



Conclusion

For almost seven decades now, economies around the world have been opening their markets to each other, recognizing that interdependence and cooperation create shared prosperity. However, severe challenges, such as the financial crisis of 2008-09, the COVID-19 pandemic and the war in Ukraine, now threaten to undermine this vision, highlighting a number of risks inherent in a globalized world. As a result, some have begun to question the benefits of globalization. The implication of this way of thinking is a more fragmented, less integrated world. Fortunately, this has not happened yet. There is still time to act, but, as this report shows, the changing narrative on globalization has already translated into heightened tensions and first signs of geoeconomic fragmentation in trade.

This report finds that a fragmented approach to world trade would reduce global welfare, making it an ineffective solution to the world's most pressing challenges. To recall just some of the findings: first, despite temporary bottlenecks and disruptions to global value chains, trade has proved its worth in bolstering economic security during recent and ongoing crises. Trade helped to distribute medical goods and vaccines to where they were needed during the COVID-19 pandemic. It also played a role in addressing food security issues by helping food importers to find new sources of supply following the outbreak of war in Ukraine.

Second, trade has acted as an important driver of global economic convergence and poverty reduction. While trade may increase within-country inequality in the absence of adequate domestic policies, it also creates important opportunities for informal workers, women and micro, small and medium-sized enterprises. In addition, trade helps to diffuse green technologies globally, shifting resources

to greener producers and counteracting the effects of increased production.

The firm conclusion of this report is that today's world needs more trade and more cooperation, not less. The major issues facing policymakers the world over – from security to inclusiveness to climate change – transcend nation states. Neither pandemics nor conflicts nor emissions stop at borders. Spillovers and externalities of domestic choices and policies are much larger than they used to be. Therefore, solutions cannot be found unilaterally, in isolation of the actions of others. Globalization and cooperation need to be a part of the answer for the world to solve its crises.

However, globalization needs to evolve in response to new challenges, and it needs to be accompanied by appropriate domestic policies. Technological developments provide new opportunities to expand trade to more economies, people and sectors – helping to contribute solutions to global environmental, social and security concerns. To reap these benefits, international cooperation needs to be strengthened – on trade and a wide range of other issues. The WTO has coined the term “re-globalization” in this regard, with a re-invigorated and reformed WTO playing a central role in this effort.

Concretely, the report has asked whether re-globalization or fragmentation would be better in order to address matters of economic and geopolitical security, poverty and inclusiveness, and environmental sustainability. It has reviewed the available evidence and presented empirical estimations of different scenarios. The verdict is clear: fragmentation would hurt security and stability. It would come at a substantial cost, particularly for poorer countries,

including more inequality and poverty. And it would make it harder, if not impossible, to cooperate on other global issues, such as climate change, and to secure the necessary technology diffusion to achieve sustainability goals.

Conversely, as noted above, trade integration has been a source of resilience and peace, a major driver of global economic growth and poverty reduction and as an engine for distributing the tools necessary to foster sustainability. And it can go a lot further to address today's challenges: deeper, deconcentrated and more diversified global supply chains – the bespoke re-globalization – can give countries and people that have been left behind a means to participate more fully in global trade and to reap the resulting benefits. The spread of digital technologies can enable involvement in both goods and services trade. Also, trade can boost development opportunities and facilitate structural change, helping to achieve low-emission targets while supporting greener distribution of global production.

However, if trade is to continue to foster opportunity and growth, trade policy cooperation needs to be strengthened. For example, lowering trade costs, including through full implementation of the WTO Trade Facilitation Agreement, would help with the diversification of global value chains.

To enable growth in services trade, and particularly in digitally delivered services, agreements are needed on services domestic regulation, e-commerce and investment facilitation – all of which have seen major advances at the WTO. Reviving WTO negotiations on an environmental goods and services agreement, and disciplining environmentally harmful practices, would help to advance the attainment of environmental objectives. WTO members

are actively engaged on these and other issues, including on the question of how to make the WTO an even more effective forum to address the ever-growing set of issues that require multilateral solutions.

Trade cooperation is progressing on other fronts as well. Regional agreements, such as the African Continental Free Trade Area (AfCFTA) and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), cover a major share of trade and provide opportunities for billions of people. Such agreements increasingly address new policy areas of direct relevance to resilience, inclusiveness and sustainability. Furthermore, they can help the international trading system to move toward further inclusiveness and mutual supportiveness.

Similar trends can be observed with the United Nations Framework Convention on Climate Change (UNFCCC) Paris Agreement for the climate and the OECD/G20 Inclusive Framework on base erosion and profit shifting, which aims to reduce inequality. While these, as well as recent WTO agreements, highlight the difficulties involved in reaching agreement when many diverse actors are involved, and in moving forward to ratification and implementation, they also make clear that cooperative solutions remain possible.

All of this is “re-globalization” in action. It is already happening, and it is for the benefit of all. But more remains to be done for this path to prevail. As this report has shown, the WTO has a key role to play in giving momentum to it.