The 10th session of the Expert Mechanism on the Right to Development

Item 5 of the Provisional Agenda
Implementation of the mandate and programme of work –
Focused thematic discussion and interactive dialogue
Palais des Nations, Room XXI, Geneva

Bilateral, regional and multilateral trade: friends of enemies of RTD

Wednesday 30 October 2024, 10h to 12h

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As the current geopolitical economic order is unraveling, it is apparent that neither manufacturing, nor export-led growth, nor relative global security, have managed to deliver widespread wellbeing. With their disappearance the prospects are even grimmer. For a new pathway to emerge , innovative approaches to structural transformation, industrial policies, financial governance and climate crisis, are essential.

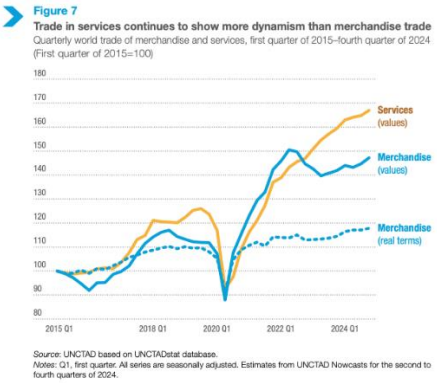
While globalization itself may not be in retreat, **three ongoing** geo-economic and geopolitical **shifts** transform the onditions for development and growth.

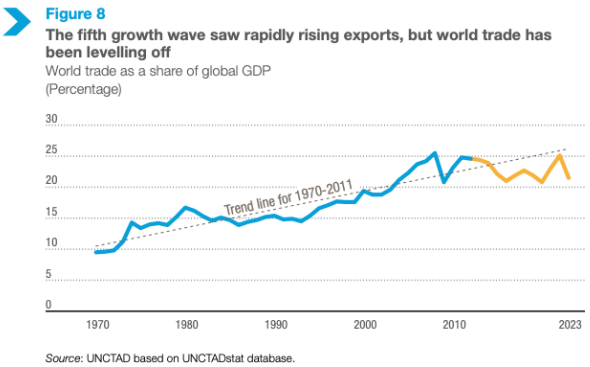
First, fundamentally protectionist and interventionist policies are replacing the trade liberalization measures typical of the decades after 1990.

Second, a host of conflicts has disrupted a relatively stable global security regime.

Third, new technologies associated with the green transition, AI, precision bioengineering, digitalization and financial innovation can o fundamentally transform the global division of labour. These three shifts inflect globalization away from a growth promoting process in the global South towards a growth inhibiting process.

A central peculiar dynamic of the current juncture is slowing global trade. While global trade continues to increase in absolute terms, its relative share of global GDP has stagnated since the 2008–2009 financial crisis. Between 1995 and 2007, trade grew twice as fast as global GDP, but the share of trade as a percentage of GDP peaked at 25% in 2008 and has stagnated or declined since, gradually levelling off in 2023.





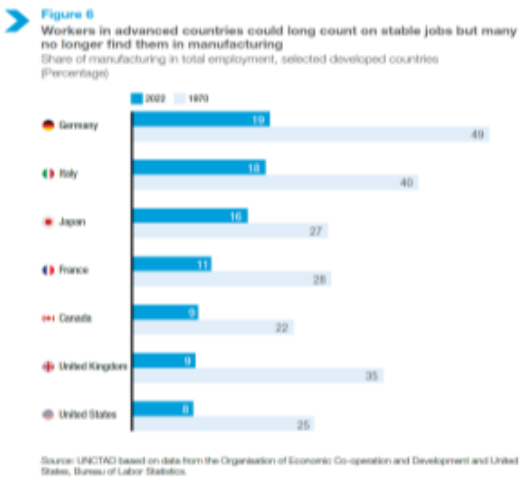
In 2024, global trade is projected to grow by around 2% in real terms, a feeble recovery from the pandemic induced slump. Within this marginal rebound, trade in services has been more dynamic than trade in manufactured goods, expanding by around 5% in 2024. Services now account for 25% of gross trade flows globally (and up 50% in value terms).

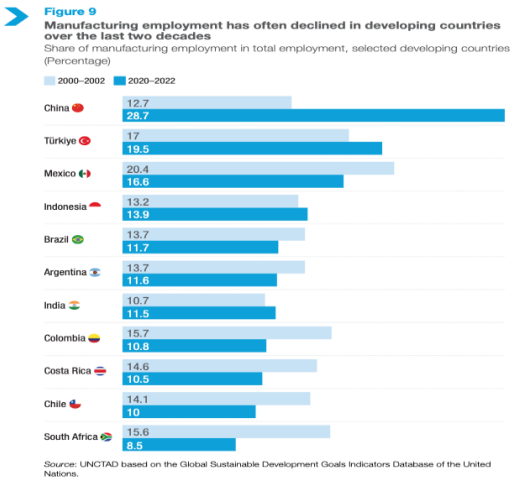
The second significant dynamic of the global economy is the marginalisation of manufacturing as a growth engine. While manufacturing remains an important pillar of economic transformation, the effectiveness of manufactured exports as a growth strategy for developing countries is diminishing. The comparative advantage of cheaper, less skilled labour no longer aligns with the needs of modern skill- and capital-intensive manufacturing production. In the 2010s, only 18% of global trade was based on labour cost arbitrage. Over last two decades, manufacturing investment has halved, while investment in service activities within manufacturing surged to nearly 70% by 2023.

The initial, trade-driven wave of globalization led to lost manufacturing jobs in the advanced countries, and a partial shift of workers into higher value services. But for many developing economies, the current turn away from manufacturing reinforces the risks of reverting back to the extraction of primary materials (re-primarization) and increased dependence on the production and export of basic commodities.

In both the global North and the global South, the loss of stable industrial employment feeds a wider sense of discontent with globalization and requires new sets of national and international policies and governance mechanisms around employment, life chances and global demand.

Graphs:





For many developing nations, a retreat from manufacturing exacerbates reliance on commodities and hinders diversification.

This is evident in the global food system, which has shifted from a labour-intensive sector to a complex, financialized landscape dominated by a few under-regulated corporations.

New technologies can further accelerate the concentration of data in the hands of a few large seed companies. For instance, Brazil's efforts to engineer soybeans for local conditions still leave the country capturing only 36% of soy profits, as the economy relies heavily on foreign inputs for fertilisers and technology.

- Our analysis indicates that failure to respond to the challenges posed by new technologies and ongoing financialization will likely result in a significant portion of the global economy being controlled by large corporations and private entities, undermining inclusivity and public interest.

Policy takeaways

- Corporate sovereignty over food systems is not in the public interest.
- Financialization and digitalization of food trading have direct consequences for food security and economic stability.

- Governments need to be much more proactive in food trading regulation (and commodity trading), not reactive.
- Global food demand will increase by more than 50% by 2050.
- Climate and other risks entail more price spikes, profiteering and food insecurity.