
  - Trade agreements might take bilateral way
- The good response is to have proper structural reform

# Trade Convergence



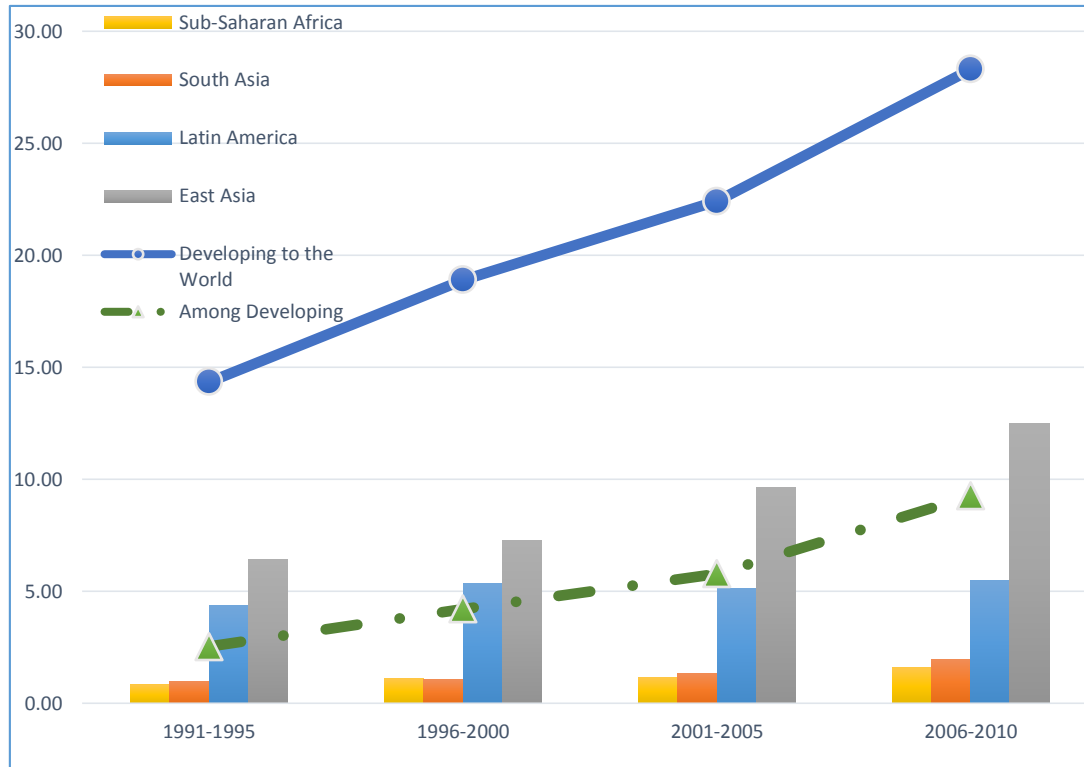
- Old globalization started in the 19<sup>th</sup> century
  - Lower trade cost made high volume trade feasible
  - High communication cost meant the know-how stayed in developed countries; It is about trade in goods in Ricardian model
  - The result is about trade divergence
- New globalization started since 1980s
  - Lower communication cost that lead to the emergence of global value chain
  - Shifted manufacturing and know-how to emerging countries
- Affect how trade should be governed

# Impact of New Globalization

- National competitiveness is de-nationalized
  - Production can be offshored; no need to be done at same location
  - Developing countries can join rather than building their own value chain
- Trade-services-investment-knowledge nexus
  - Requires greater international disciplines
  - Know-how is no longer dominated by developed countries
- Requires new set of standards and rules of the game
  - WTO is good only for 20<sup>th</sup> century globalization

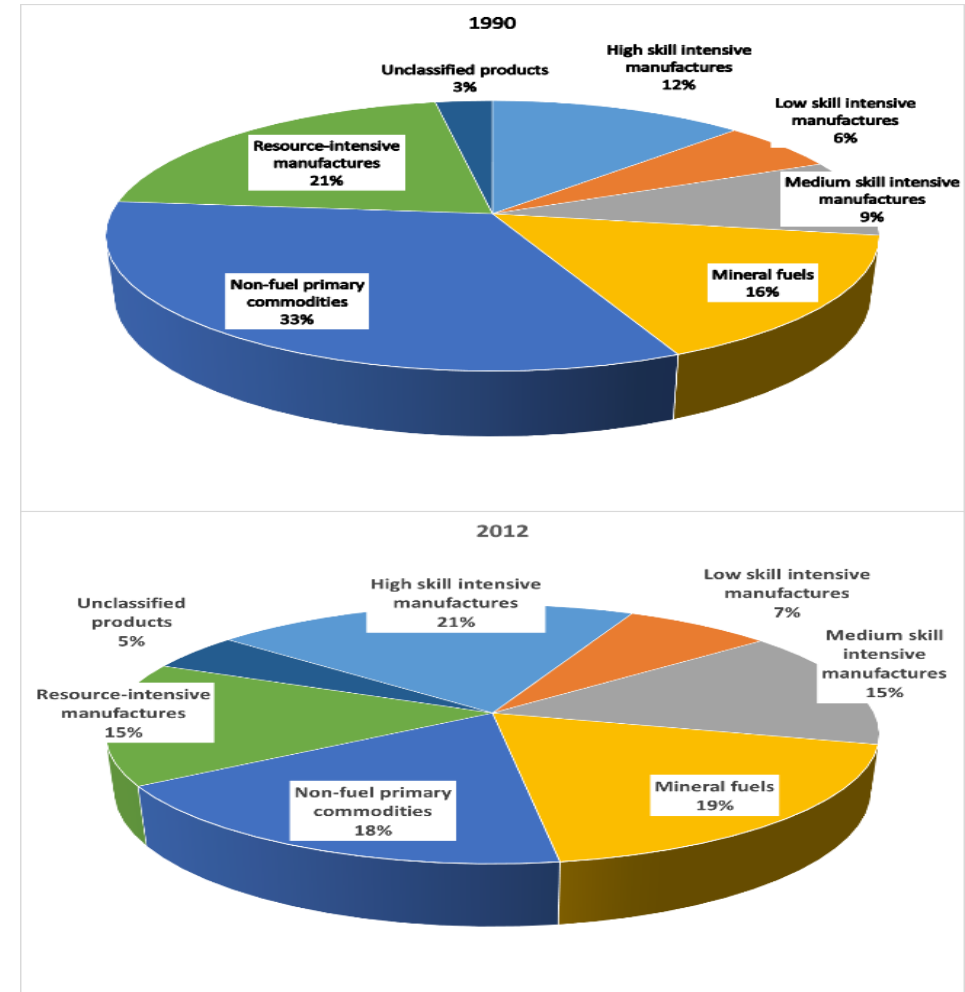


# Increasing role and importance of developing countries



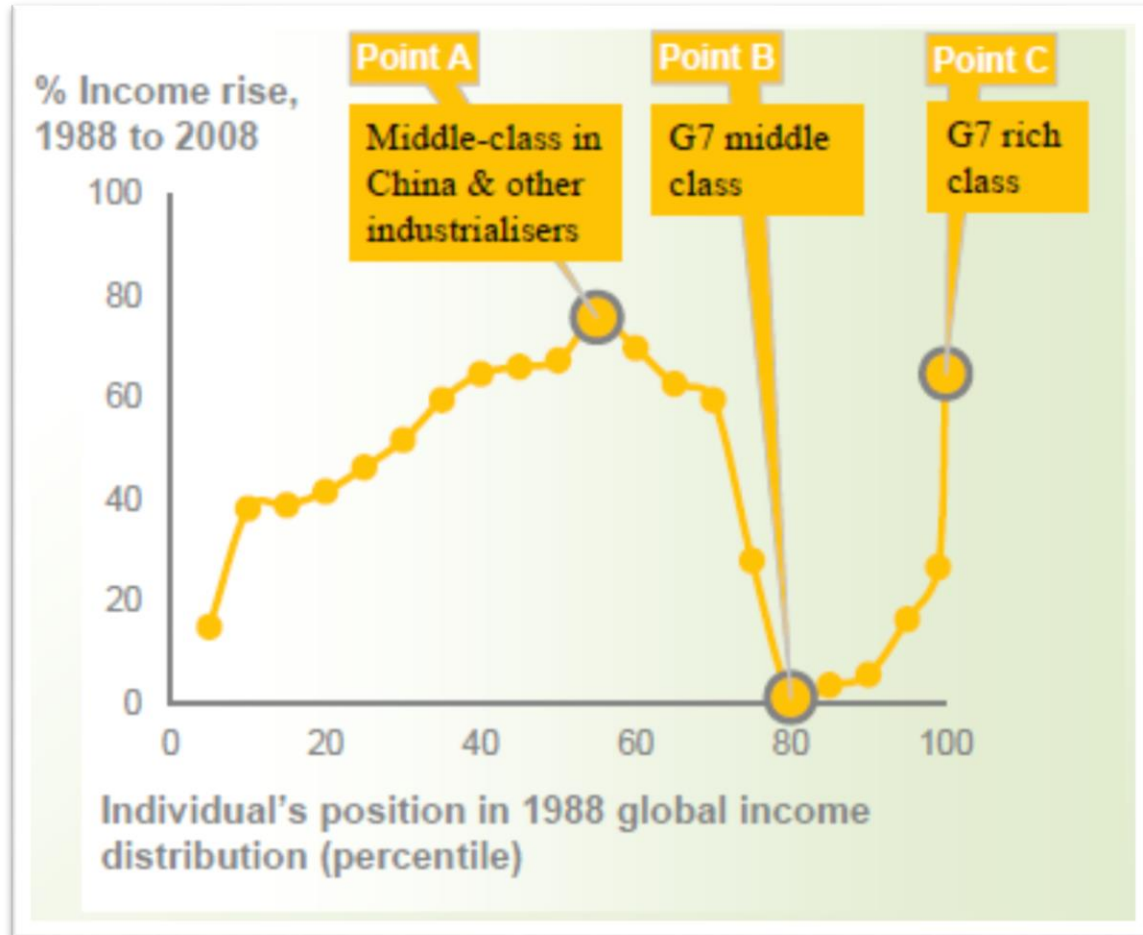
Share of developing countries in World's trade is increasing

Also trade among developing world is increasing rapidly



Developing countries' trade is also more diversified

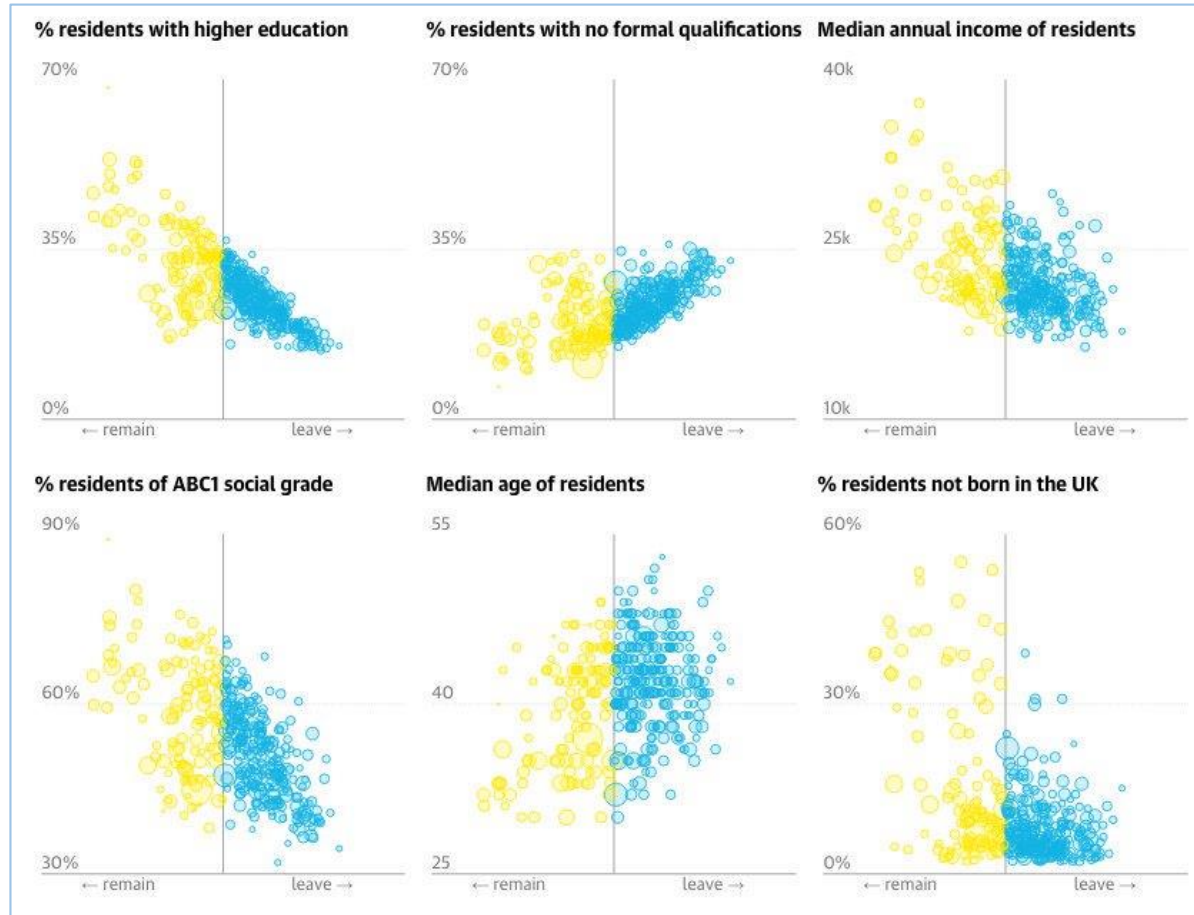
# Impacts on Social Welfare



Source: Milanovic 2016

- The benefits of globalization is not symmetric
  - Many technical and casual jobs were moved to developing countries
  - Exports from host-producing countries are greater than the opposite direction
  - The benefits occur more in host countries
- Technological changes also shift labor market structure
  - Skill-biased technology advancement reduce demand for technical labor
  - Many in developed countries cannot keep up with the change and left behind

# Brexit and US Election



## Trump's To Do List on Trade

- Withdraw from TPP
  - Renegotiate or withdraw from NAFTA
- Use every tools to end trade abuse that unfairly impact American workers
  - Including 45% tariff on imports from China
- Punish US companies that only regarded US economy as a market

# Third wave of globalization?

Services Offshoring

“Virtual Migrants”

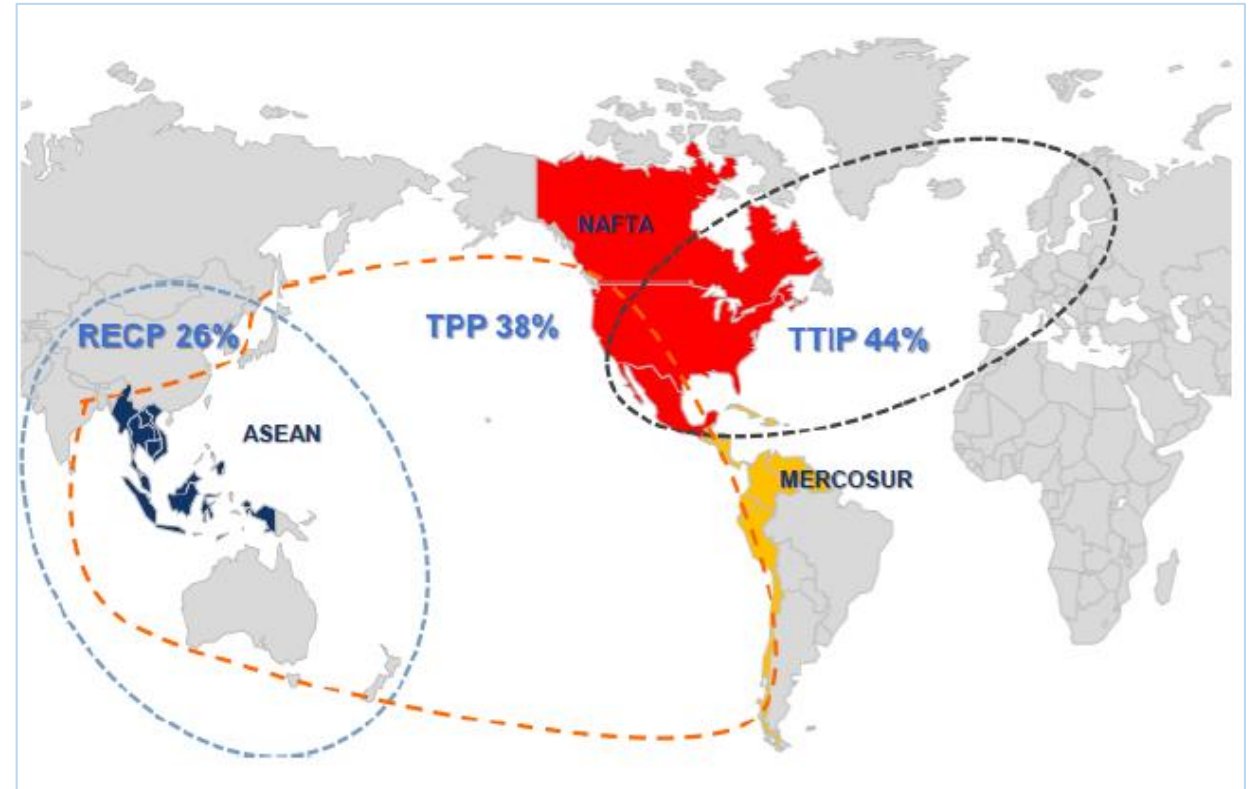
4<sup>th</sup> Industrial Revolution





# Outlook for Trade Agreements

- End of multilateralism and mega-regionalism?
- TPP might not be going anywhere
  - RCEP is lack of ambitions, infrastructures and elements to set new international standards and rules of the game
- TTIP is stagnant
- Bilateral agreements might be getting popular
  - Including bilateral US-trading partners?



# Areas of Commitments

- The needs for governance and managing international activities is mounting
- Distributing know-how, but also protecting it
- Protecting consumers and privacy
- Security of data transfer, financial flow, payment system
- Investment rights and protection
- Intellectual property rights (IPR)
- Competition policy
- Domestic regulations of services
- Labor standards
- Commitments on E-commerce and other digital platforms
  - Data transfer and cyber security

Thank You