Preserving global trade relations: impacts of recent global developments

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Abstract

How do we address challenges presented by unequal distribution of the benefits of globalization? Such that the imposition of unduly high tariffs – as well as anti-dumping measures, do not offset positive gains to be derived from trade liberalization and globalization.

This article also aims to highlight and address challenges presented to global trade relations as a result of the failure of central bankers to appreciate fully the consequences and impact – as well as contribution of emerging economies to all time low levels of inflation. This not having been demonstrated in the build up to the 2008 Financial Crisis, but also prompting the introduction of Basel III regulations – and particularly the 2010 Basel leverage ratio.

Monetary policy, interest rates, positive supply shock, inflation, anti dumping tariffs, Uruguay World Trade round, Doha trade round, regional agreements

Extended Abstract

"Emerging economies, as a group, have been growing faster than developed economies for several decades. China, which joined the WTO in 2001, is having a bigger global impact than other emerging economies, not only because of its vast size, but also its unusual openness to trade and investment with the rest of the world.

The internet has made it possible radically to reorganize production across borders – such that once non tradable services, such as accounting, can now be provided from afar – thus exposing more sectors in the developed world to competition from India and elsewhere.

As China, India and the former Soviet Union have embraced market capitalism, the global labor force, has in effect doubled………

……. Monetary policy also needs to be revamped and central bankers have been given a big helping hand from emerging economies in addressing inflation both by:

i) Pushing down prices of many goods and;
ii) By restraining wages in developed countries.

Thus helping central banks to hold interest rates at historically low levels

In so doing, they have misunderstood the monetary policy implications of a positive supply shock."

The Economist (2006)

So where do the above mentioned observations leave us, more than ten years on? The same logics and arguments are still as relevant – even if it appears that the main players and actors within the global trade game are shifting. What does the future hold in light of recent developments and how can global future trade relations be preserved?

References

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