

# Insights from Recent Global Developments

Kuala Lumpur, May 3<sup>rd</sup>, 2023

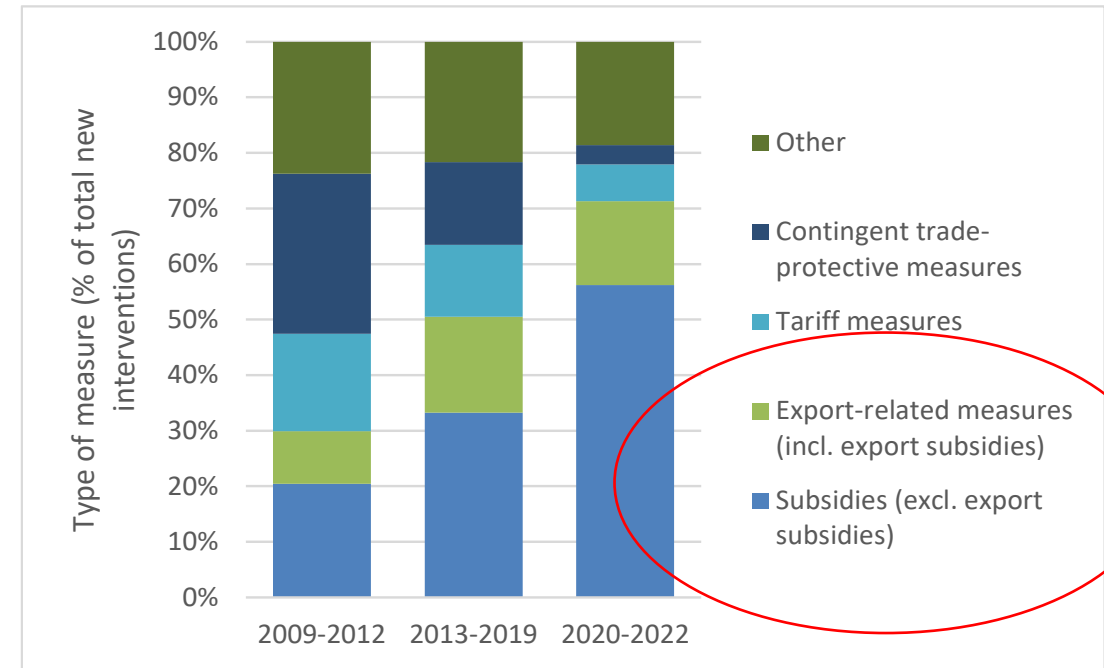
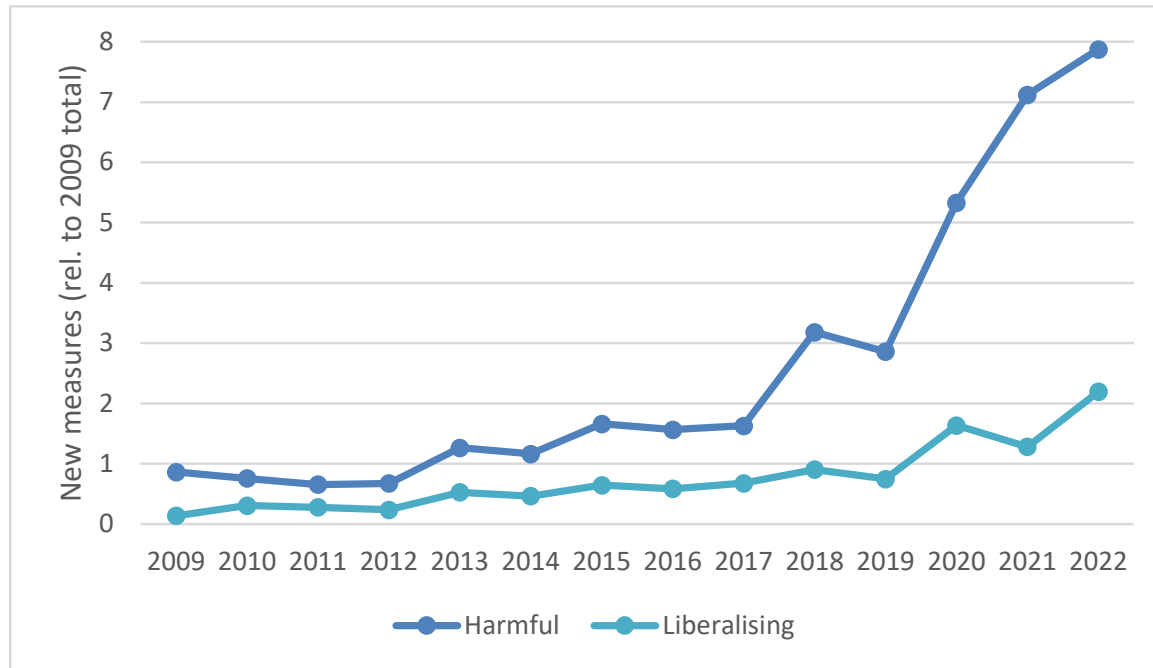
Daria Taglioni

# What can we learn from recent global developments in trade and trade policy?

- 1. Policy view:** There are contrasting trends in trade policy and international cooperation.
- 2. Macro-view:** There are different stages of separation, with very distinct effects for offenders, targets, and bystanders
- 3. Micro-view:** Deglobalizing is very hard to achieve and very costly in a world of dense firm-to-firm networks.



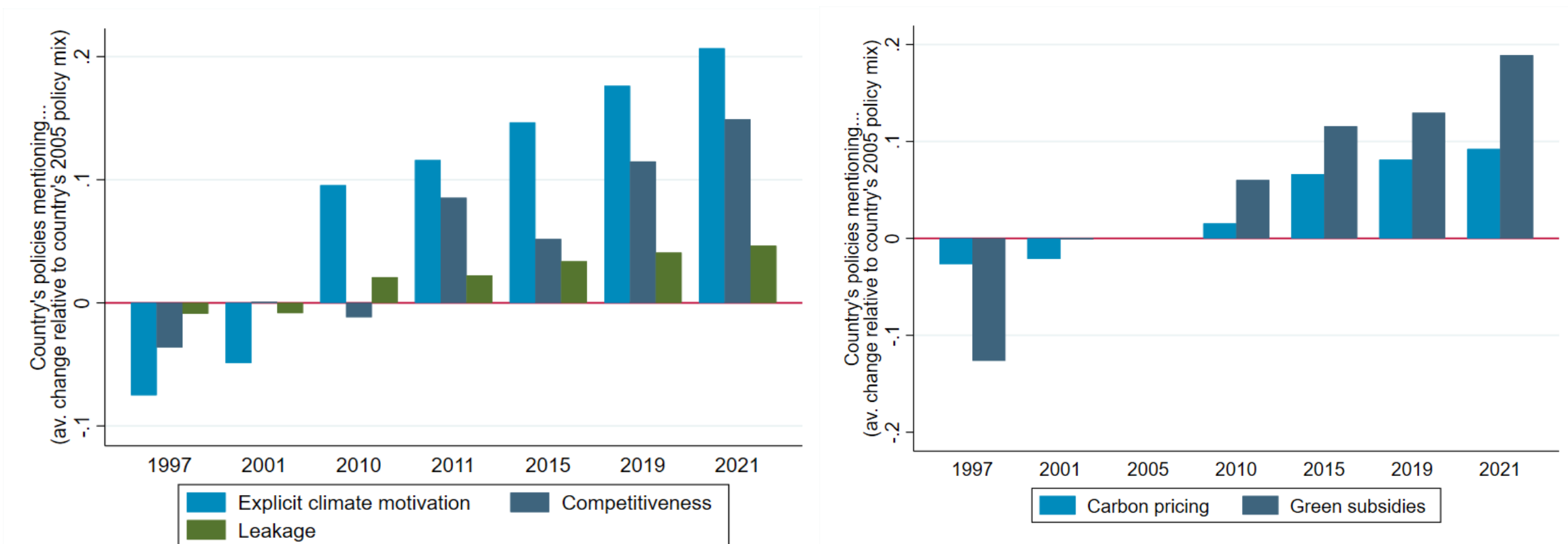
# Contrasting trends in trade policy: both harmful and trade-liberalizing policies are on the rise



Source: Global Trade Alert.

# Are green goals contributing to the surge in protectionism?

Number of trade-related climate policies increased exponentially in G20 countries

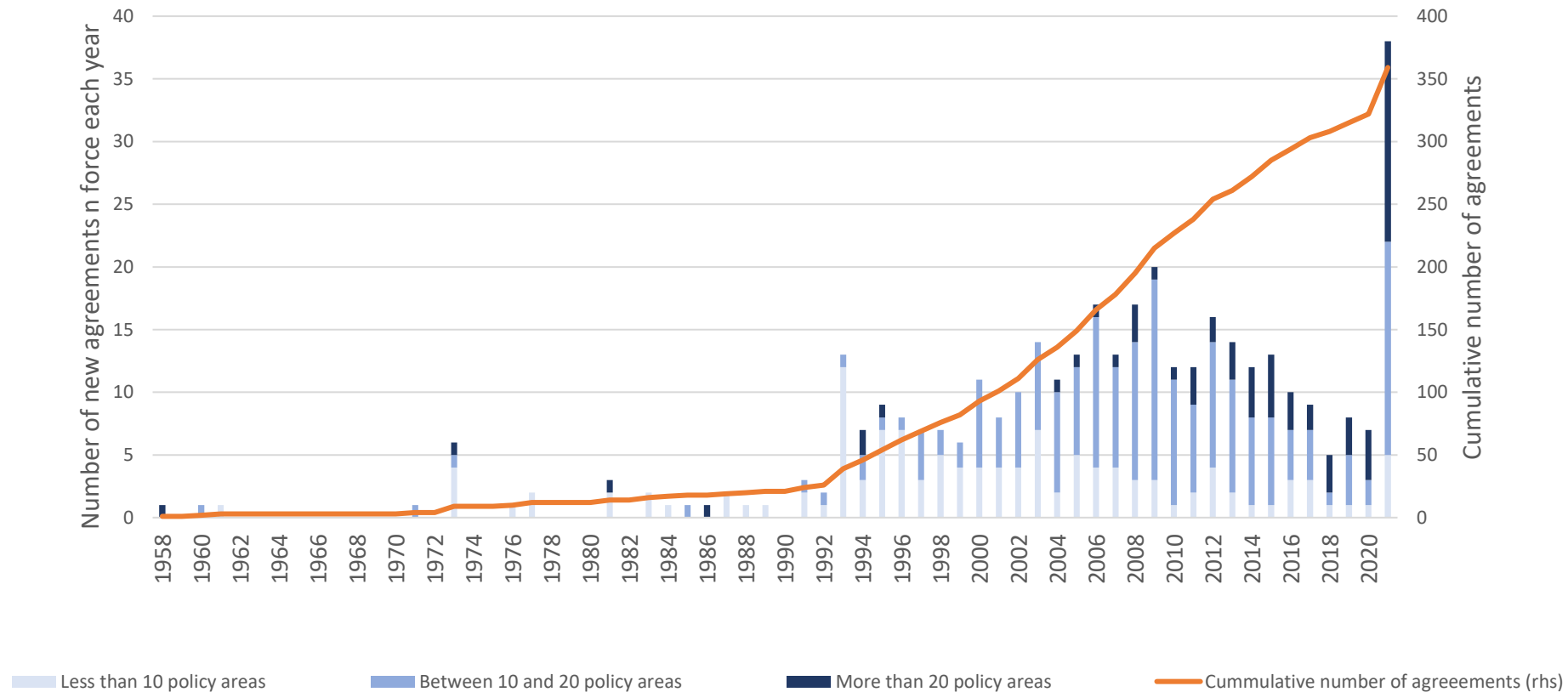


Notes: New WB-ANU Climate Policies Database containing 1800 distinct policies surveyed in G20 countries, with >1500 in force as of March 2023 (>50 variables on policy timing, evolution, administration, scope, objectives and drivers, approach, and impact). Selected dates on x-axis mark COP meetings and other notable events (Kyoto, Bonn COP, Cancun COP, Paris, Trade War, Post Covid)

Source: Aisbett, Beck, Fernandes, Fisher, Sam Martim and Taglioni "The Implications of Climate Policy for Trade: Evidence from the Trade-related Climate Policy Database" work in progress

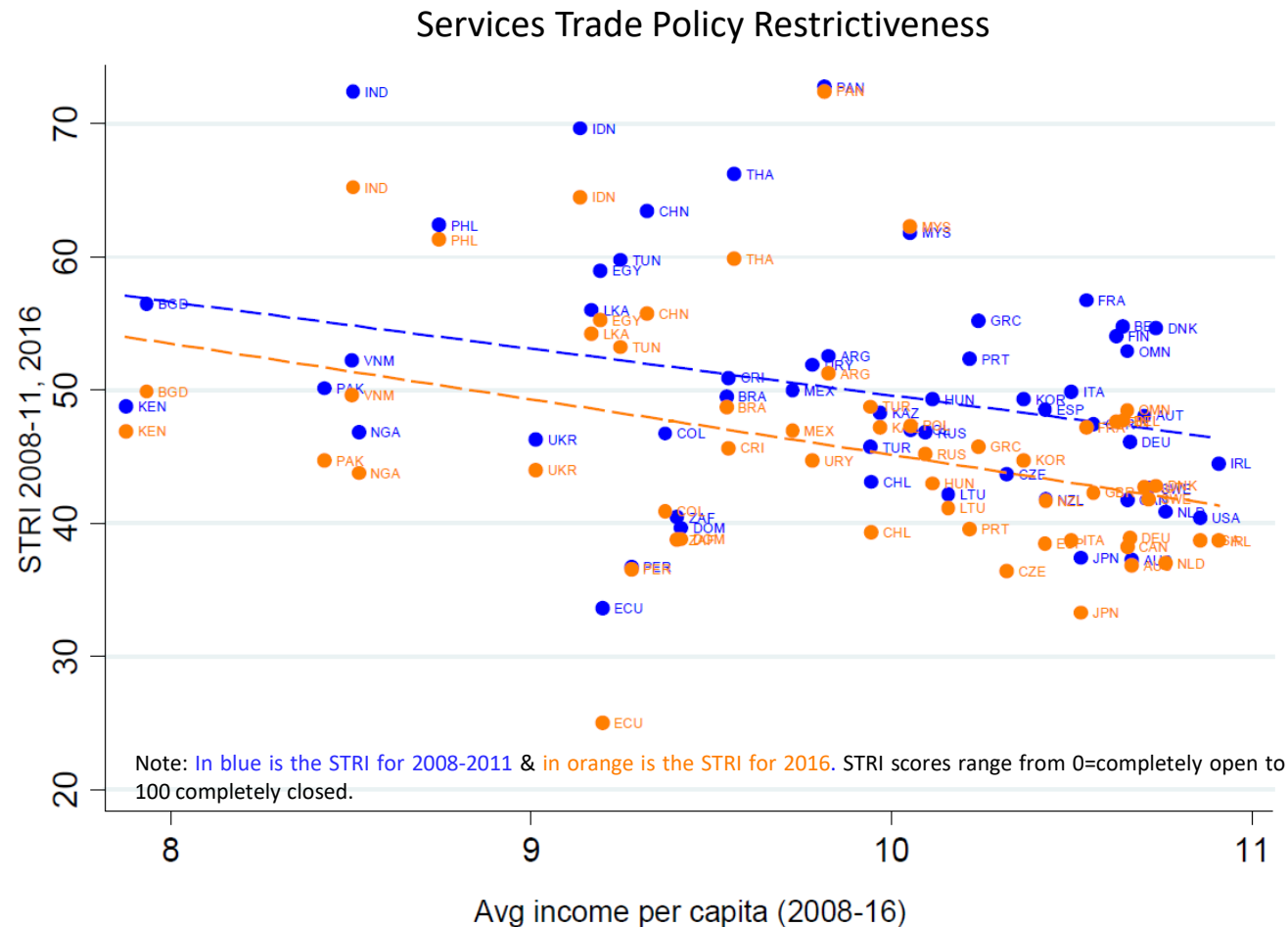
# But countries continue to sign more and deeper trade agreements...

Trade agreements globally, 1958-2021

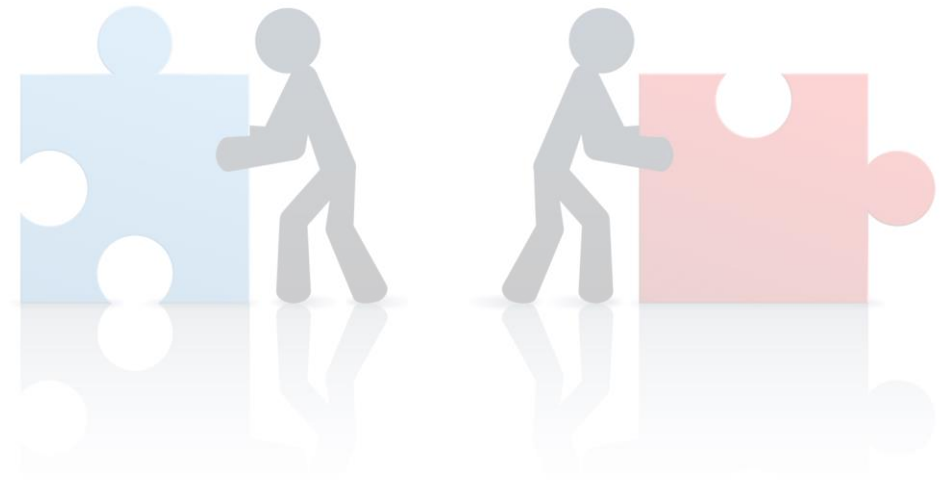


Source: Fernandes, Rocha, and Ruta (2021), The Economics of Deep Trade Agreements, World Bank-CEPR.

# ...and services trade regulations became less restrictive since the global crisis



## 2. Different stages of separation





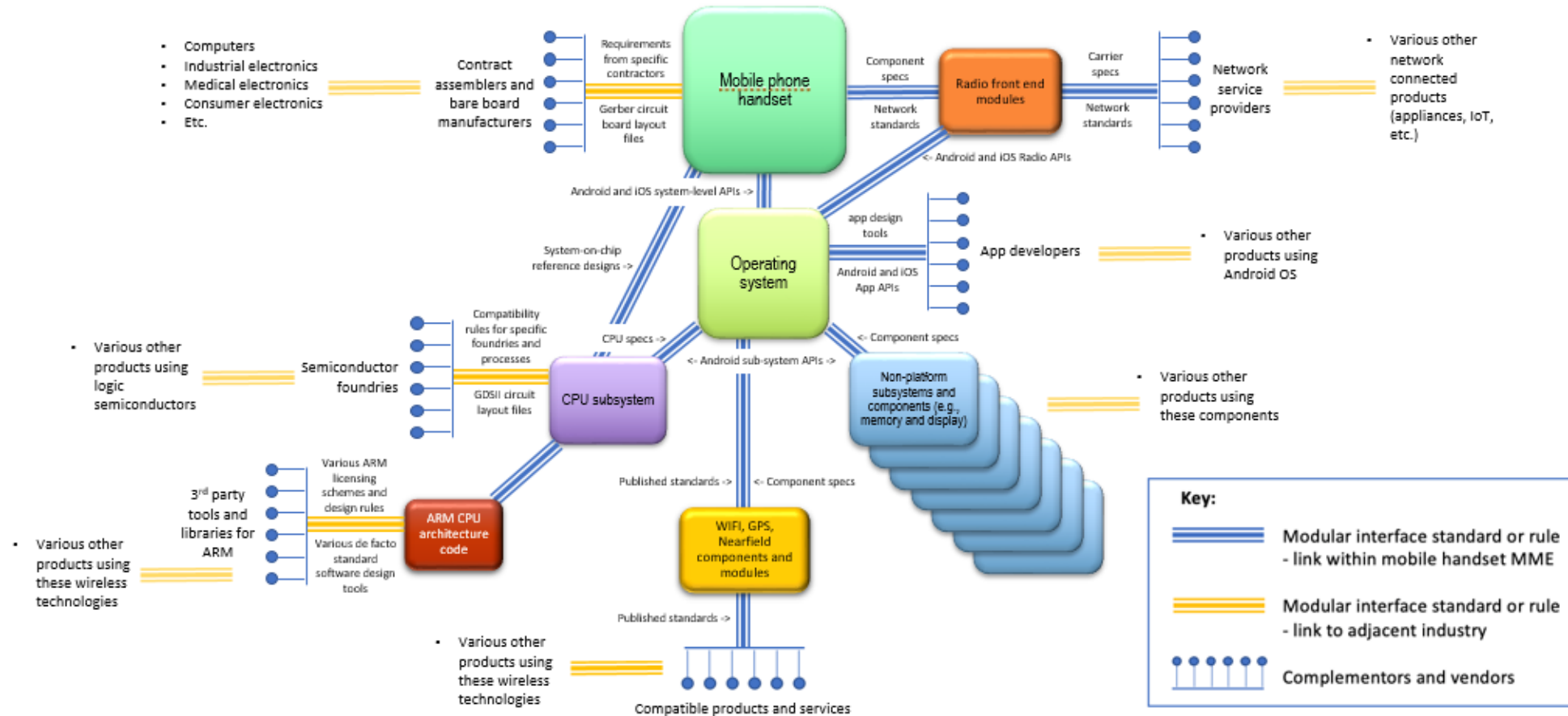
# Different stages of separation

- 1. Brexit:** from marriage breakdown to friendly relationship
  - Depth of links pre/post breakdown matters, both within the separating couple and with others,
- 2. US-China War:** from non-discriminatory to discriminatory relationship.
  - Effects on offender, target, and bystanders can be unexpected
  - Country demand and supply specificities matter
- 3. Sanctions:** attempt of collective punishment.
  - Effectiveness, collateral damage, roundabout trade

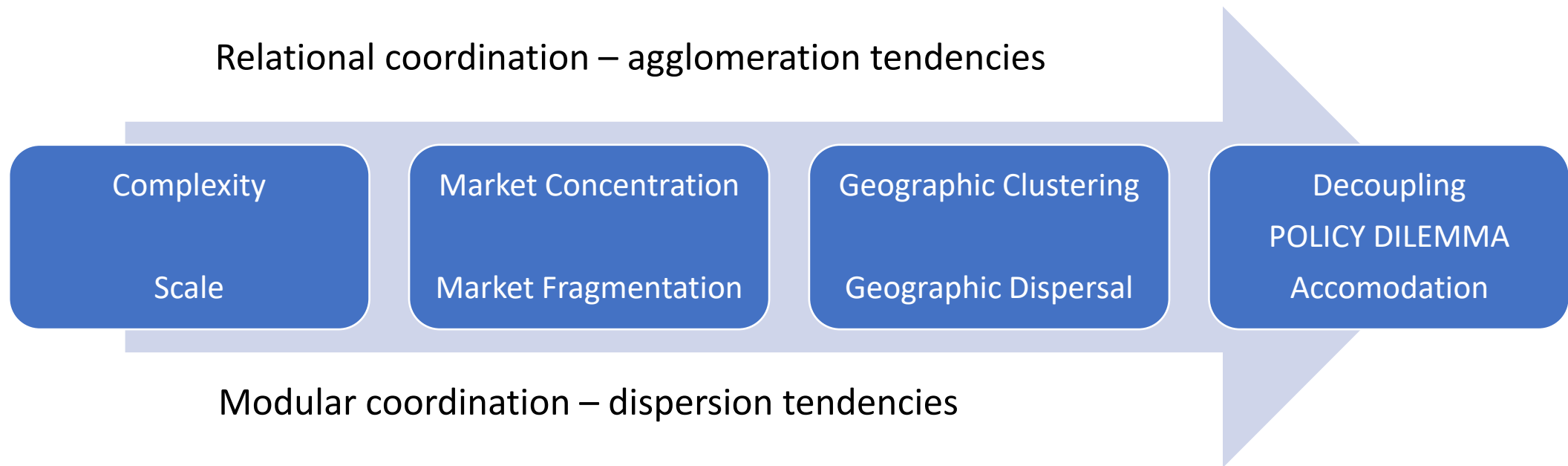
### 3. Low Feasibility and High Costs of Deglobalization



# Industries are increasingly organized in massively modular, decentralized systems



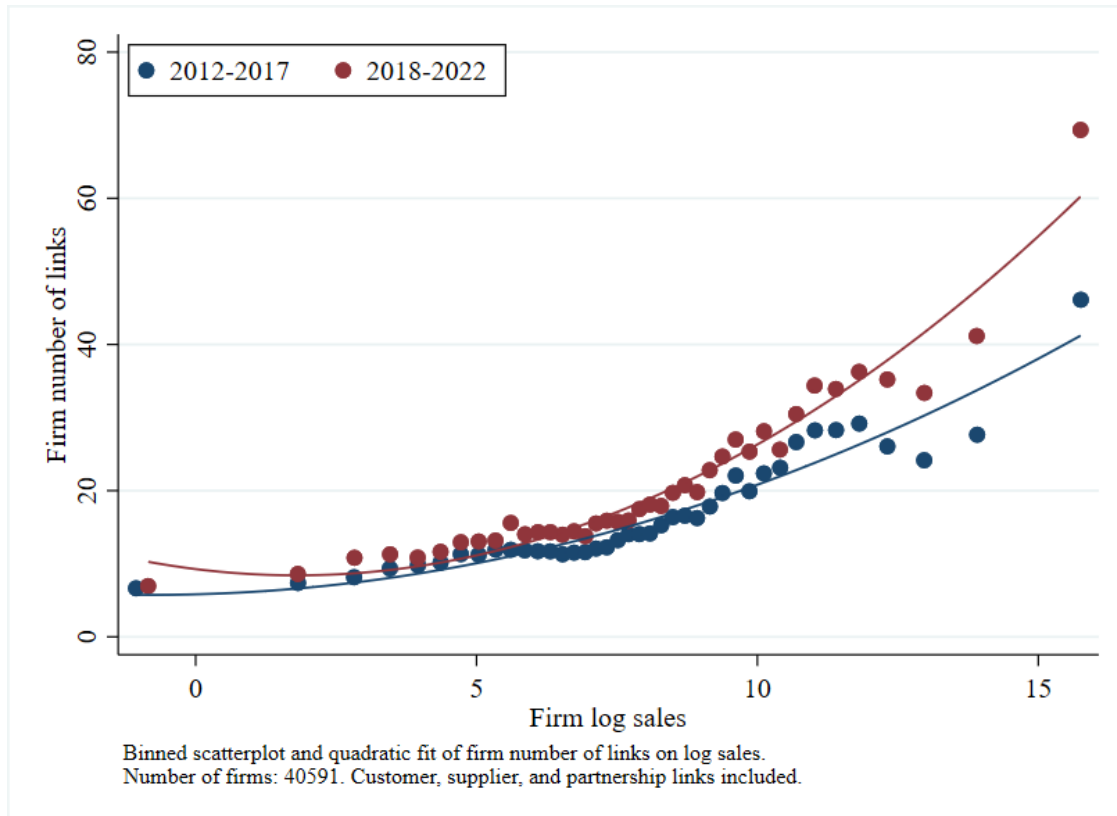
# Massively modular industrial organization may explain contradictory policies



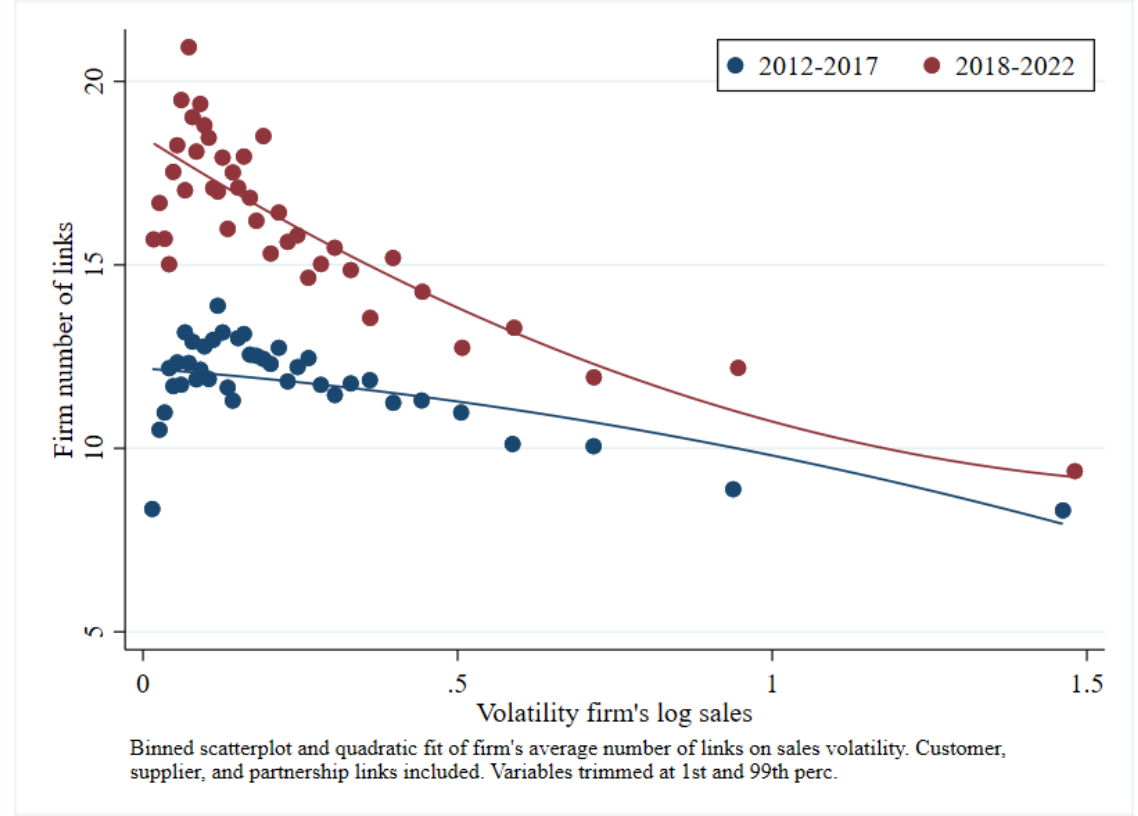
Source: Thun, Taglioni, Sturgeon and Dallas, 2022 "[Massive Modularity: Understanding Industry Organization in the Digital Age – The Case of Mobile Phone Handsets](#)". World Bank Policy Research paper 10164 and [VOXEU column](#).

# More interconnected firms have posted better economic performance even in turbulent times

## Firm log sales



## Volatility of firm's log sales



A word cloud centered around the phrase "Thank You" in various languages. The most prominent word is "THANK YOU" in large, bold, reddish-brown capital letters. Other visible words include "gracias" (Spanish), "merci" (French), "danke" (German), "dank u" (Dutch), "dziękuję" (Polish), and "謝謝" (Chinese). The words are scattered in various sizes and colors (including blue, yellow, and orange) against a light background.

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