

“Is the Economic Balance Shifting from
the West to the East?”

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MAIN QUESTIONS

- Is globalization a driver of change in trade and investment?
- Is Asia benefiting from globalization or driving the process?
- Are the BRICS the drivers of change?
- What role for Global Value Chains?
- What are the challenges of connecting to markets?
- Why don't we all connect better?
- Are developing countries integrating into the world markets?
- Is the economic balance shifting from the West to the East?

GLOBALIZATION DRIVING TRADE AND INVESTMENT

- MAIN FEATURES OF GLOBALIZATION
 - A shrinking world, reduction of transaction costs
 - The dynamics of trade liberalization
 - Rapidly and continuously shifting comparative advantage
 - Or competitive advantage?
 - Global and regional production networks
- CHANGING PATTERNS IN TRADE and INVESTMENT:
 - Trends
 - What does the evidence tell us?

Table 1

Developing economies' share in world trade by selected regions and countries, 1980-2013 (%)						
	Merchandise exports					
	Developing Economies	Developing Asia	Africa	Brazil	China	India
1980	30	8	6	1	1	0
1990	24	12	3	1	2	1
2000	31	18	2	1	4	1
2010	41	25	3	1	11	2
2012	44	25	4	1	11	2
2013				1.3	11.7	1.7
Source: WTO Secretariat statistics database						

Table 2

Developing economies' share in world trade by selected regions and countries, 1980-2013 (%)						
	Merchandise imports					
	Developing Economies	Developing Asia	Africa	Brazil	China	India
1980	25	8	5	1	1	1
1990	22	12	3	1	2	1
2000	28	16	2	1	3	1
2010	38	24	3	1	9	2
2012	41	25	3	1	10	3
2013				1.3	10.3	2.5
Source: WTO Secretariat statistics database						

Table 3

Developing economies' share in world trade by selected regions and countries, 1980-2012 (%)						
	Commercial services exports					
	Developing Economies	Developing Asia	Africa	Brazil	China	India
1980	21	8	3	0		1
1990	19	10	2	0	1	1
2000	24	14	2	1	2	1
2010	29	20	2	1	4	3
2012	31	21	2	1	4	3
2013				0	4.4	3.2
Source: WTO Secretariat statistics database						

Table 4

Developing economies' share in world trade by selected regions and countries, 1980-2012 (%)						
	Commercial services imports					
	Developing Economies	Developing Asia	Africa	Brazil	China	India
1980	31	8	7	1		1
1990	24	10	3	1	0	1
2000	28	16	3	1	2	1
2010	35	21	4	2	5	3
2012	38	22	4	2	7	3
2013				1.9	7.5	2.8

Table 5

Importance of South-South trade in world merchandise trade by product categories, 1995-2012 (%)

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Share in world merchandise trade	10	10	10	9	10	11	11	12	12	13	14	15	16	18	19	20	21	22
Share in world trade in agricultural products						12	12	12	13	13	14	15	16	17	18	20	22	22
Share in world trade in fuels and mining products						20	20	21	21	22	22	24	24	25	27	28	28	30
Share in world trade in manufactures						10	9	10	11	11	13	13	14	15	17	18	19	20

Source: WTO Secretariat statistics database

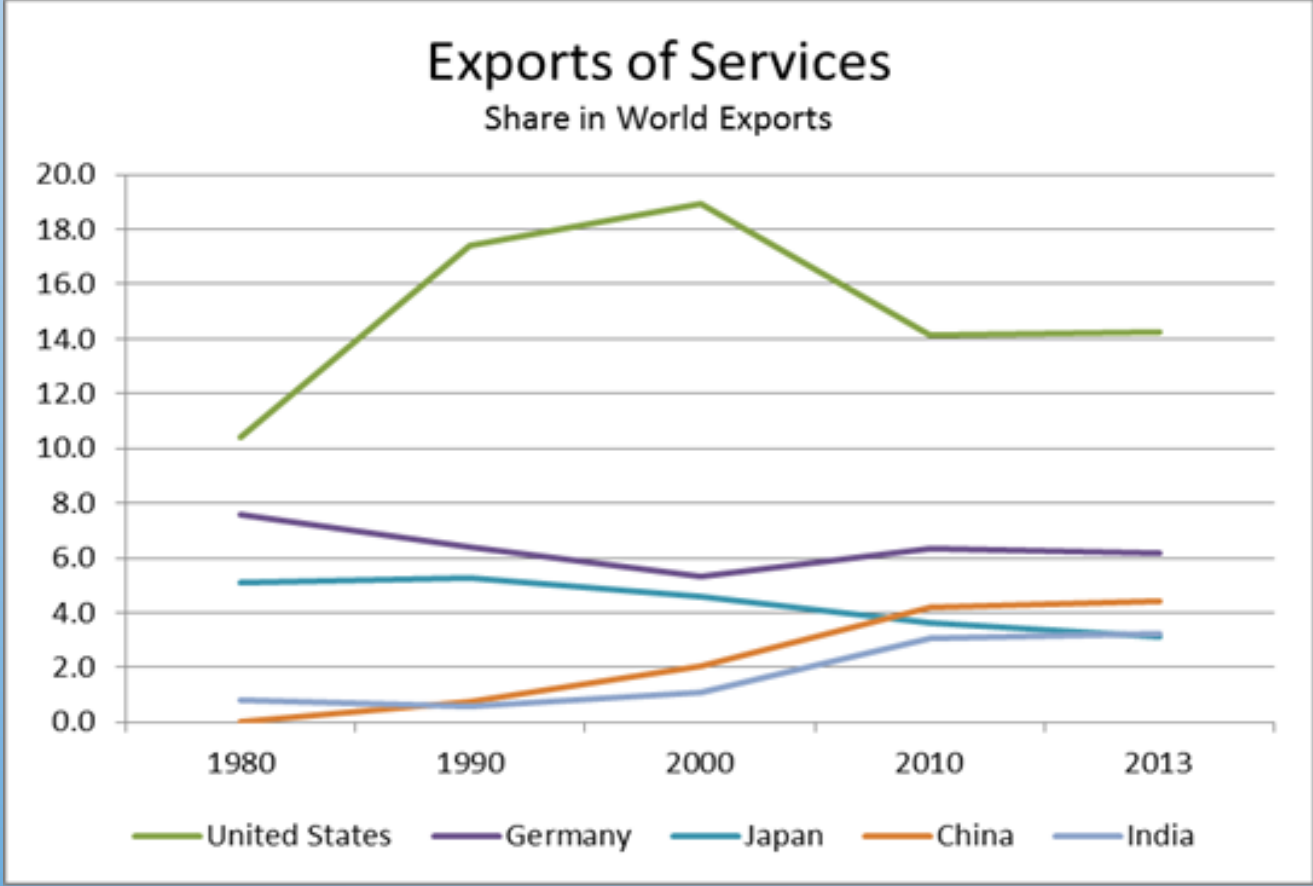
Graphs: 1 total merchandise exports



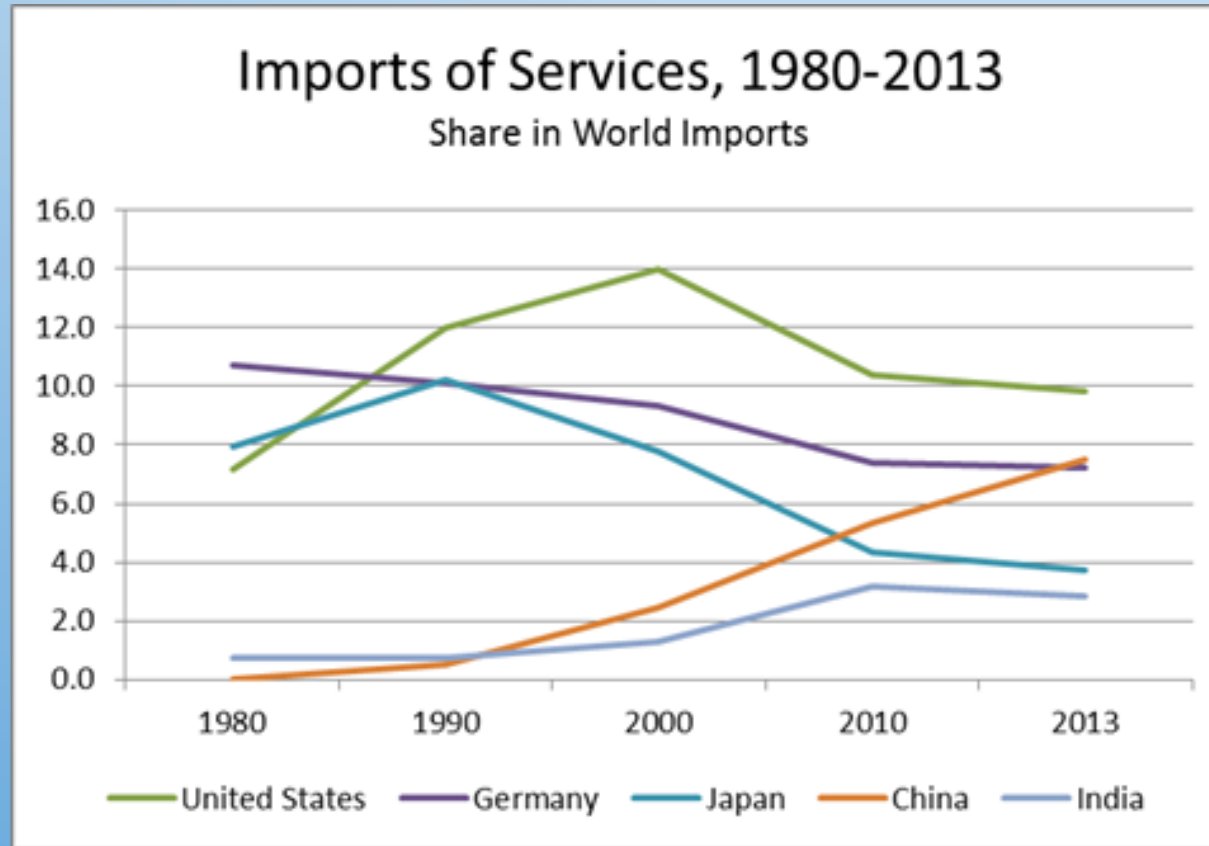
Graphs 2: total merchandise imports



Graph 3: total services exports



Graphs 4: total services imports



TRENDS IN FOREIGN DIRECT INVESTMENT

- FDI key for access to markets
- Patterns of FDI rapidly evolving
- Increase of FDI outflows and inflows by developing countries
- TRIAD accounted for 70% of world wide inflows
- France, Germany, Japan, UK and US held two-thirds of FDI
- China now largest FDI recipient, US 3rd place
- Developing Asia largest investor region
- MNEs developing Asia largest outward investors, one third total
- China's outward FDI grew by 15%.

CONNECTING TO MARKETS: ROLE OF GLOBAL VALUE CHAINS

- WTO Chair's book: 'Connecting to Markets'
- Creation of new production networks
- Key questions and challenges remain (Azevêdo):
- How do GVCs contribute to shaping wealth and growth?
 - Diversification of exports
 - Adding Value and Upgrading in Global Value Chains
 - Ability of SMEs to take part in GVCs: a key challenge
 - Non-tariff Barriers as a key obstacle to trade

SHIFTING ECONOMIC BALANCE FROM THE WEST TO THE EAST: FICTION OR REALITY?

- OECD studies show a re-distribution of economic wealth
- Rise of the Middle-income class in Asia
- Geographic evolution:
 - Middle class increases
 - 1.8 billion consumers in 2010 to 3.2 billion in 2020 and 5 billion in 2030
 - Asia's share in middle class to increase to 85%
 - Middle class stagnant in Europe and US
- Trends: East trades within Asia, decreasing reliance on West
- Asian consumers would represent 40% of global consumption

Chart 1

**Distribution of the wealth in the World
2000**

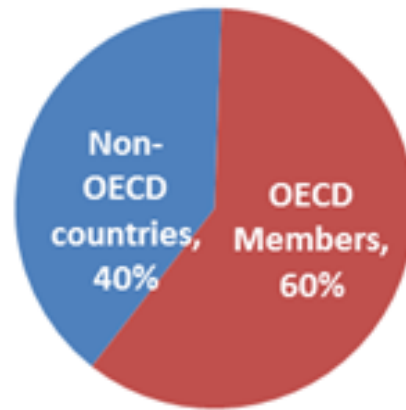


Chart 2

**Distribution of the wealth in the World
2010**

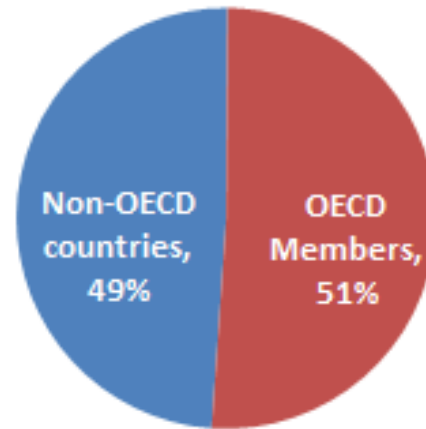
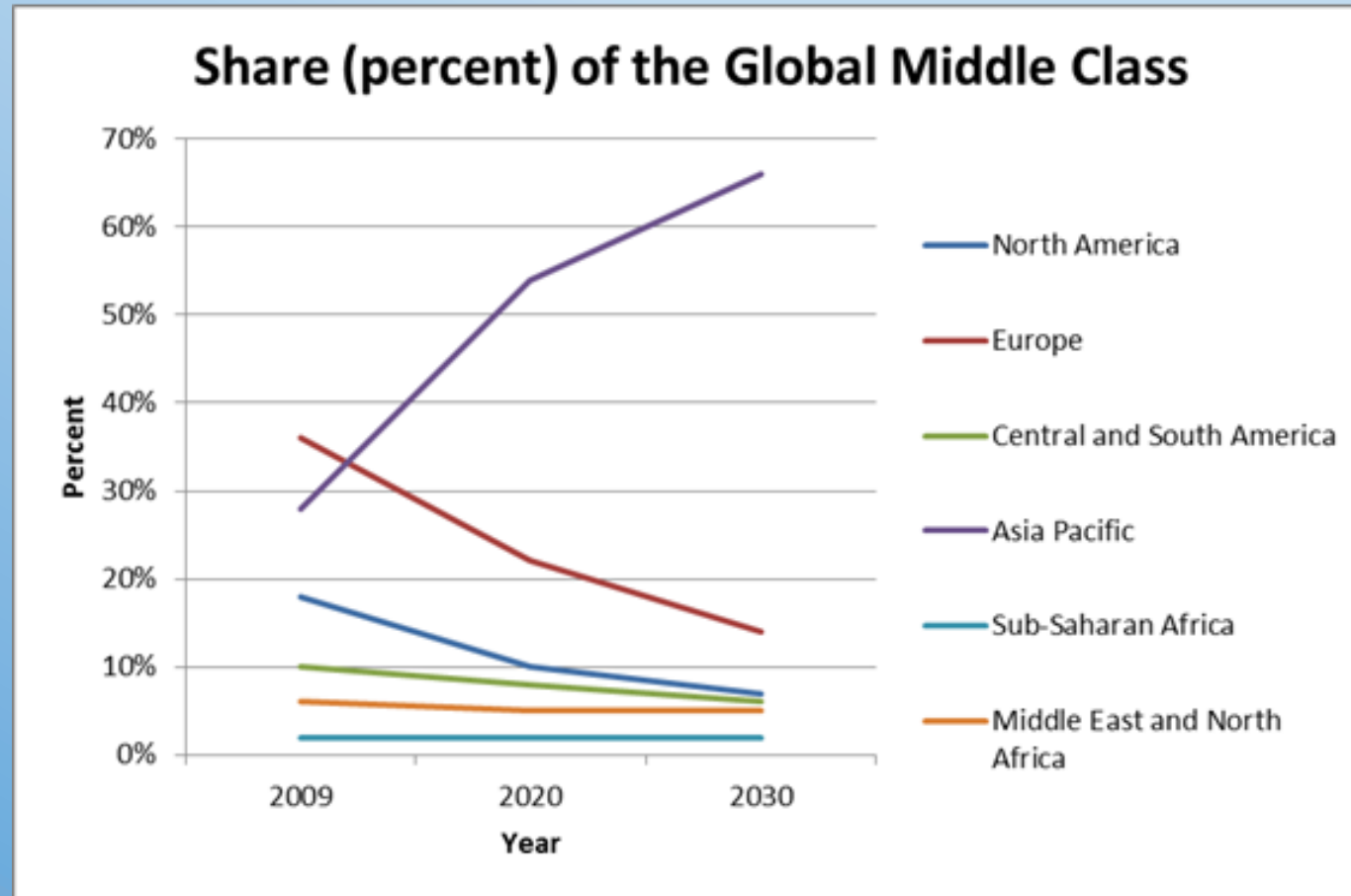


Chart 3

Distribution of the wealth in the World 2030



Graph 5



CONCLUSIONS

- Changing patterns of trade and investment a reality
- Developing countries' share in world trade growing
- Dominant position China and India among the BRICS
- Economic wealth is moving from the West to the East
- Ian Morris: 'Is the rise of the Rest a decline of the West?'
- Significance of GVCs, but how to connect?
- Creation of global and regional production networks, hubs
- Need for further specialization and permanent adjustment
- Trade is win-win: strengthening of the rules-based WTO MTS