Public Support for Globalization is Down, but Trade Remains a Powerful Tool to Advance Inclusive Prosperity

For global leaders, it is time to discuss alternatives and partnerships to advance trade rules and new models.

International trade is the building block of the global economy. It allows governments, businesses, and consumers to obtain the resources, goods, and services they need, whether they are sourced or produced locally or in a foreign country. In the past decades, technological developments coupled with reduced trade barriers facilitated global exchanges leading to rapid growth in the world economy. These flows of goods, services, people, and data are inherently tied to the idea of globalization and access to global markets.

According to the World Bank, trade liberalization increases economic growth by 1.0 to 1.5 percentage points, resulting in 10 to 20 percent higher income after a decade. Since 1990, trade has driven an average 24 percent rise in incomes globally, and a 50 percent rise among the 40 poorest populations globally. However, economic benefits have been unevenly shared across populations, and not everyone enjoys the positive impacts of globalization.

Inequality within countries is on the rise, fueling a growing distrust and political backlash against open markets. This situation is partly due to globalization, since productivity gains and technological advancements can lead to job losses in certain regions and industries, eroding public support for globalization if not adequately addressed.

During the Frame the Future of Trade and Global Partnerships on October 20, global leaders discussed the trends shaping global trade flows and how to accelerate partnerships to advance new inclusive trade frameworks with lower tariffs. The Hon. Deborah L. Wince-Smith, President of the GFCC, and President & CEO of the Council on Competitiveness, defended that the global community comes together through partnerships and collaborations to address anti-trade practices and anti-competitive regulations.

"Since its inception, the GFCC has published annual Global Competitiveness Principles that endorse open, transparent, and fair trade as necessary to drive sustainable growth and national security. However, in many parts of the world, there remain critical barriers for trade and market access," stated Ms. Wince-Smith.

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The Hon. Deborah L. Wince-Smith
President, GFCC
President & CEO, Council on Competitiveness
The conversation gathered insights from Mr. Simos Anastasopoulos, President of The Council on Competitiveness of Greece, and Chairman & CEO, PETSIAVAS S.A.; Dr. Taeho Bark, President of Lee & Ko Global Commerce Institute, and former Trade Minister of South Korea; Mr. Stefan Kraxner, Head of Competitiveness Performance Division, Competitiveness Office of Abu Dhabi, Department of Economic Development; Ms. Ana Maria Monteverde, Co-Founder and CEO of Mujeres WOW; and Dr. Barbara Stephenson, Vice Provost for Global Affairs and Chief Global Officer at the University of North Carolina at Chapel Hill, and former U.S. ambassador. Dr. Roberto Alvarez, GFCC Executive Director, and Ms. Wince-Smith co-hosted the discussions.

Supply Chain Disruptions

The COVID-19 pandemic brought the resilience of global supply chains to the forefront and highlighted the dependency of developed nations on manufacturing capabilities hosted by developing countries. Most importantly, the pandemic revealed how deeply the global economy relies on China’s manufacturing capacity, aggravating geopolitical tensions between the Asian nation and the United States.

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Mr. Simos Anastasopoulos
President, The Council on Competitiveness of Greece
Chairman & CEO, PETSIAVAS S.A.

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The nexus between resilience, national security, and global trade came out sharply during the COVID-19 pandemic. It showed the fragility of global supply chains that fractured our ability as a nation to access critical supplies necessary to protect our citizens,” explained Ms. Wince-Smith.

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Economies are now confronted with other supply challenges after scrambling to get protective equipment and COVID-19 tests in 2020. Currently, semiconductor materials have been in short supply, with the shortage of computer chips causing halts in production in manufacturing sites across the globe. This situation, coupled with security concerns, has led the United States and the European Union to review investments in critical technology and manufacturing areas and strengthen supply chain resilience.

Moving manufacturing sites to countries with lower production costs was a strategy that marked global value chains, but is now starting to change. "Western
economies depend on third-world countries for their supplies because previously they had abandoned the production of these products because they were not economically competitive or brought environmental challenges," remembered Mr. Anastasopoulos.

At the same time, global supply chains are becoming more knowledge-intensive, with intangible assets — in the forms of software, technologies, and data — growing as a source of revenue. As pointed out by Ms. Stephenson, "trade is shifting from goods and services to electronic data." This trend favors countries with a highly-skilled workforce, strong R&D capabilities, and intellectual property protection.

As pointed out by Dr. Alvarez, with trade policy becoming more intertwined with internet regulations, innovation, and data, policymakers face new challenges. There is a growing blurring in the policy arena, which is becoming more complex and requires new capabilities from governments.

Beyond trade and data, global talent flows have become essential for any economy that wants to play in the global innovation league. In the United Arab Emirates, the government of Abu Dhabi has invested in different strategies to attract and retain talent, aiming to be at the forefront of innovation in new value chains. Measures include issuing special visas, building partnerships with research universities, and creating virtual business licenses through online platforms.

"We shift the way we used to work, and we want to go into an innovation-driven economy. For that to happen, we need to attract people," said Mr. Kraxner.

We need to rethink about who gets a seat at the table when these agreements are negotiated. We know that large corporations have a big voice and that other stakeholders do not. It is crucial to design a more inclusive process."

Dr. Barbara Stephenson
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New Models

With these new trends impacting global value chains and persistent distrust of globalization, the call for new trade frameworks is gaining momentum. Meanwhile, the capacity of the World Trade Organization (WTO) to address these challenges has come under scrutiny. Despite its mandate to oversee global trade rules between nations, the WTO has shown limited capacity to advance international agreements, and negotiations among members often end in deadlocks.

"Today, developing countries have no way to participate in global rule setting. The WTO system has produced tremendous outcomes for the world, but it is now in its darkest crisis," said Dr. Bark. He remembereed the development path followed by Korea, his home country, which enjoyed economic growth through trade deals when the market was "more open."

Dr. Barks believes WTO members should support temporary patent waivers for COVID-19 vaccines to benefit the least developed economies, an initiative backed by 100 countries, including the United States and France. But the European Union and other countries remain opposed. He also proposes that countries should experiment with new ways of engaging and scale up bilateral and regional agreements, as the global trade system may take some time to reshuffle.

Ms. Stephenson highlighted the importance of having more participative processes to negotiate trade agreements and bring new voices to the table. "We need to rethink about who gets a seat at the table when these agreements are negotiated. We know that large corporations have a big voice and that other stakeholders do not. It is crucial to design a more inclusive process," she said.

Ms. Ana Maria Monteverde
Co-Founder and CEO, Mujeres WOW

We know that the opportunities are outside, and we need to have access to markets; access to knowledge and capital to reach them."
Entrepreneur Ms. Monteverde, from Ecuador, pointed out that access to the market remains the main obstacle for startups like hers in developing countries. "We know that the opportunities are outside, and we need to have access to markets: access to knowledge and capital to reach them," said Ms. Monteverde.

Future Opportunities

There are opportunities to advance global engagement through alternative partnerships that do not go through trade channels or depend on trade rules. An example of such is the PharmAlliance, a strategic partnership between three leading universities — the University of North Carolina at Chapel Hill, Monash University, and the University College London — to improve global healthcare through innovation in pharmacy education, professional practice, research, and student collaboration.

There is also room for new agreements from a sustainable point of view. The energy transition and the move towards a net-zero economy present new business opportunities that could be jointly developed by innovators, companies, cities, and nations across the globe. Dr. Alvarez noted that "the challenges in the 21st century need 21st-century frameworks." He reinforced the need to accelerate the development of new global frameworks and engagement models to advance innovation-oriented partnerships in win-win settings.

"If we want to build the future economy, we can't just do the same that we did in the past. To go into an innovation-driven economy, we need to attract talents and shift the way we used to work as well."

Mr. Stefan Kraxner
Head of Competitiveness, Performance Division, Competitiveness Office of Abu Dhabi, Department of Economic Development