A Introduction

Global trade is often accused of creating a more unequal world, but in fact the opposite is happening. Billions of people in developing economies are catching up to the more advanced economies, as millions of people in the advanced economies continue to move ahead. This global economic convergence is only possible because the world has become more open and integrated – expanding access to new markets, new technologies and new models for achieving rapid, sustained and inclusive growth.

Yet there are still economies – and groups within economies – that have yet to share in expanding growth, or whose growth has stalled, because they have been unable to harness their trade potential and comparative advantages. This is the result partly of supply constraints, partly of poor connectivity, and partly of trade barriers and distortions, as well as of a lack of coherence across the key policies needed to drive trade-led growth. The slowing pace of global economic integration over the last decade and a half – and the danger that rising protectionism could push integration into reverse – could make it even harder for these economies to finally harness the trade behind rapid growth.

This report argues that much more can – and should – be done domestically and internationally to achieve more truly inclusive global trade.

Our world is only partly globalized

Creating a more inclusive global economy requires more and better trade, not less trade. The word "globalization" often conjures up images of a world economy being uniformly woven together by trade, transport and technology, but this picture is only partly accurate (Ohmae, 1999). While many economies and people are already deeply interconnected – and others are in the process of rapidly linking up – other economies, regions and groups have not been able to successfully integrate into the global economy, or are not benefitting from the integration they have achieved so far.

These varying levels of global integration largely mirror varying levels of wealth, living standards and technological progress around the world – with the richer and more advanced economies often being the most open and integrated, and fast-emerging economies also moving in this direction, but many low-income economies, and even some middle-income economies, only partially integrated into the global economy, and at risk of being left even further behind by the world's ongoing economic and technological progress. As a result, today's unevenly globalized world is also an unequal world.

A diverging global economy has become a converging one

Two hundred years ago, the world was a more equal place largely because most people were equally poor. The richest economy in the world in 1820, Great Britain, had a per capita income only about five times larger than the poorest economy at the time, Nepal (Milanovic, 2023). The Industrial Revolution, which started roughly a half century before, marked a turning point, sparking an unprecedented surge of economic growth and technological progress that upended the relatively static and level global economic landscape that had prevailed up until then.

This great economic leap forward was limited at first – starting with Great Britain, expanding to the rest of Europe, and then expanding again to Europe's off-shoots in North America and elsewhere around the globe. These "early industrializers" continued to race ahead of the rest of the world throughout the 19th and first half of the 20th centuries.

This rapid growth of the more advanced "West", which represented just 15 per cent of the world's population, and the slow or lack of growth in the rest of the world, which represented 85 per cent of humanity, has been called the "Great Divergence" because it generated ever-widening disparities in development, living standards and economic power worldwide (Huntington, 1996; Pomeranz, 2000). By 1980, the United States, by then the world's richest economy, had a per capita income over 100 times greater than the poorest economies in parts of Asia and Africa.

But over time, the impact of the Industrial Revolution continued to radiate outwards, like ripples on a pond, and each new wave of global economic development was more extensive – and involved millions more people – than its predecessor. The period after the Second World War saw Japan and the "Asian Tigers" (Hong Kong (China), the Republic of Korea, Singapore and Chinese Taipei) – the fast-globalizing economies of that era – rapidly catch up with developed economies in the West, even as advanced industrial economies redoubled their lead on the poorer and less developed economies that were being left ever further behind. For example, in 1953, the Republic of Korea had a per capita GDP, adjusted for inflation, of US$ 67, making it one of the poorest countries in the world; by 2023, its per capita GDP had reached more than US$ 34,000, roughly the same as that of the European Union.

The period after the 1980s saw an even larger share of the developing world begin its own process of rapid industrialization and economic modernization, helping to lift a billion of people out of poverty and to narrow the wealth and living standards gap with the West (World Bank and WTO, 2015). China, with its 1.3 billion people, has seen its economy grow at an average of 9 per cent per year for the past four decades.

While such large emerging economies capture much of the world's attention, the "new globalizers" also encompass economies of all sizes and in all regions, such as Cambodia, Ethiopia, Peru, Poland, Qatar and Uganda.

This newest, fastest, and largest phase of economic catch-up has been termed the "Great Convergence" because, for the first time since the start of the Industrial Revolution, most of the world's population is becoming relatively more, not less, equal as billions of people rapidly move up the growth, technology and development ladder (Spence, 2011; Mahbubani, 2013).

In the 1980s, France, Japan, the United Kingdom, the United States and other developed economies accounted for more than 60 per cent of the world's GDP, while developing economies accounted for less

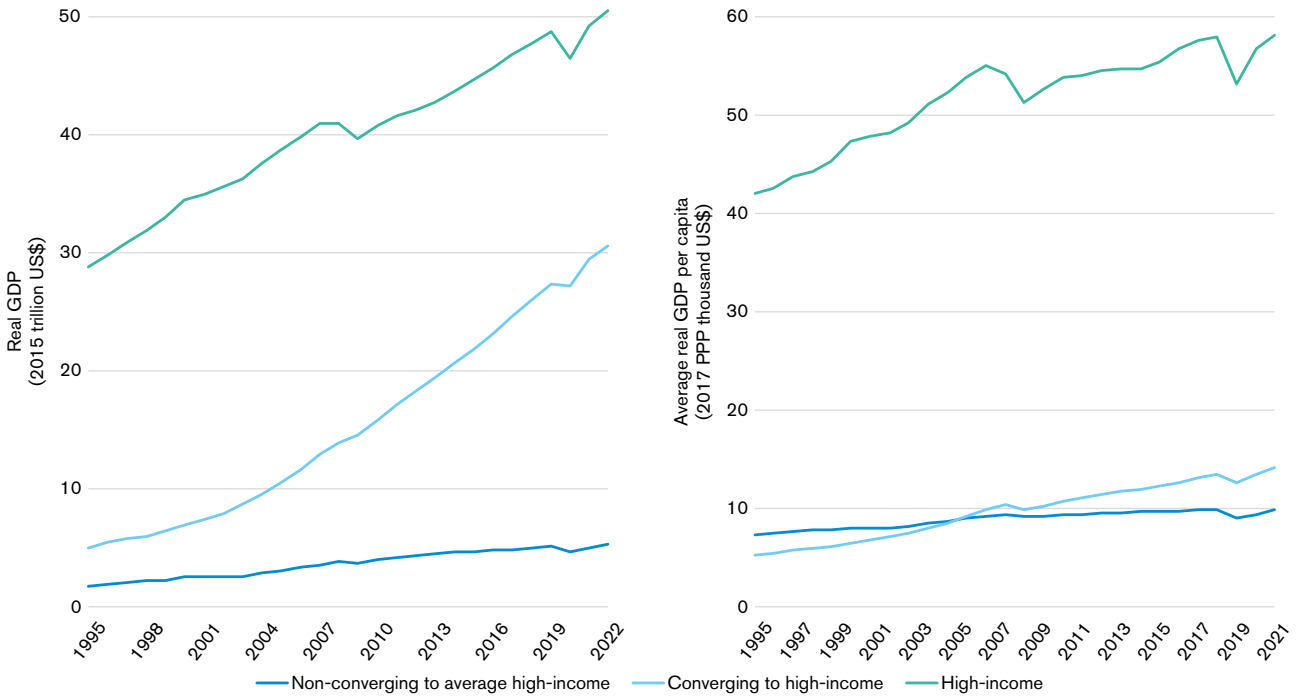
than 40 per cent. Today, those shares have reversed: Brazil, China, Indonesia and other developing economies account for almost 60 per cent of the world's GDP, while developed economies account for just over 40 per cent.

While the per capita output of emerging economies is still well behind that of advanced economies, the gaps are narrowing at an accelerating rate. China is the most striking example. In 1990, China had just 7 per cent of the GDP of the United States measured at market exchange rates, but by 2022, China's GDP, at US$ 18.3 trillion, was 73 per cent of the GDP of the United States, a ten-fold increase. China's per capita income is now roughly US$ 13,000, approximately 17 per cent of US per capita income – compared with less than 2 per cent in 1990 – and at current growth rates it could reach half of US levels by 2050. Other fast-growing developing economies are following a similar trajectory.

In the same way that the economic rise of the United States triggered a global economic boom in the second half of the 19th century, and the ascent of Japan and the "Asian Tigers" helped to drive even greater growth after 1945, the rapid development of four billion-plus people in the global South and East – together with their growing demands for technology, capital, advanced machinery and services – will inevitably drive further growth and income gains in the developed West as well. According to Hufbauer and Hogan (2023), US gains from engaging in world markets since 1950 amounted to almost US$ 2.6 trillion in 2022. Over the past decade and a half, China alone has accounted for 35 per cent of global nominal GDP growth, while the United States has accounted for 27 per cent (Prasad, 2023).

As a result, both high-income and fast-emerging economies have seen their living standards steadily advance (see Figure A.1). Over the last 40 years,

Figure A.1: Significant real GDP convergence but more limited average real GDP per capita convergence, 1995-2022



Source: Authors' calculations, based on World Bank data on real GDP and real GDP per capita.
Note: The figure displays the evolution of real GDP (in 2015 US$) and real GDP per capita in purchasing power parity (PPP) (in 2017 US$). The non-converging group includes economies that were low- or middle-income in 1995 and that did not grow as fast as high-income economies between 1996 and 2021 (measured by real GDP per capita growth). Conversely, the converging group includes low- or middle-income economies that grew faster than high-income economies during the same period. The income groups are based on the 1995 World Bank classification.

US per capita income has increased six-fold, while Swedes are 30 times wealthier today than they were 200 years ago (Roser, 2024).

The global diffusion of technology also benefits everyone because, as Paul Romer famously observed, knowledge is expanded, not reduced, when it spreads (Romer, 1986).

Many of today's leading-edge technologies, such as artificial intelligence (AI), quantum computing, robotics and biotechnologies, are still generated in developed economies. But as some emerging economies become more advanced, they are fast becoming technology innovators and leaders too – in telecommunications, aerospace, clean energy and other advanced technologies – adding to the positive feedback loop that is accelerating global economic progress.

The result is a world economy that is growing, developing and converging at an unprecedented rate, although developing economies' average per capita output is still significantly lower than that of advanced economies (see Figure A.1). According to World Bank data, in 1995, global per capita output, adjusted for inflation, amounted to roughly US$ 7,050. Even after setbacks such as the Asian financial crisis (1997-98), the global financial crisis (2007-09), the COVID-19 pandemic, and numerous regional conflicts and wars, global per capita output had increased by 65 per cent to over US$ 11,570 by 2023. And if growth rates continue at current trends, global output could further double by mid-century (Goldman Sachs, 2023).

While economic growth is not the only condition for development, it is a necessary condition – which helps to explain why much of the world's population is also making enormous strides in reducing poverty, malnutrition and infant mortality, and in improving access to schooling, healthcare and electricity.

Between 1950 and 2019, global literacy increased by a third, from 56 per cent of the world's population to over 86 per cent, and women's literacy increased even more dramatically, from just 45 per cent to almost 83 per cent (UNESCO, 2024). According to World Bank data, global average life expectancy has increased by over a third, from 48 years to 73 years. And global per capita income, adjusted for inflation, has almost quadrupled, from US$ 2,161 to US$ 11,570.

Since 1995 alone, the poverty headcount ratio in low- and middle-income economies fell from 40.3 per cent in 1995 to 10.6 per cent in 2022. Never before have the living conditions and prospects of so many people changed so dramatically and rapidly in history (UNDP, 2013).

Fostering growth and trade are two sides of the same coin

This "Great Convergence" was only possible because the world economy has grown more open and integrated, driven mainly by declining transport and communications costs, but also by decreasing trade barriers and increasing economic cooperation, all underpinned by a rules-based international economic system.

In the same way that steamships, railways and telegraph cables began to link the world economy together in the 19th century, container ships, jet airplanes and the internet have woven an even more integrated global economy in the 20th and early 21st centuries.

The invention of the shipping container alone has been a major driver of globalization. By 2021, it cost less to move a container from Los Angeles to Shanghai – half-way around the world – than from Los Angeles to San Diego – just 200 km down the road (Shiphub, 2021), although there is a risk that recent geopolitical and environmental disruptions may change that. The cost of overseas telecommunications is approaching zero, fuelling an explosion of digital services trade, including online education, telemedicine and on-line distribution. China could not have become the new "workshop of the world" without the transoceanic "conveyer belt" that containerization has provided (Economist, 2013).

While transport and communications technologies have been important drivers of global economic integration, international economic cooperation and rule-making aimed at lowering trade barriers, creating a level economic playing field, and the avoidance of beggar-thy-neighbour currency wars has also played a central role. The gold standard and an expanding European network of bilateral trade agreements underpinned the first age of globalization in the 19th century, just as new multilateral economic institutions (the International Monetary Fund, the World Bank and the General Agreement on Tariffs and Trade (GATT), succeeded by the WTO) – and a series of multilateral and regional trade liberalization initiatives – underpinned the resumption of globalization after 1945.

Average trade-weighted applied tariffs fell by almost 40 per cent after the Second World War and have fallen by over two-thirds in the last three decades, from 6.9 per cent in 1996 to 2 per cent in 2022. Today some 60 per cent of world trade now flows tariff-free, while another fifth is subject to tariffs of less than 5 per cent.

The combination of declining physical and policy-induced trade costs has helped to fuel an exponential growth in world trade. Between 1950 and 2022, annual merchandise trade grew at a rate of 5.4 per cent a year, translating into an extraordinary 45-fold expansion.

More recently, new sectors of world trade have been expanding even faster. Services trade has grown 6.8 per cent annually since 1990, digitally delivered services have grown at 8.2 per cent a year since 2005, and renewable energy goods trade (including solar panels and wind turbines) has grown fastest of all, by 10.3 per cent a year, more than double other goods trade (4.9 per cent), since 2005 (see Figure A.2).

With this expansion of trade has come a widening and deepening of global integration. Although slowing trade growth since 2008 seems to signal a slowdown in economic opening and integration worldwide, the global trade-to-GDP ratio rose from around 5 per cent in 1950, to 20 per cent in 1995, to over 29 per cent in 2023, underscoring the central role of trade in weaving together today's increasingly interconnected and interdependent world economy.

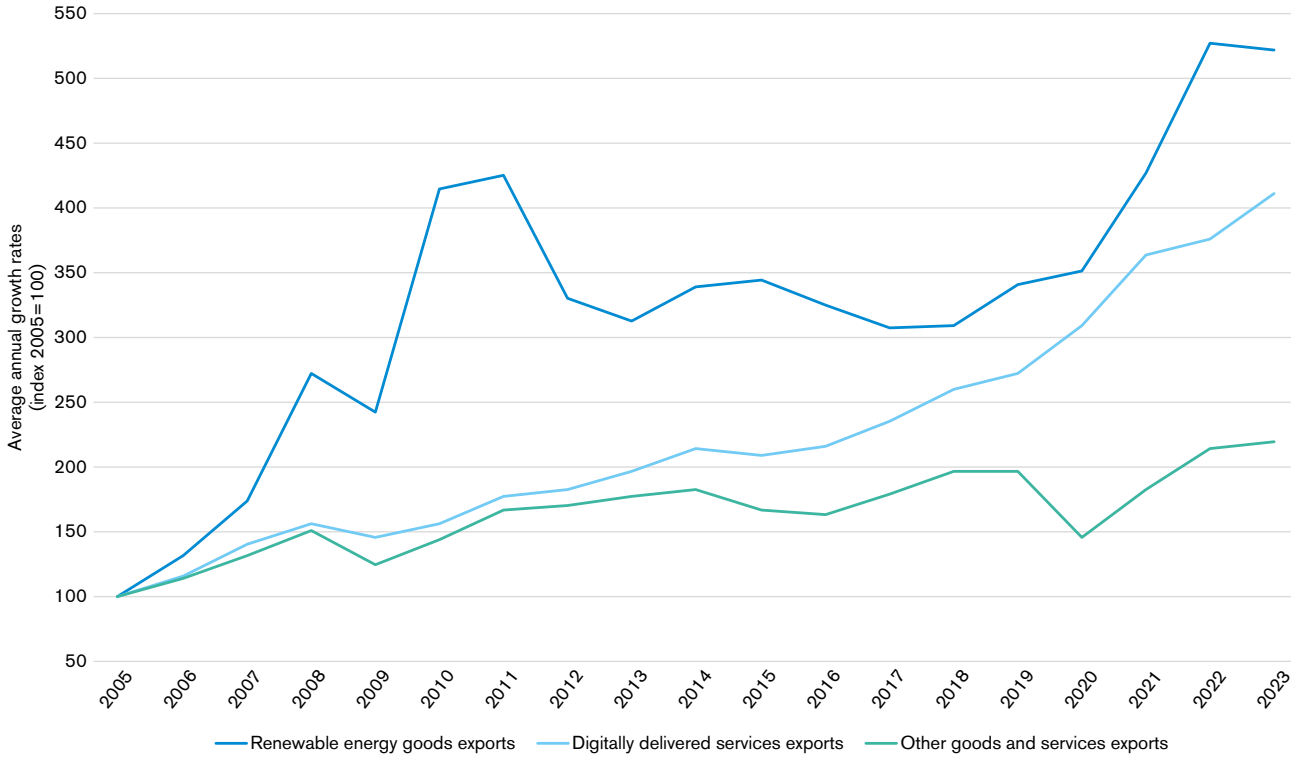
The world's fastest-growing economies are also some of the most open and integrated

Almost all of the fast-developing economies over the past 40 years – indeed, over the past two centuries – have used integration into the global trading system to drive sustained growth. While these economies may not have opened up in the same way, transformed at the same speed, or adopted the same policies, the common thread running through all their experiences is the shift towards more outward-oriented, trade-led economic growth strategies. In other words, openness and growth have gone hand-in-hand (see Figure A.3).

A more open and integrated world economy has enabled some developing economies to catch up with – and converge on – more advanced economies in several critical ways.

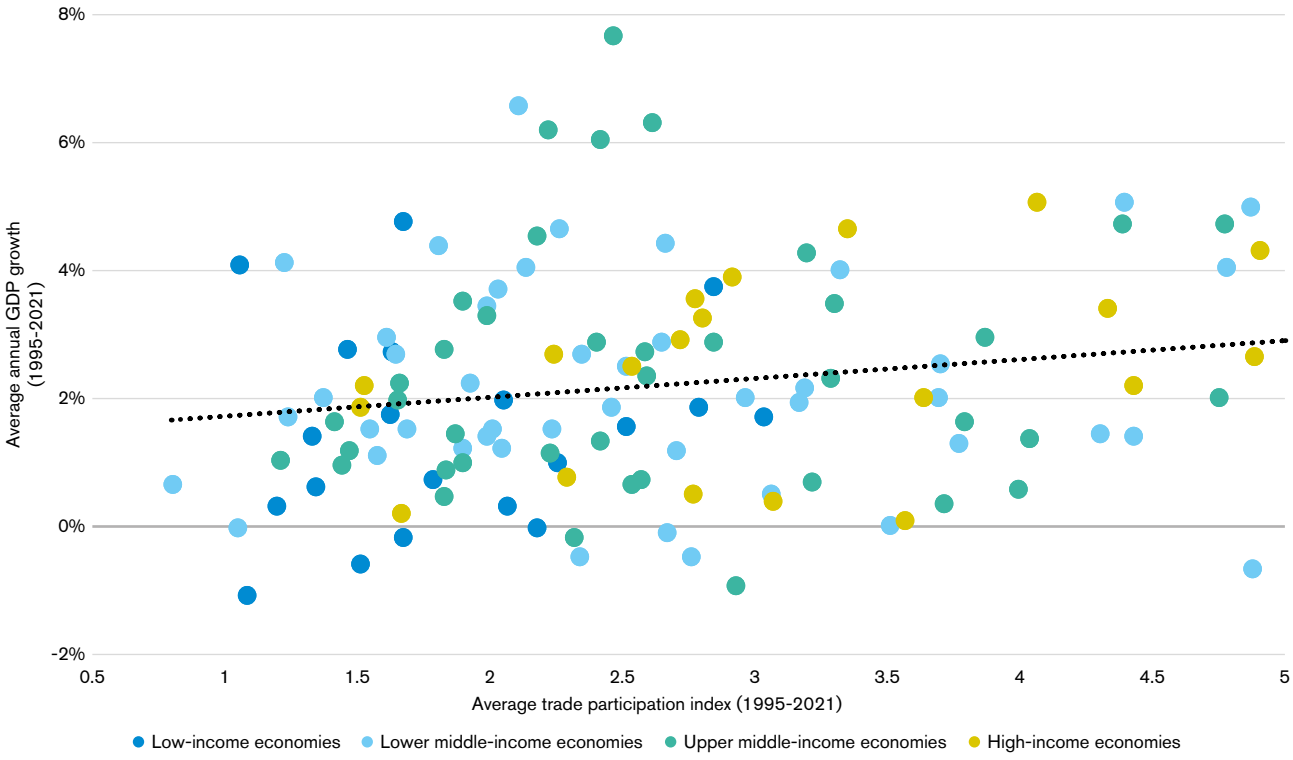
One is by leveraging global demand. Many low- and middle-income economies are unable to generate high growth by relying on domestic demand alone. Increased access to global markets for their exports

Figure A.2: Export growth of environmental and digital trade significantly higher than other goods and services, 2005-23



Source: Authors' calculations, based on UNCTAD and WTO data and Trade Data Monitor (TDM) data for 2023.
Note: The figure displays the evolution of the average annual export growth rate of environmental goods (specifically, light-emitting diodes (LEDs), solar and other non-electric water heaters, and wind turbines), digitally delivered services (specifically, services traded across borders through computer networks), and other goods and services exports. Estimates for 2023 are preliminary.

Figure A.3: Positive correlation between trade participation and per capita GDP growth, 1995-2021



Source: Authors' calculations, based on World Bank data on GDP and trade.
Note: The trade participation index is the share of goods and commercial services trade in GDP, adjusted for the country size. The income groups are based on the 2022 World Bank classification.

has allowed them to leverage comparative advantages, exploit economies of scale, and overcome the constraints imposed by small and relatively poor domestic markets or remote geographical locations – all of which has helped to increase efficiency, boost productivity and fuel rapid economic growth, particularly in sectors with high export potential.

Another related factor driving their rapid growth has been access to foreign direct investment (FDI). As global markets have opened up and trade costs have fallen, multinational enterprises have "unbundled" the production process and shifted its various stages to relatively more cost-efficient locations around the planet. This rise of global value chains (GVCs) – effectively world factories – has created a positive feedback loop: more open trade has encouraged more FDI, as export capacity is strengthened and upgraded; and more FDI has encouraged more trade, as GVCs expand and grow more competitive. Upwards of two-thirds of world trade now takes place within globe-spanning multinational enterprises or with their suppliers.

GVCs have enabled the integration of many developing economies into the global economy in other important ways: by allowing them to link up with established trade networks and to specialize in a specific product without having to first develop a comprehensive industrial base. In the early 19th century, Great Britain required a complex combination of domestic production factors, including steam power technology, cheap coal, advanced metallurgy, efficient agriculture, a relatively sophisticated financial system and an increasingly urbanized workforce, to kick-start its industrialization (Van Neuss, 2015). Singapore's rapid industrialization after 1965 depended largely on one key domestic asset: a highly skilled, innovative and entrepreneurial workforce, with other main factors of production, such as food, energy, machinery and natural resources, being imported (Economist, 2015).

This expanding global web of trade, investment and production has also helped developing economies to dramatically increase access to the most critical growth input of all, technology – either in the form of imported products, such as machinery, software or solar panels, or as imported services, such as product designs, production techniques, supplier training or overseas education. Sometimes the simple cross-border flow of ideas has been enough to inspire local innovation and invention (Buera and Oberfield, 2020; Cai, Li and Santacreu, 2022; Sampson, 2023).

Either way, the globalization of technology has made it easier, cheaper and quicker for many developing economies to industrialize, helping them to accelerate learning curves and, in some cases, leapfrog stages of development (Baldwin, 2019).

Trade is necessary for fast growth, but is not sufficient

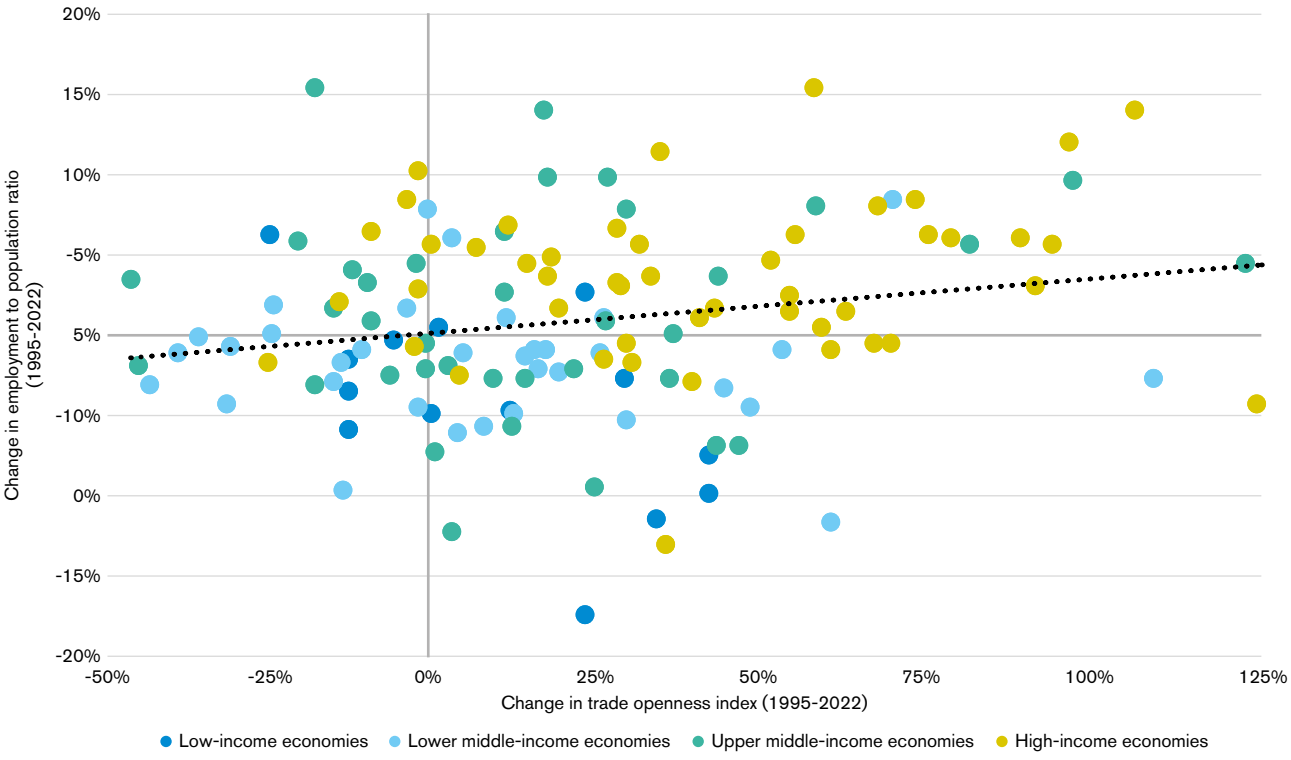
Economies that have successfully harnessed trade to drive faster growth have also implemented a range of domestic policies that have helped them to leverage their comparative advantages, facilitate connectivity to global markets, promote economic adjustment and cushion the adverse impacts of structural change.

At a minimum, they have provided the basic "operating system" that markets need to function efficiently – political and macroeconomic stability, effective financial and legal systems, and a transparent, efficient and non-discriminatory regulatory environment. They have also implemented complementary policies aimed at promoting FDI, encouraging competitive markets, protecting intellectual property and advancing sustainable development, recognizing that trade now increasingly takes place within complex global production networks and that integrating into the networks requires joined-up policies and strategies.

And fast-globalizing economies have usually invested heavily in infrastructure, adjustment assistance, the active upskilling and re-skilling of workers, and other "public goods" to create an enabling environment for trade-led growth and to help shift industries into more value-added production and exports.

Trade policies and policies related to macroeconomics, development, and inclusiveness are interlinked and can reinforce each other. By ensuring these policies are not only well-designed but coherent, trade can be better leveraged for sustained growth. More inclusive trade can, in turn, enhance the effectiveness of many other complementary policies, potentially creating a positive cycle of improvement. Trade encourages structural reform, increases productivity and spurs innovation, helping to expand economic opportunities. Old industries may decline but newer, more dynamic industries emerge; old jobs may disappear, but other better, higher-paying jobs are created. While the overall

Figure A.4: Positive correlation between changes in trade openness and changes in employment, 1995-2022



Source: Authors' calculations, based on World Bank data on trade openness and International Labour Organization (ILO) data on employment to population ratio.
Note: The figure displays the percentage point changes in trade openness index and employment to population ratio between 1995 and 2022. The income groups are based on the 2022 World Bank classification.

correlation between trade and total employment tends to be marginally positive (see Figure A.4), millions of often higher-paid jobs are supported by trade.

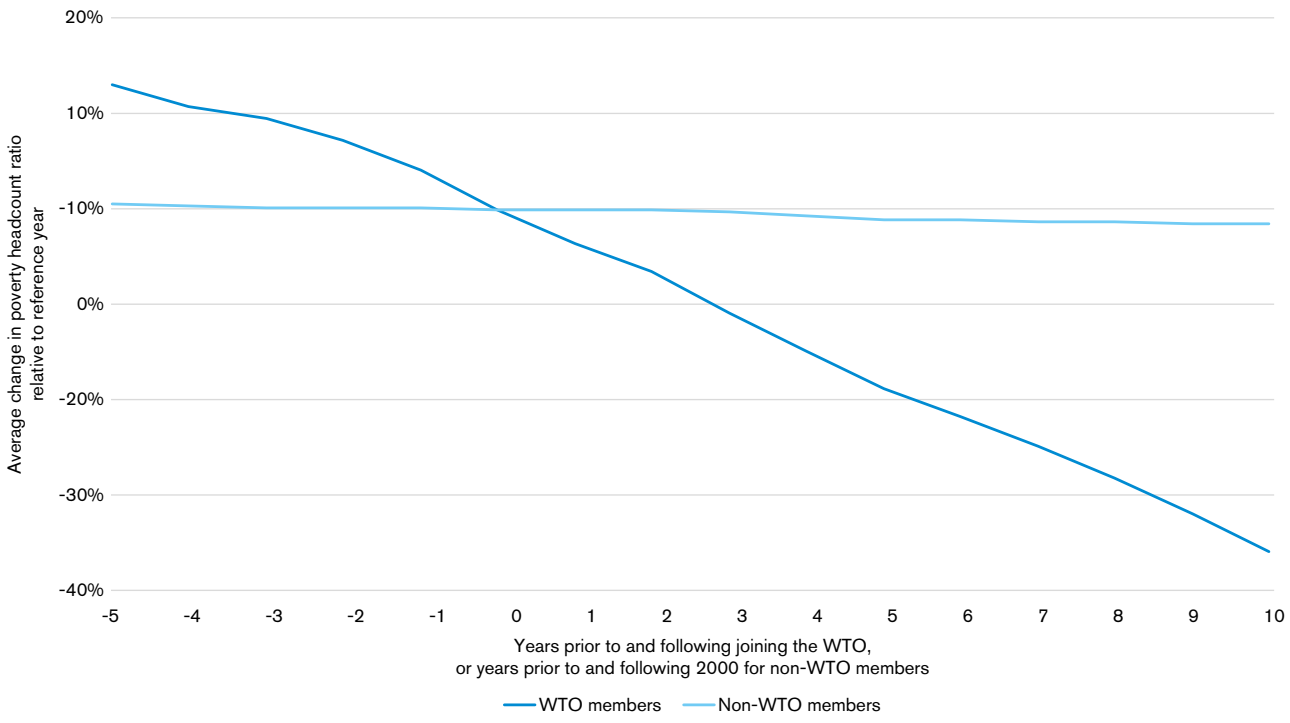
As the economy grows and prices fall, more resources become available for investments in education, training and adjustment assistance, which can, in turn, help more people to take part in and benefit from economic growth. This virtuous circle can help to increase equality of opportunity, promote social inclusion and reduce extreme wealth disparities, especially among marginalized groups, if appropriate complementary policies are put in place.

Over the past 30 years, income inequality has evolved differently across economies, with some experiencing significant decreases, but many others facing persistent or widening disparities. Global income inequality remains high in absolute levels, with the level observed in 2020 comparable to that of the early 1900s. Wealth inequality has also remained consistently high over the past three decades, although the share of personal wealth owned by the top 1 per cent decreased slightly, from 31.4 per cent in 1995 to 30.6 per cent in 2022. These trends have led some to argue that international trade exacerbates inequality by only benefitting wealthy economies and individuals, while leaving marginalized groups and regions behind.

While some economies have grown more unequal as they have opened up and integrated into the global economy, many of the world's most successful and durable trade powers – especially advanced economies such as Germany or the Netherlands – are also some of the most equal in terms of income distribution and living standards. There is growing evidence that economies that have been less successful at sharing the cost and benefits of trade, and have experienced rising inequality, are finding it more difficult to sustain political support for more trade-opening, and face a growing backlash at home to globalization (Pastor and Veronesi, 2018; Acharya, 2022). This suggests not only that openness and equity can go hand-in-hand, but that prioritizing greater inclusion may be a critical part of any sustainable trade-led growth strategy.

Trade agreements can also help governments to implement and anchor pro-growth domestic reforms. Participating in a rules-based trading system incentivizes governments to uphold their market-

Figure A.5: Greater poverty reduction in WTO members than non-WTO members, 1990-2022



Source: Authors' calculations, based on World Bank data on poverty headcount ratio.
Note: The figure displays the average change in the percentage of the population living on less than US$ 2.15 a day at 2017 purchasing power-adjusted prices relative to the poverty headcount ratio in the year in which a given GATT/WTO member joined the WTO. For non-WTO members, the reference year is set to 2000 due to data availability. Alternative reference years for non-WTO members do not change the trend. The average poverty reduction rate is calculated by taking into account the proportion of individuals living in poverty in each economy relative to the global population of individuals in poverty during the reference year.

opening commitments and to increase transparency and information-sharing, and can help to strengthen domestic institutions, to reinforce accountability, and to support and promote the rule of law. This can dramatically improve the environment for doing business in an economy by curtailing the scope for inconsistency and arbitrariness in policymaking.

Creating a more stable, predictable and level economic playing field benefits all economic actors, but it is especially empowering for the smallest and least powerful ones, such as micro, small and medium-sized enterprises (MSMEs), women entrepreneurs, small-scale farmers and artisans. Recent WTO analysis has found that WTO members experienced a faster drop in poverty than non-WTO members (see Figure A.5), and that developing economies acceding to the WTO that implemented more ambitious domestic reforms and made deeper trade opening commitments during their WTO accession negotiations than other GATT/WTO developing members grew, on average, 1.5 per cent faster than members that did not (Brotto et al., 2024).

These complex and inter-related policy challenges underscore the critical role that effective government plays in successfully harnessing trade for sustained inclusive growth. Successful trade-led growth strategies have, in particular, benefited from governments' ability to provide long-term stability, policy consistency and coherent direction (Spence, 2011).

Indeed, the pace and scope of global economic change today – and the need for economies to continually adjust and adapt – have raised the policy bar, rendering the roles of governments and other institutions more, not less, important, and their policy successes or failures more, not less, consequential.

While much of the world is converging, part of it is diverging

Many economies have experienced rapid growth and development in recent decades, but others are stalled or falling behind. Over the past 30 years, one third of economies classified as low- or middle-income grew at a slower rate than the average high-income economy. These diverging economies, representing 13 per cent of the world's population, are primarily in Africa, Latin America and the Middle East.

These economies are failing to keep up with a rapidly expanding world economy for varied and complex reasons, but a common feature is their inability either to use trade as a pathway to integration into the global economy, or to leverage their existing trade access to move up the value-added ladder, diversify exports, and drive rapid growth. For example, the 46 least-developed countries (LDCs) – representing over 880 million people – only account for 1 per cent of world trade, a share which has been stagnant since 1995, and that actually shrank to less than 1 per cent over the last two years.

Some of the trade challenges these economies face are external: high tariffs that can penalize poor economies' exports; complex and fast-changing health and technical standards that resource-constrained economies often struggle to meet; and a growing global subsidies race that is distorting markets and tilting the economic playing field in favour of high-income and emerging economies.

But other trade obstacles these economies face are internal. For example, import restrictions, inefficient customs procedures, or poor transport and communications infrastructure can drive up their trade costs. A lack of coordination across trade-related policy areas, such as investment or trade financing, can reduce or negate the advantages of opening up to trade. Insufficient investment in productive capacity, technological upgrading and skills development, can also prevent many low-income economies, and even some middle-income economies, from diversifying out of agriculture and extractive sectors into more value-added exports.

As in the past, economic progress relies on adapting to changes in the economy. The ability of workers to transition from lower- to higher-productivity jobs, and from declining sectors to growing ones, is one of the key mechanisms by which trade promotes development and improves living standards. Today, a major difference is the speed, scale and scope of changes in the labour market caused by technological progress and open trade, as new goods and services, and even new industries emerge, requiring that others adapt or face decline.

For individuals, it may be necessary to relocate to find new employment, and this may involve significant financial or administrative obstacles. As economies become more knowledge-driven, securing new employment may depend on having more specialized skills, which may require retraining or earning additional certifications. Individuals with lower incomes, workers with fewer skills, small business-owners and some women may lack the skills, resources or flexibility to adjust to new trade opportunities, and are more likely to be adversely affected by economic change. In the absence of adequate policy responses, the gap between those who can adapt to and benefit from economic change, and those who cannot, may widen, increasing inequality.

Moving towards more inclusive globalization presents opportunities and challenges

The ability of more economies to harness inclusive trade-led growth will be a critical factor in determining whether the world economy continues to converge or begins to diverge again. The good news is that today's global economy offers more opportunities for trade-led growth than ever before. The bad news is that the global economic system is itself facing new tensions that could restrict or roll back these new opportunities and cut short "the Great Convergence".

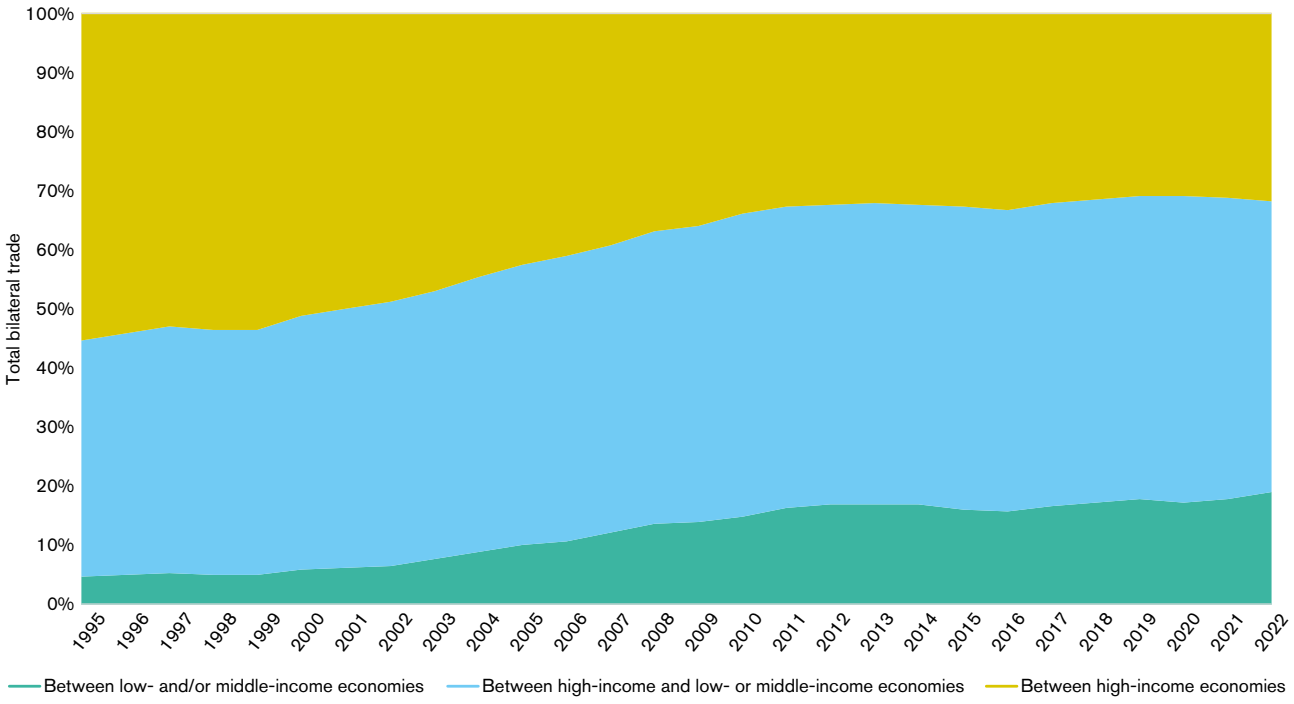
One positive development is the expansion of global demand. Developing economies are no longer dependent on access to advanced-economy markets alone to drive trade-led growth; increasingly, they can look to export to fast-expanding emerging markets as well.

These emerging economies are generating enormous new demand for food, energy, minerals and manufacturing inputs – which is in turn pulling other developing economies into their slipstream. And as these developing economies begin their own economic lift-off, they become new trade growth engines as well. South-South trade – that is, trade among the emerging and developing economies of the "Global South" – has grown from 8 per cent of world trade in 1995 to around 25 per cent today, and at current trends it could reach 30 per cent by 2030 (see Figure A.6).

Another positive development is that technological advances continue to improve global connectivity and drive down trade costs. New investments in transport infrastructure are expanding global trade routes and making them more efficient, helping to link up even the most distant or landlocked suppliers to foreign markets. Trade corridors between Asia and North America, and between Asia and Europe, now surpass the transatlantic trade corridor between North America and Europe, while trade corridors between Africa and Asia or Latin America and Africa are growing in importance.

The spread of digital networks – underpinned by the internet, lower-cost telecommunications and new digital platforms – is changing the way economies connect to the global economy in even more fundamental ways. Some developing economies and groups within economies, including small businesses owned by women, that have often been excluded from global services markets in the past – because services trade typically require geographical proximity

Figure A.6: Increasing trade between low- or middle-income economies, 1995-2022



Source: Authors' calculations, based on WTO data on merchandise bilateral trade.
Note: The figure displays the composition of global merchandise trade flows by income group. The analysis excludes trade within the European Union (i.e., intra-EU trade). The income groups are based on the 1995 World Bank classification.

– are fast becoming services exporters, because new digitally delivered services, such as online distribution, telemedicine and online business services can be delivered from any location on the planet that has internet access.

This new services trade can offer developing economies advantages that goods trade does not: it can be less capital-intensive, and less constrained by distance and infrastructure requirements (WTO, 2019). Indeed, some developing economies are bypassing the industrialization phase altogether and are leapfrogging from agriculture to services exports (Nayyar, Cruz and Zhu, 2021).

One of the most significant positive changes is that developing economies can now look to other developing economies for inspiration and models for how to pursue trade-led growth strategies. In the same way that "early globalizers" such as Japan, the Republic of Korea and Singapore helped to blaze a trail for other Asian economies in the 1980s and 1990s, today's "new globalizers" are, in turn, providing powerful examples for the next generation of developing economies seeking to leverage trade for faster growth.

However, the ability to harness trade for even wider global growth hinges fundamentally on the world economy remaining open. Here there is cause for concern.

Trade openness and integration have slowed over the past decade and a half following a series of shocks to the global economy – such as the global financial crisis, the COVID-19 pandemic and wars in Ukraine and the Middle East – and the rise of geoeconomic and geopolitical tensions. If today's open world economy starts to fragment as a result of rising protectionism, economic nationalism and restrictive trade blocs, it will harm the growth prospects of all economies, but the poor and economically marginalized will suffer the most (WTO, 2023c).

The structure of this report

This year's *World Trade Report* explores how trade has helped to widen the circle of global growth, why some economies, regions and groups are still being left behind, and what can be done domestically and internationally to ensure that millions more people can harness trade to accelerate growth, "level up" with the rest of the world, and create a more inclusive global economy.

While the concept of inclusiveness can vary based on context and perspective, the core idea, in terms of international trade, is to reduce barriers and obstacles that currently prevent marginalized economies, regions and groups (including minorities, vulnerable people and workers) from participating fully in and benefitting from global markets.

The report makes the case that trade is a key part of the solution to creating a more inclusive global economy, but that it requires more coherent and mutually supportive policies at the national and international level.

Chapter B focuses on the impact of trade on inclusiveness across economies. It explores how trade has driven rapid growth across several key emerging and developing economies since the mid-1990s, significantly accelerating convergence and narrowing inequality. It also examines why some economies and regions have so far failed to harness trade as a driver of sustained growth, either because they not sufficiently integrated into the global economy, or because they are limited to exporting low-value-added or highly volatile commodities. Common challenges that these economies and regions face include high trade costs, weak institutional capacity, geographical isolation and infrastructural deficits. This chapter points out that some trade policies can hinder economic convergence, while others may not achieve the desired effects. It also argues that geopolitical tensions, a failure to bridge the digital divide and disjointed efforts to address environmental crises can create new challenges for poor economies trying to integrate into the global economy, that only concerted international action and cooperation can overcome.

The focus of Chapter C is on the impact of trade on inclusiveness within economies. It highlights that, while economies as a whole have benefited from open trade and global integration, certain groups of individuals (such as low-skilled workers in some sectors and certain groups of women), types of firms (such as MSMEs) and regions (such as rural areas) have not. Factors that have prevented people from participating in and benefitting from trade include limited mobility, low skills, restricted access to capital, technological barriers, inadequate infrastructure, and political and legal obstacles. This chapter points out that some types of trade policies, such as protective tariffs or export restrictions, can fail to achieve the desired effects, or even exacerbate inequality. The chapter emphasizes that open trade remains essential to reduce poverty, but also warns of the risks that food insecurity, the digital divide, and winner-take-all economies can cause for the poor.

Chapter D reviews the role of the WTO and international cooperation in addressing inclusiveness both across

and within economies. The WTO already promotes economic growth and inclusiveness by fostering rules-based, non-discriminatory and predictable trade relations and by improving governance through credible economic reform. This chapter notes that many complementary policies for development and inclusiveness require credible, transparent and coherent trade policy to be more effective, and vice versa. It discusses how making further progress in economic convergence and inclusiveness, requires balancing credible WTO commitments and relevant flexibilities (i.e., special and differential treatment for developing members), while implementing complementary policies and strengthening international cooperation. It calls for reducing trade costs, accelerating the accession to the WTO of new members, ensuring equitable dispute resolution, and providing technical assistance to strengthen members' capacity to implement WTO commitments and related-domestic policies. Enhancing inter-agency cooperation can further help to leverage synergies between trade and complementary policies for development and inclusiveness, and to promote policy coherence and mutual supportiveness.