Spotlight intervention

by

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Spotlight intervention: *Globalisation’s evolving landscape*

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Facts.
Three decisive facts in six charts:

Goods exports & FDI peaked; services exports did not.
Emerging economy share of world service exports is low but growing fast.
Export-led growth changed.
Manufacturing trade & FDI peaked.

Services trade didn’t.
Since 2008:

- **ICT-enabled service exports** boomed.

- **Manufactured exports** much less.

- **FDI** hardly at all.

**NB:** 'Other Commerce Services' = All services less Transport & Travel/Tourism; Source: Stats.WTO.org
ICT-enable service exports: Developing world share low but growing faster.

Source: Authors' calculations based on trade data from WTO Stats.
FDI shifted to services.

Exhibit 2

Services activities have become dominant in global FDI
Sectoral distribution of cross-border greenfield projects, per cent

Manufactures

Services
World manufacturing shifted to developing economies.

China now dominate.
Since 1990:

1. G7 world manufacturing share fell.
2. Six Emerging Economies shares rose.
3. Rest of World, no change.

NB: ‘Other Commerce Services’ = All services less Transport & Travel/Tourism; Source: Stats.WTO.org

Source: UNIDO, I6 is China, India, Korea, Indonesia, Thailand, Brazil.
World shares of gross production

G7 shares declined sharply (gross production)

China’s share rose sharply (gross production)

Source: Author’s elaboration of OECD TiVA database 2023, charts based on PROD for all manufacturing sectors.
Manufacturing export-led growth is dead or dying.

Service export-led growth is thriving.
Export-led growth: Manufacturing vs Services.

Manufacturing export-led.

Service export-led.

NB: Export-led, defined as value-added exports growing faster than GDP.

ICT-Enabled = Information and communication, Financial and insurance activities & Other business sector services
Why?
Why manufacturing trade peak.
Cost competitiveness depends on nontrade inputs

> Especially labour
Automation reduces manufacturing labour cost shares.
Is manufacturing trade still worth it?

<table>
<thead>
<tr>
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<th>Trade costs</th>
<th>Cost difference</th>
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<tbody>
<tr>
<td>Today's Globalised production</td>
<td>$10</td>
<td>$15</td>
</tr>
<tr>
<td>Future's Localised production</td>
<td>$10</td>
<td>$8</td>
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</tbody>
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Trade costs vs. Cost difference for today's globalised production and future's localised production.
Recap

Digitech automates labour out of manufacturing.

Int’l cost differences shrink.

Manufacturing localizes. (more output sold locally).
Why service exports will dominate world trade.
Four facts & a conclusion.

1. Barriers to services exports are MUCH higher.
2. Barriers to intermediate service exports are technology-linked, not policy linked.
3. Digital tech is lowering service export barriers exponentially.
4. Demand is huge in rich nations; Capacity is huge in emerging markets.

ERGO: Intermediate services trade will grow much faster than goods trade for foreseeable future.
Talent Tidal Wave.

Simultaneous speech translation will transform the global economy.
So What?
The future is unknowable, but also inevitable
Conjecture:
The Emerging Economy miracle will continue & spread based on the exports of intermediate services.
Conjecture: Time zones will matter more.
Conjecture:
It’ll be a different structural transformation.
The path of manufactured export-led growth is closed.
Development will be led by service exports, not manufactured exports.

Think India, not China.
New Development Strategies Needed.

– Think cities, services, & training, not factories, industrial equipment & technology.

– Think “Service Value Chains”, not industrial GVCs.

– Think “Bangalores galore”.

Conclusions?

Trade has changed.

Think services, not manufacturing.

Thank you for listening.