60th Anniversary of UN Trade and Development (UNCTAD)

Global Leaders Forum

Spotlight intervention

by

Professor Richard Baldwin, International Institute for Management Development

13 June 2024

Spotlight intervention: *Globalisation's evolving landscape*

Richard Baldwin
Professor of International Economics
IMD Business School

UNCTAD@60
13 June 2024
Geneva

IMD / Real learning
Real impact

Facts.

Three decisive facts in six charts:

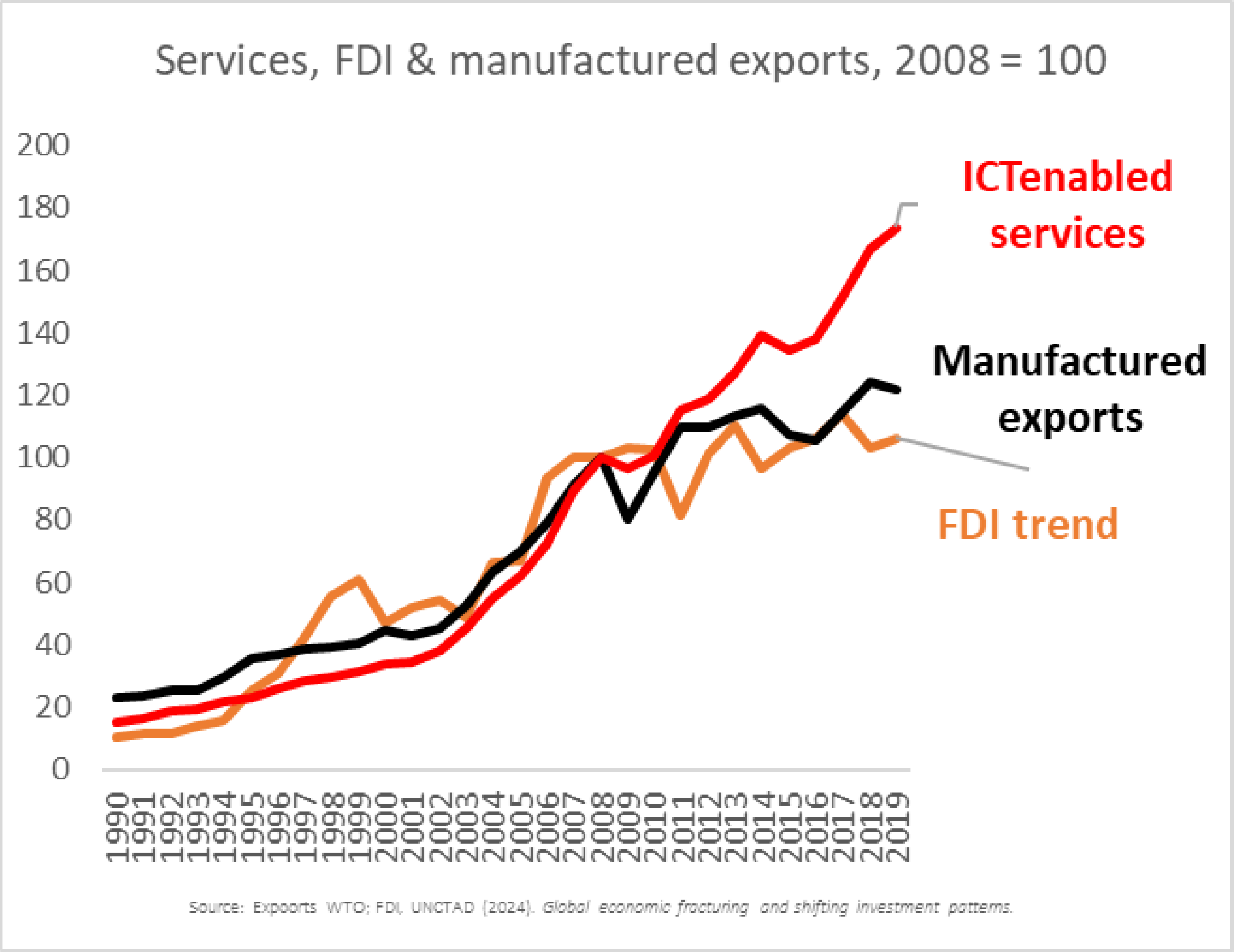
- ☞ Goods exports & FDI peaked; services exports did not.
- ☞ Emerging economy share of world service exports is low but growing fast.
- ☞ Export-led growth changed.

Manufacturing trade &
FDI peaked.

Services trade didn’t.

Since 2008:

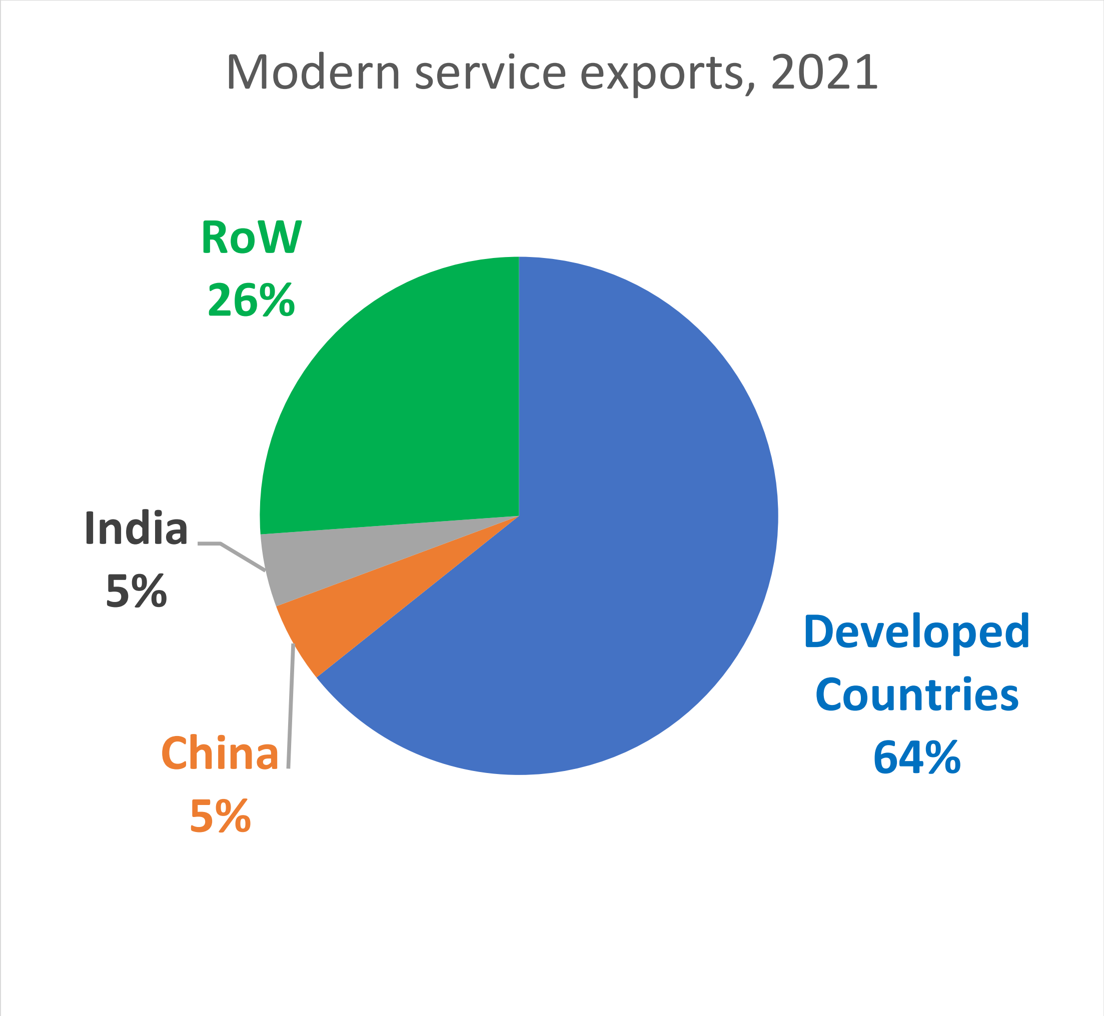
- ICT-enabled service exports boomed.
- Manufactured exports much less.
- FDI hardly at all.

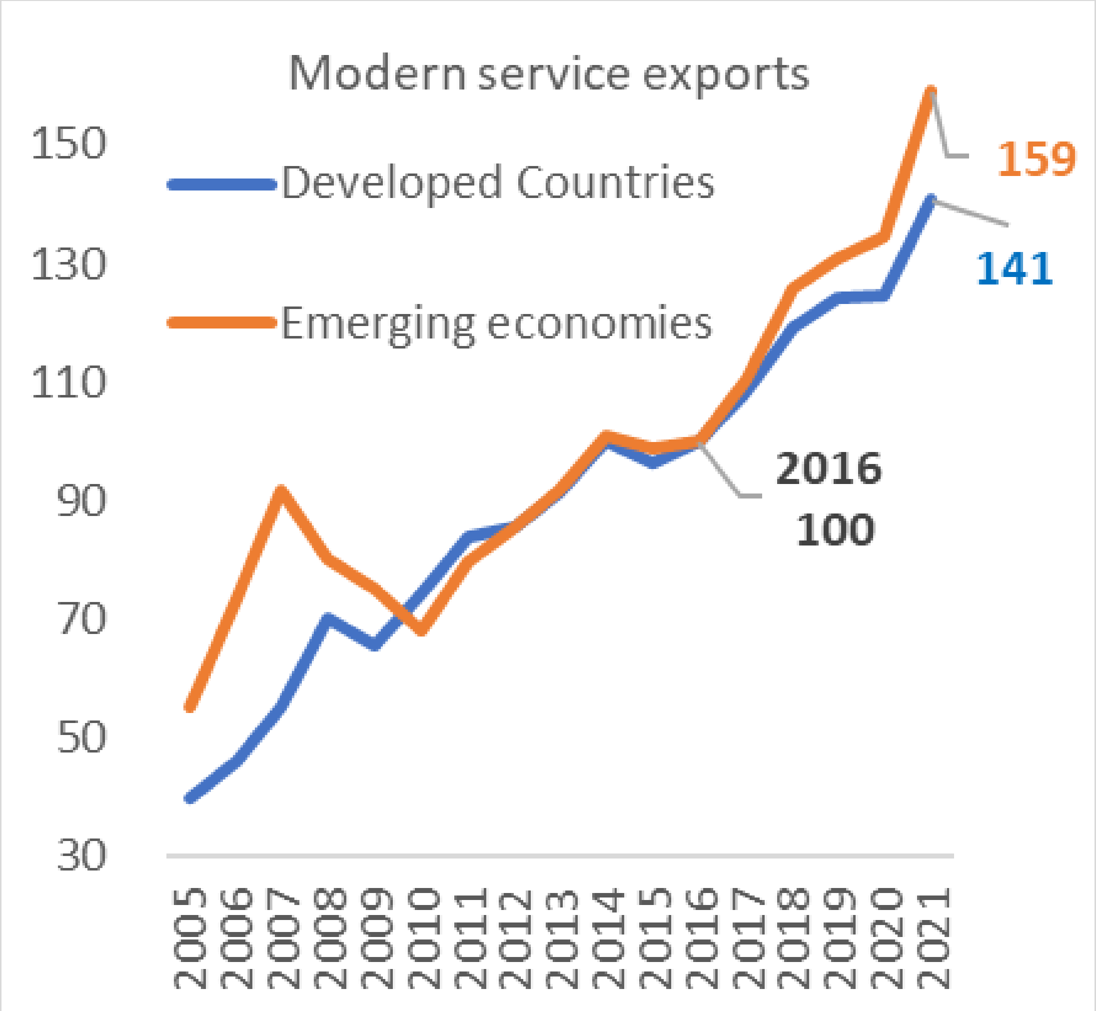


NB: 'Other Commerce Services' = All services less Transport & Travel/Tourism; Source: Stats.WTO.org

IMD

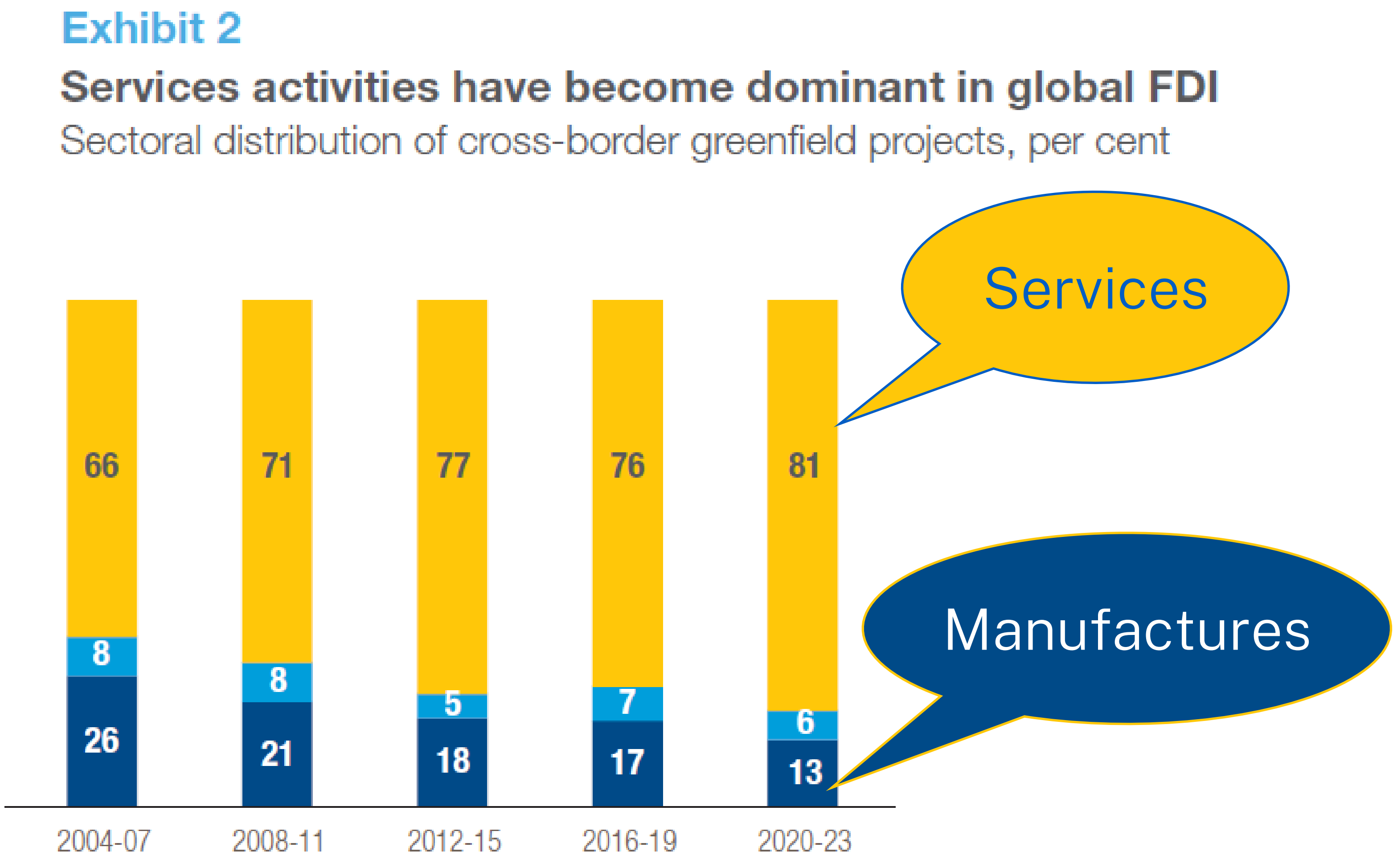
ICT-enable service exports: Developing world share low but growing faster.





Source: Authors' calculations based on trade data from WTO Stats.

FDI shifted to services.



World manufacturing shifted to developing economies.

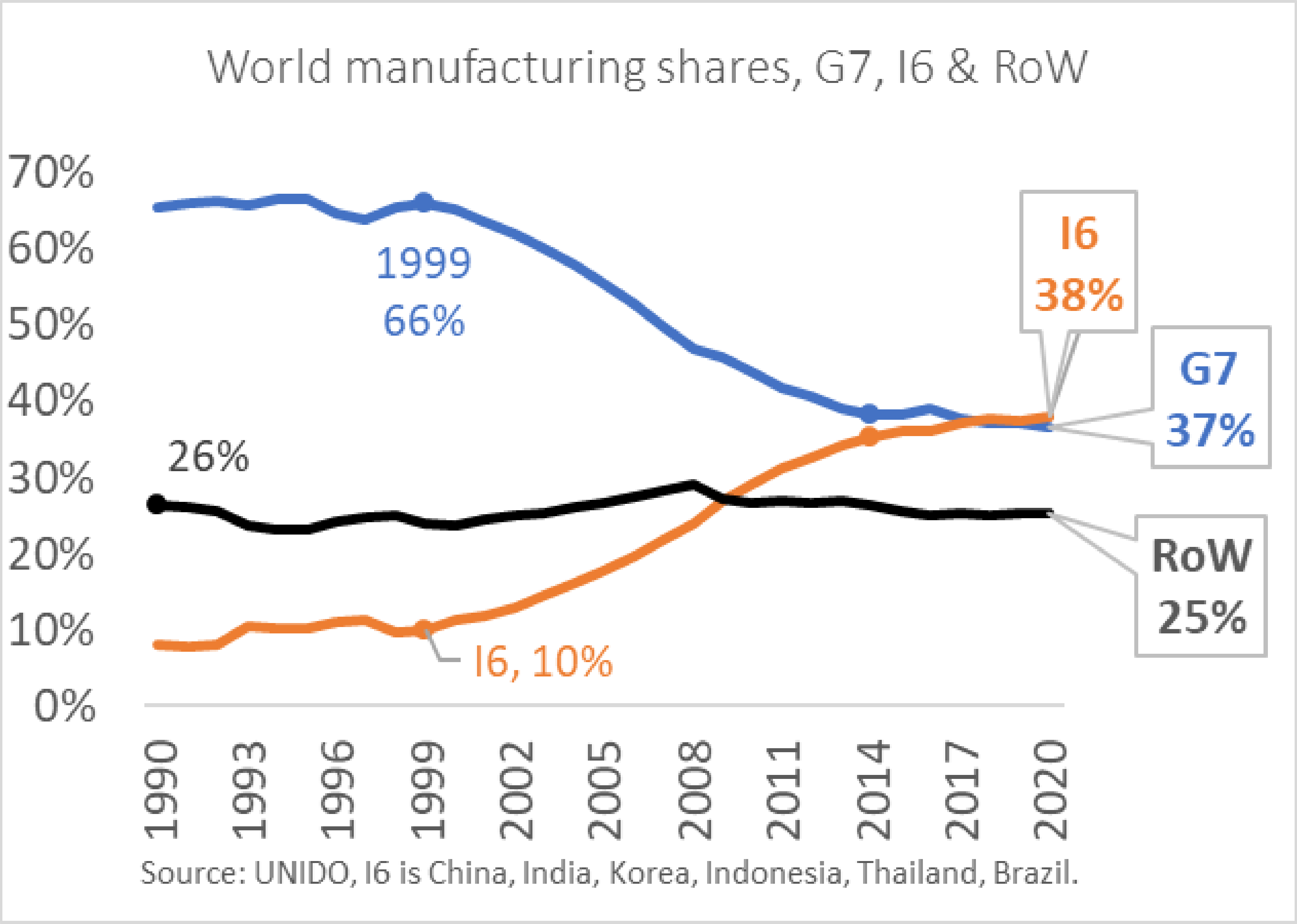
China now dominate.

IMD

Since 1990:

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

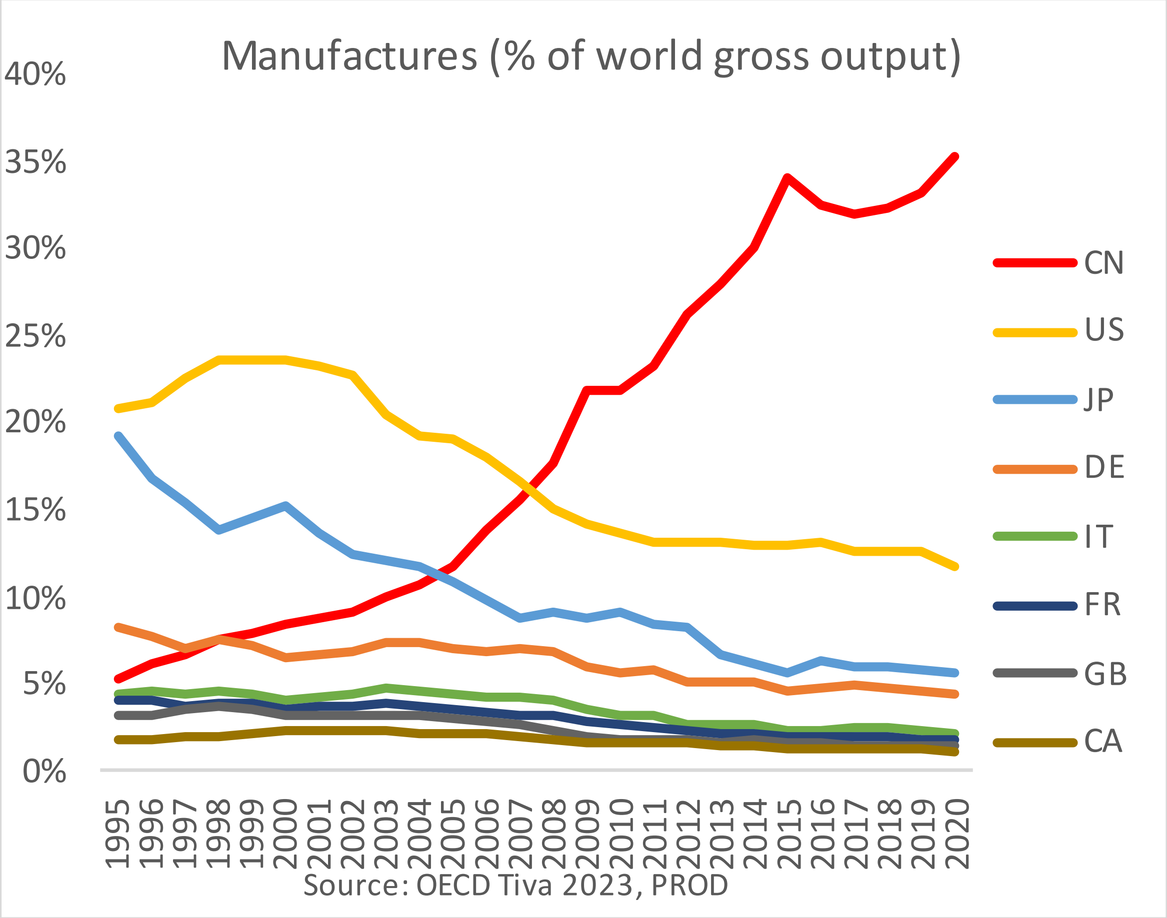
NB: 'Other Commerce Services' = All services less Transport & Travel/Tourism; Source: Stats.WTO.org



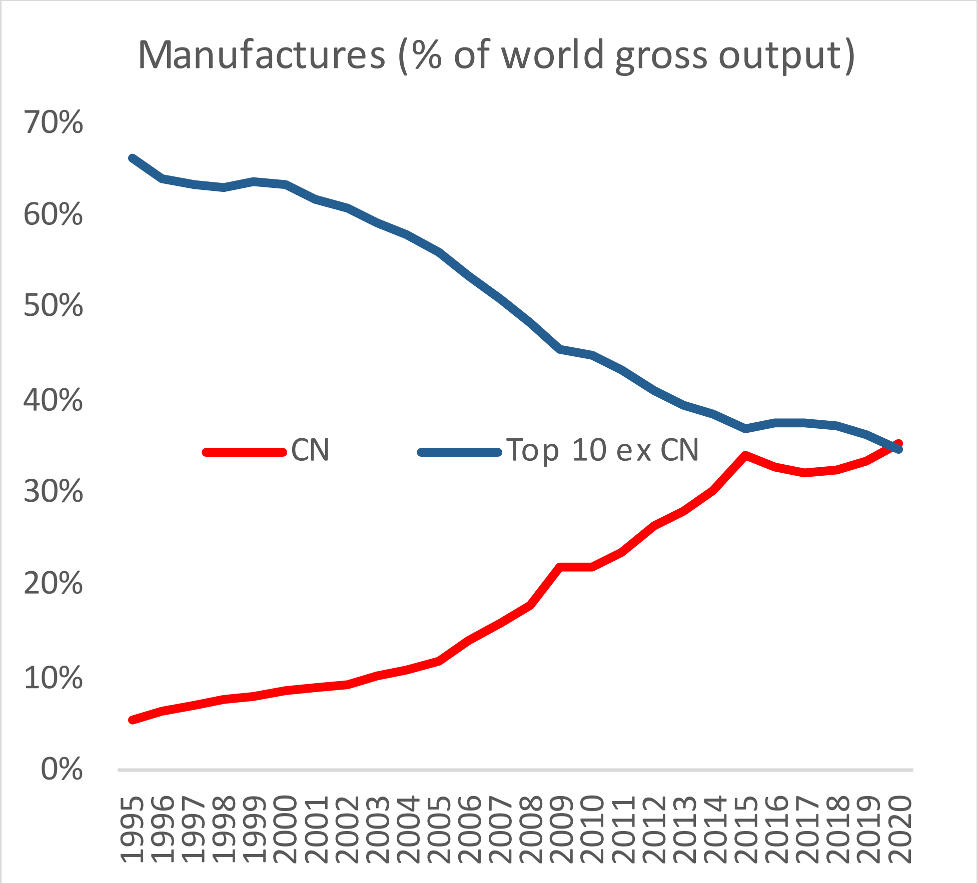
China, India, Korea, Indonesia, Thailand, Brazil

World shares of gross production

G7 shares declined sharply (gross production)



China's share rose sharply (gross production)



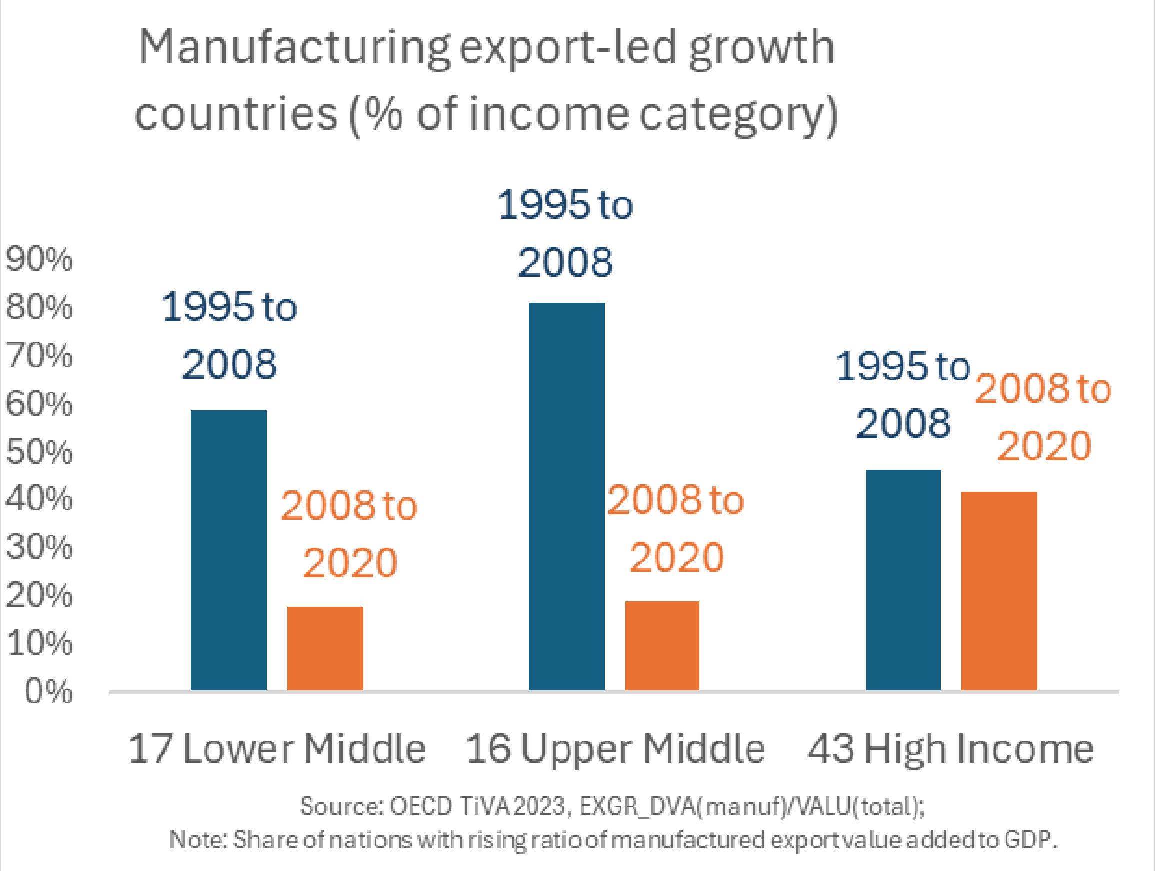
Source: Author's elaboration of OECD TiVA database 2023, charts based on PROD for all manufacturing sectors.

Manufacturing export-led growth is dead or dying.

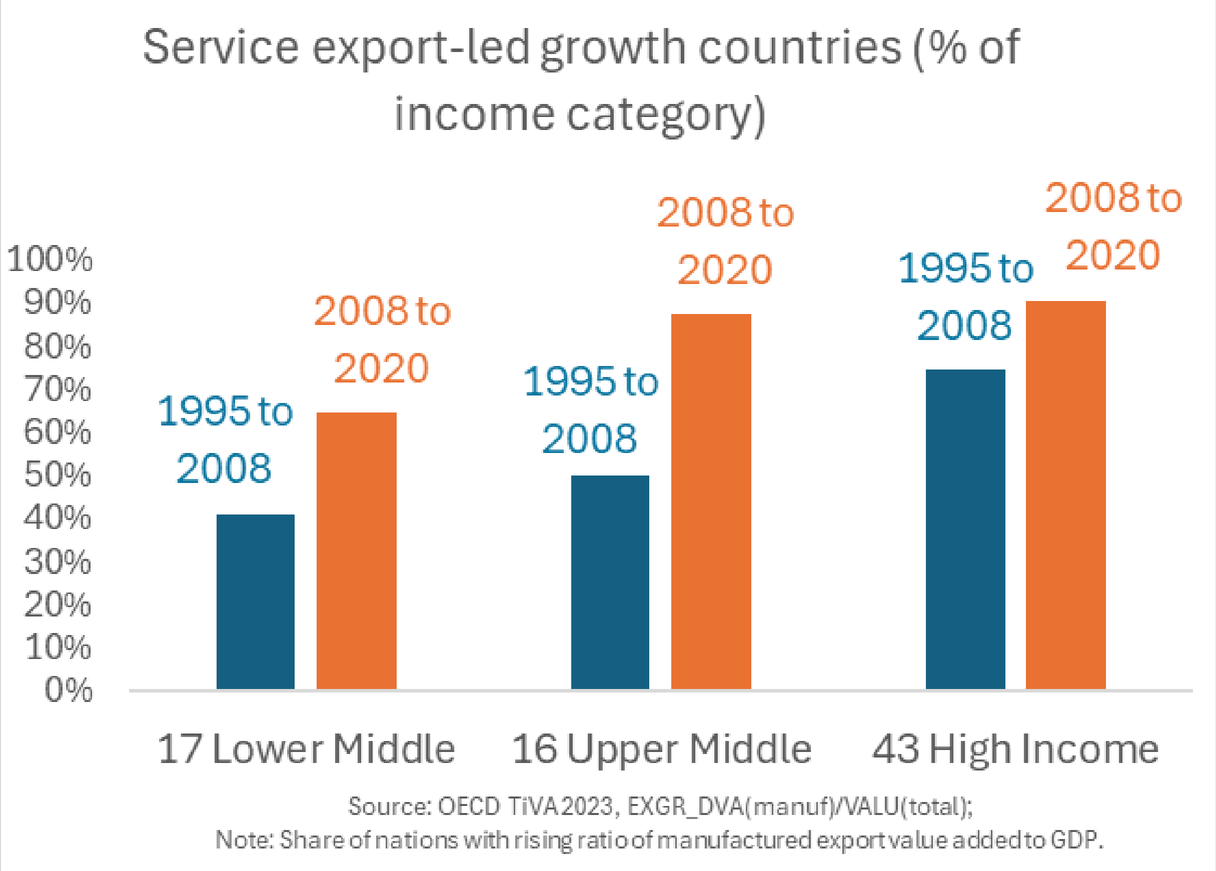
Service export-led growth is thriving.

Export-led growth: Manufacturing vs Services.

Manufacturing export-led.



Service export-led.



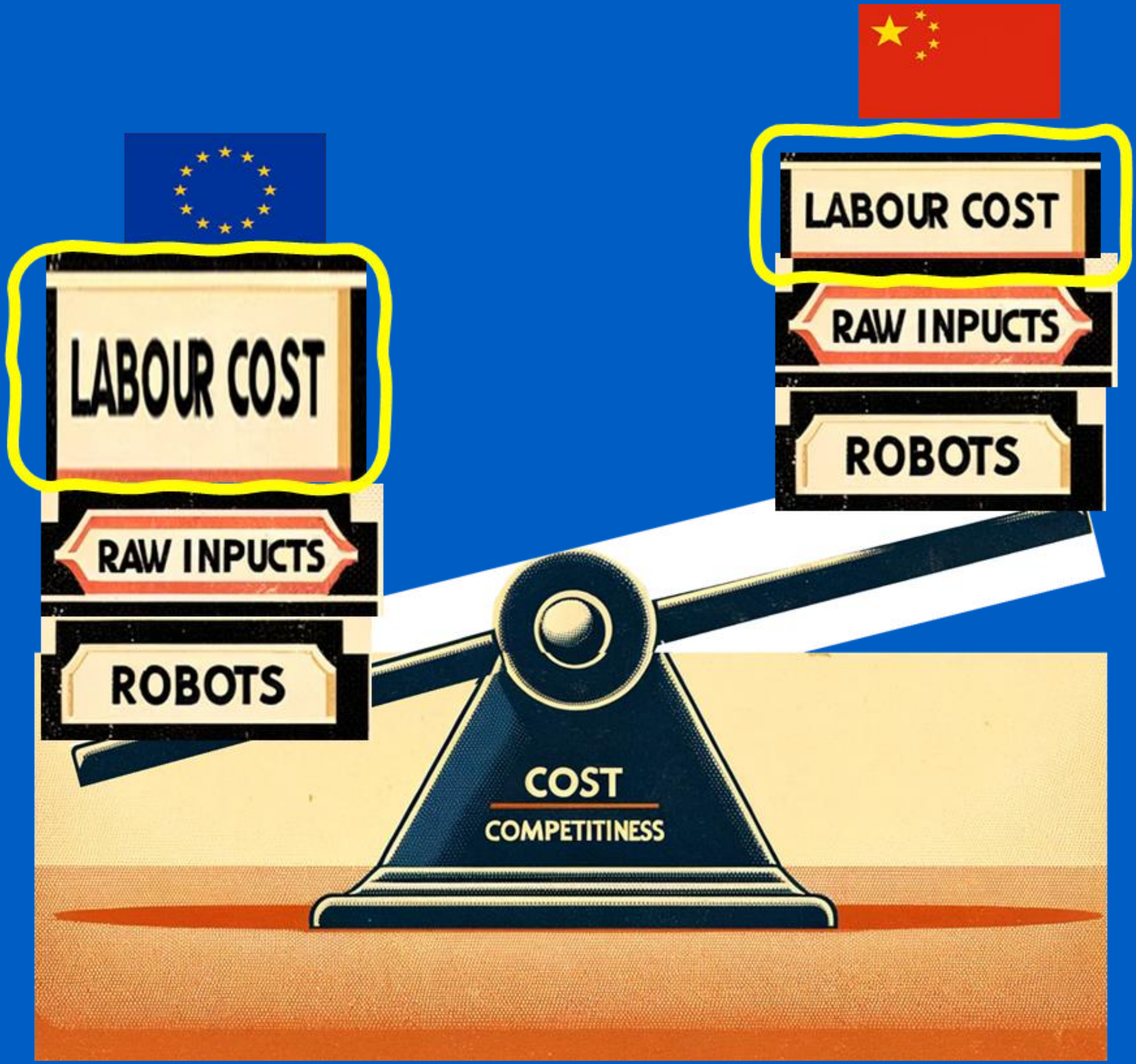
NB: Export-led, defined as value-added exports growing faster than GDP.
ICT-Enabled = Information and communication, Financial and insurance activities & Other business sector services

Why?

Why manufacturing trade peak.

Cost competitiveness depends on nontrade inputs

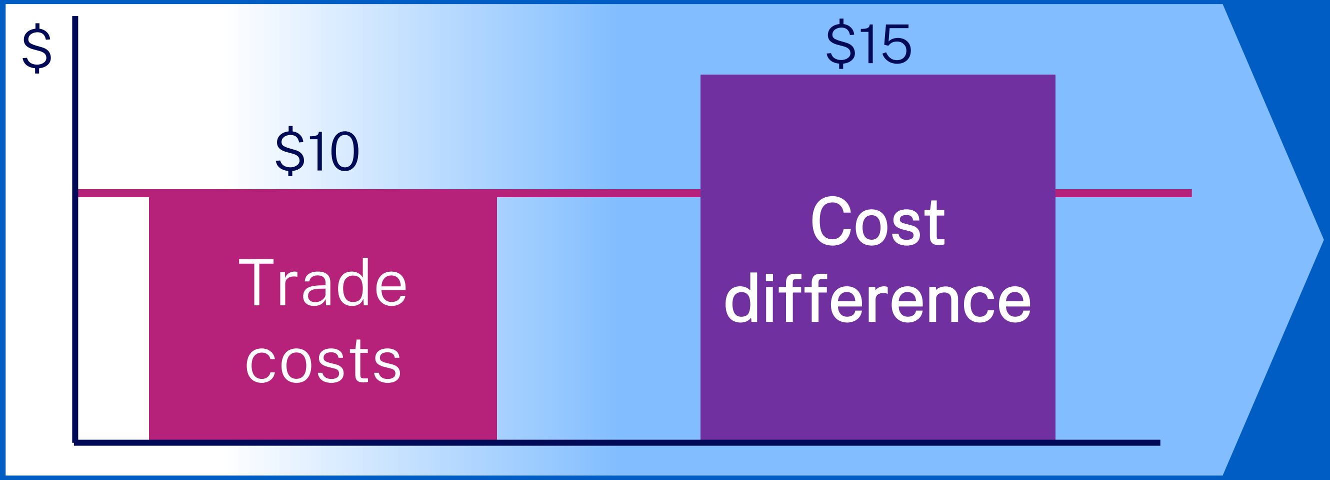
>Especially labour



IMD

Automation reduces manufacturing labour cost shares.

Is manufacturing trade still worth it?



Today’s Globalised production

Future’s Localised production

IMD

Recap

Digitech automates labour out of manufacturing.

Int’l cost differences shrink.

Manufacturing localizes. (more output sold locally).

Why service exports will dominant 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

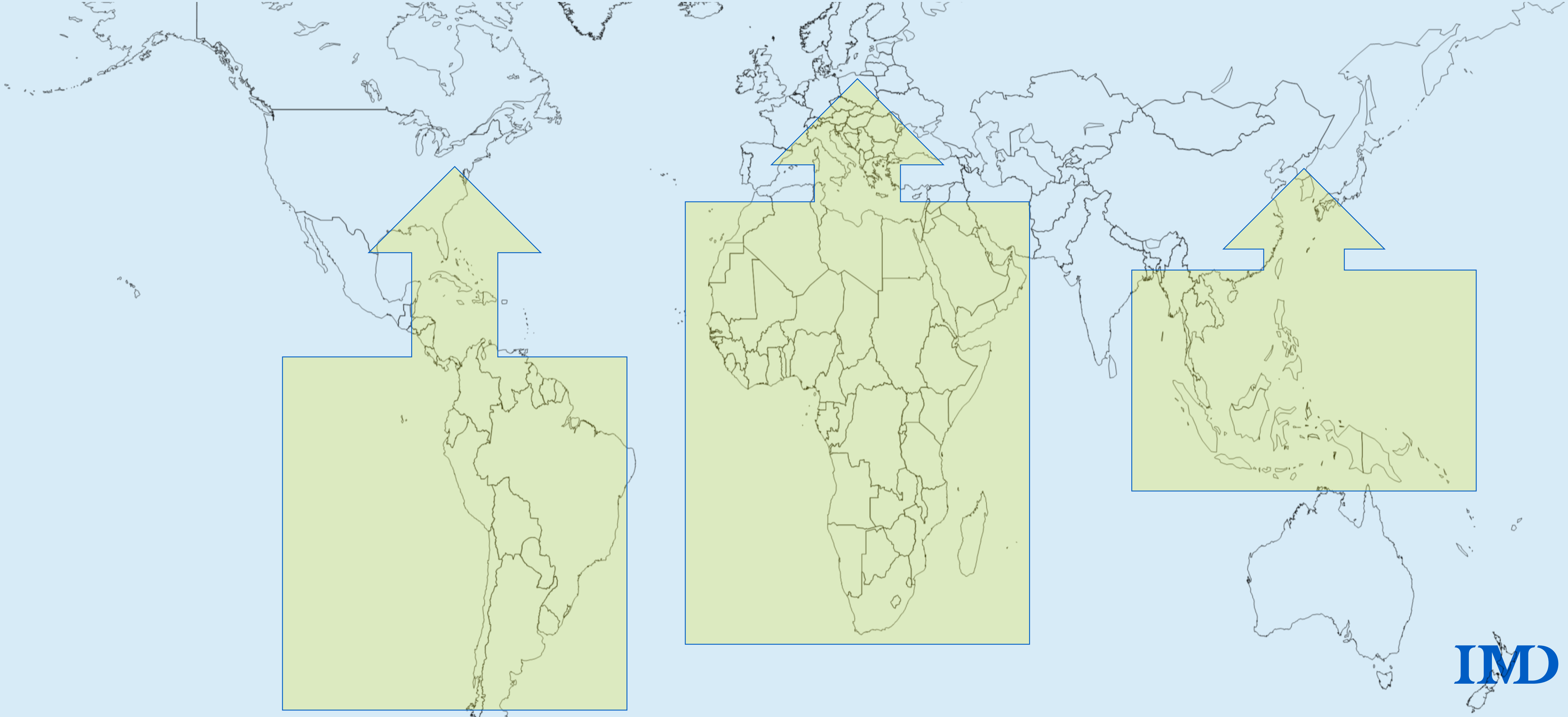
NASA public domain https://www.nasa.gov/green/nepa/catex.html

Conjecture:

The Emerging Economy miracle will continue & spread based on the exports of intermediate services.

IMD

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.