

DP WORLD 

TRADE IN TRANSITION

GLOBAL
REPORT



WRITTEN BY

The
Economist

INTELLIGENCE
UNIT

Foreword by DP World



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Group Chairman
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COVID-19 has redefined trade flows and impacted international investment across the world like never before. Supply chains are being tested, reworked, reforged for everything we produce – from moving vaccines to those in need to vital food supplies and all the other goods that we come to use in modern times.

These uncertain economic conditions have shown that digital trade, speed of delivery and transparency for cargo owners to see where their products are at any one time are key in making sure nations are able to serve their populations in difficult times as well as the good.

Delivering food from farm to fork and other products from factory floor to shop door are just some of the services and products that DP World, as a global trade enabler, is providing. As a global logistics business spanning six continents, DP World is committed to creating long-term partnerships that help to solve cargo movement challenges, deliver consistency, and drive value and growth.

It is becoming increasingly important that we gather the views and perceptions of those at the frontline in the supply chain - to monitor the issues they face in many different markets, globally, regionally and locally.

Supply chains have become increasingly complex and global in nature. This interconnectedness means supply chains may be exposed to risks that are not fully apparent from the outset. This only heightens the need for greater resilience to be maintained throughout such arrangements.

That's why I am delighted that we commissioned The Economist Intelligence

Unit to conduct a global survey capturing private-sector sentiment on international trade. Through the inaugural *Trade in Transition* series, with reports at the global and regional level, the insights from this annual exercise will help shape the solutions we and other logistics businesses produce in the future. Our aim is to air the issues trade enablers and supply chain managers face and to keep economies moving, connecting people, business and nations in the global economy, helping to encourage supply chain resilience for the benefit of all. Ensuring smarter trade for the benefit of everyone.

The global logistics community has already started taking clear and decisive action. According to *Trade in Transition*, 83% of senior executives responsible for their firms' international sales and supply chains said they were actively reconfiguring their supply chain arrangements in direct response to the pandemic.

The coronavirus pandemic has brought the importance of robustness and resilience to the forefront of the logistics industry. Successfully managing a supply chain and meeting targets during a period of disruption will emerge as a true measure of quality, and one that particularly matters in 2021 and our immediate futures.

I am a great believer in solutions – the world faces many problems but throughout human history we have shown that where there is the will, innovation and determination we can produce solutions. In this age of the mind, I am confident we will pull through.

I hope you find *Trade in Transition* useful, informative and a contribution to the issues we face as an industry and as active participants in the global supply chain.

About this research

Trade in Transition is a global research programme led by The Economist Intelligence Unit, sponsored by DP World, which presents private-sector sentiment on international trade. In this year's report, we specifically explore the impact of covid-19 on companies' trade operations and the resulting shift in approach to international trade by private-sector firms.

The research is based on two global surveys of senior executives involved in their firms' day-to-day international trade decisions and transactions. The first survey of 3,000 respondents was conducted between January and March 2020 and the second survey of 800 respondents was conducted between October and November 2020. Both surveys captured perspectives of executives across six regions (North America, South America, Europe, Middle East, Africa, and Asia-Pacific). The survey findings were supplemented with in-depth interviews with trade experts and senior executives across regions and sectors.

This report focuses on the global findings.

We would like to thank the following experts for their time and insight:

Marion Jansen, director, trade and agriculture directorate, OECD

Mukhisa Kituyi, secretary general, UNCTAD

Simon Paris, CEO, Finastra

Robert Ward, director of geoeconomics and strategy, International Institute for Strategic Studies

Rick White, chair, International Agri-Food Network

Harry Broadman of Berkeley Research Group served as an advisor to the *Trade in Transition* project and provided feedback on early drafts of this and subsequent reports.

This report was written by Chris Clague and edited by Siddharth Poddar.

Executive Summary

In April 2020, the outlook for world trade was worse than grim. That month the World Trade Organisation (WTO) released a report forecasting that, in its worst-case scenario, the pandemic could push trade down by 32% by year's end. It was a striking figure, but also within the bounds of reason. Most of the world's major economies were in lockdowns of varying severity, international travel had come to a near halt and supply chains for essential goods appeared on the edge of collapse.

However, data covering the first few months of the second half of the year show the fall-off lessening, and a recovery appearing underway. We won't know the full-year results for global trade flows in 2020 for a few months yet, but the most recent WTO forecast is for a 9.2% year-on-year decline – still a substantial drop, and slightly better than the current EIU forecast of a 10.6% fall, but far from the disaster feared earlier.

This report provides a summary of the global and regional findings from the *Trade in Transition* research, covering the results of our initial survey, fielded from January to March 2020, and a second, supplemental survey fielded in October and November. They include:

- **Great expectations, respectable results.** The initial survey found executives to be fairly optimistic about their international sales outlook for 2020. Only 10% of the 3,000 respondents expected a contraction. Despite the crisis unleashed by the pandemic, 42% of the 800 executives surveyed later in the year still said their firms' international sales expanded in the first half of the year, a higher figure than might be expected.
- **Shock(s) to the system.** Did the pandemic cause a demand shock or a supply shock? Or was it more of a logistics shock? The top response was a demand shock, selected by 40% of respondents. Supply shock fell in the middle with 33% and logistics at the lower end at 28%. Some experts suggest, however, that it's more accurate to think in terms of a rolling succession of shocks rather than any single one in isolation.

- **Breaking the chains.** Eighty-three percent of executives surveyed across the world answered their firms are currently in the process of reconfiguring their supply chains, an astounding figure. There are concerns this might constitute an overreaction, not least because many supply chains actually functioned quite well during the pandemic.
- **Enter politics.** In both surveys, politics—government policy, tariffs, geopolitics—was among the top concerns for executives. The pandemic has exacerbated an existing trend towards industrial policies, “Made in” initiatives and domestic content requirements to increase self-sufficiency. These policies have a spotty record of success, at best, but that doesn't mean they are going away.
- **A supposedly easy thing...** It's neither a cheap nor an easy task to reconfigure a supply chain. As our survey results show, it is a long and expensive process. On average, firms in our survey who are reconfiguring their supply chains are reallocating 32% of their revenue from the first half of 2020 to do it. Thirty-four percent of respondents are reallocating between 10-29% of revenue, another 30% between 30-49% of revenue and 22% are reallocating 50% or more.

Introduction

In April 2020, the world trade outlook for 2020 was worse than grim. That month the WTO released a report forecasting that, in its worst-case scenario, the pandemic could trade down by as much as 32% by year's end. It was a striking figure, but also within the bounds of reason. Most of the world's major economies were in lockdowns of varying severity, international travel had come to a near halt and supply chains for essential goods appeared on the edge of collapse.

However, data covering the first few months of the second half of the year show the fall-off lessening, and a recovery appearing underway.¹ "By the middle of the year there was some optimism," says Dr Mukhisa Kituyi, secretary general of the United Nations Conference on Trade and Development (UNCTAD), "especially when we started to see the recovery in China and Vietnam spreading [to other parts of the world]."

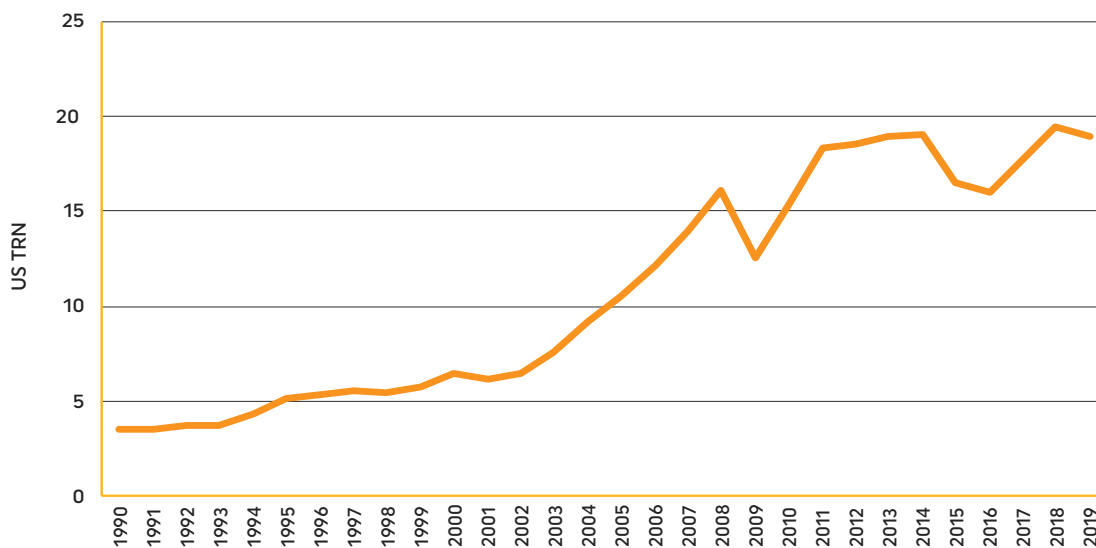
We won't know the full-year results for global trade flows in 2020 for a few months yet, but the most recent WTO forecast is for a 9.2% year-on-year decline – still a substantial drop, and slightly better than the current

EIU forecast of a 10.6% fall, but far from the disaster feared earlier. Looking at 2021 and beyond, Dr Kituyi and his organisation, more broadly, see a return to growth in trade, albeit with significant risks, including "corporate decisions and the influence of geopolitics on value chains".

Results of our second global survey also support this relative optimism while echoing, in part, the concern about risks. Fielded in October and November 2020, we asked executives across a range of industries and regions about the pandemic's effects on trade and their business, including changes in their international sales revenue in the first half of 2020 compared to 2019. This is a supplement to a 3,000-respondent survey fielded over the first quarter of 2020, during the initial stages of the pandemic.

This white paper summarises the global results of both surveys, with a focus on the fall 2020 tallies. It is the lead in a series of papers that dive deeper into results from both surveys, highlighting significant regional and sectoral findings, some of which are also included in this paper.

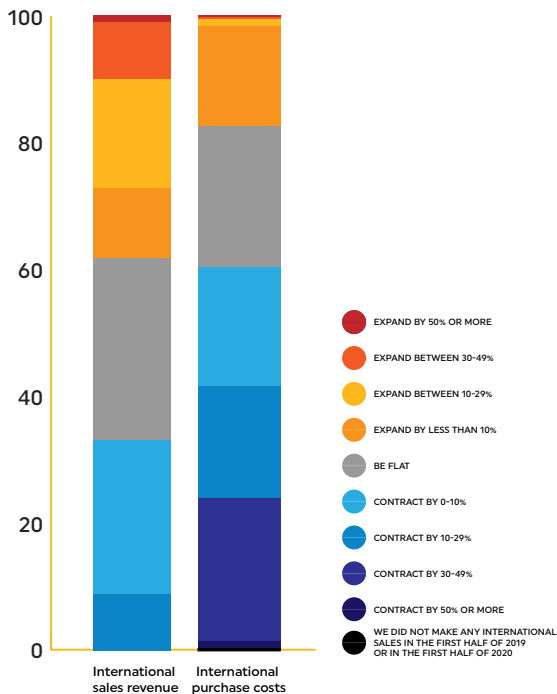
FIGURE 1
Global merchandise trade by value, 1990 - 2019



Source: UNCTAD

¹ Global Trade Update. UNCTAD. October 2020. Available online at https://unctad.org/system/files/official-document/ditcinf2020d4_en.pdf

FIGURE 2
In 2020 how do you think your firm's international sales revenues and international input purchase costs will change?



The Economist Intelligence Unit survey January - March 2020

GREAT EXPECTATIONS, RESPECTABLE RESULTS

Our initial survey indicated pre-pandemic expectations for trade for 2020 were strong. Seventy-seven percent of respondents believed their firms' international sales would expand in 2020, with 13% indicating their trade would increase by 50% or more compared to 2019, and an additional 15% expecting the figure to rise 30-49%. Less than 10% of respondents expected a contraction in their international sales, an encouraging result given that growth in global merchandise trade had been fairly anaemic in the preceding years.

Few, if any, respondents could have known in the first quarter of 2020 of the scope and scale of the crisis the global economy would be soon confronting. Yet for many of them, the pandemic apparently hasn't been so dire, at least as far as cross-border sales are concerned. Forty-

two percent of respondents reported in our second survey, fielded in October and November 2020, that company-wide international revenue expanded in the first half of 2020 and 19% reported no change from the previous year. Thirty-nine percent report a contraction in international sales and although we don't have a metric for comparison, that figure is encouraging at a time when only one of the world's major economies, China, is registering economic growth.

Among the sector groupings, the highest number of executives (58%) reporting expansions in the first half of 2020 were those in construction and energy.² This is covered in our regional report on North America where the director of policy at the Business Council of Canada highlights an increase in spending on lumber because "everybody is renovating" and so "anything geared towards households is in high demand". The five benchmark timber prices tracked by the World Bank show this continuing into the second half of the year as well, with prices up by 4-8% between June and December.³

After construction and energy, four sectors were grouped in the 41-43% range: consumer goods, retail and electronics (43%), industrials (42%), services and health and pharma, both at 41%. Firms diversified within or across sectors found themselves positioned well to weather the crisis. In Asia, for example, Sintesa Group, an Indonesian conglomerate with interests spanning property, health care, consumer goods and energy, saw a series of shocks to its real estate and industrial businesses. But as group, CEO Shinta Widjaja explains in our Asia regional briefing paper, its consumer staples business performed well as demand for food and health-care products rose. In North America, the multinational conglomerate Honeywell's aerospace division was hit hard by the rapid decline in air travel, a negative shock counterbalanced by a positive shock in demand for products from the firm's safety division and warehouse and automation products.

Unsurprisingly, only 30% of firms in the logistics, travel and transport sector grouping reported an expansion in international sales, while 55%

² In the smaller second survey, industries were grouped into sectors for the sake of statistical significance.

³ World Bank Commodities Price Data (The Pink Sheet). The World Bank. 2 February 2021.

Available online at <http://pubdocs.worldbank.org/en/804991612306143358/CMO-Pink-Sheet-February-2021.pdf>

reported a contraction (14% reported no change from the previous year). Air passenger volumes plummeted as countries across the globe instituted national lockdown measures and restrictions on international travel.⁴ Logistics firms were not only affected by that drop, which cut “belly capacity” on passenger flights, but also had to contend with a global slowdown in manufacturing, and supply shortages in key industries, such as automobiles. Some of this was offset by a massive shift to e-commerce, but for many, that was not enough.

SHOCK(S) TO THE SYSTEM

Everyone recognises the pandemic as the shock to the global economy—and more importantly for purposes here, global trade—that it clearly was, and to a lesser degree, continues to be. Disagreements begin over the nature of the shock. Unlike the Global Financial Crisis (GFC), which is generally but not universally accepted to have been a demand shock,⁵ the covid-19 crisis presents a far more difficult combination of factors for economists, analysts and policymakers to separate. Due to lockdown measures globally, supplies of a variety of goods immediately became dearer (some more temporarily so than others). But they did at a time of depressed demand, also a product of the lockdowns and resultant drops in economic growth.

Not looking to settle the debate, but rather to gain some insight from executives who have had to deal with both sides of the problem, we asked in our October–November survey which of the two had the greatest negative impact on their firms’ company-wide international revenue in the first half of 2020. We also added a third option, a logistics shock – logistics being the bridge between supply and demand both domestically and for international trade. It was defined, in short, as a “difficulty in arranging or contracting for logistics for procuring or selling your firm’s goods”.

It ranked third globally among the three shocks, with 28% of executives ticking it as having the greatest impact. At the top was demand shock, selected by 40% of respondents, with supply

shock in the middle at 33%.⁶

Africa-based executives had by far the highest rate of reporting logistics shocks (48%), not a surprising result given the poor state of infrastructure across much of the continent. Executives based in the Middle East mostly cited a demand shock, equally as unsurprising given the region’s dependence on global demand for energy and petroleum products to fuel growth. Supply shocks were most common among South America-based executives (46%) and Asia-based executives (40%).

The difference in results across sectors was not very stark. But the fairly even distribution of response rates across the three types of shocks, a few outliers aside, illustrates a key point about the impact of the pandemic on trade that is made in the Asia regional paper by Tamara Oyarace, national trade policy and research manager at the Export Council of Australia. It was in fact a succession of shocks, she says, rather than any one of the three alone. “The first shock was in demand. Then it was a supply shock. Then the logistics challenge emerged very strongly.”

For those in search of a single cause, Ms Oyarace’s explanation has the vice of nuance. For everyone else it has the virtue of seeming to be accurate. The immediate uncertainty around the virus, and the back-and-forth nature of government responses, hit demand at the start, hard in many cases. Demand didn’t necessarily rebound as the situation became slightly more settled in the ensuing months, but it didn’t bottom out either. Then, for a while, the demand that endured was unmet because of production stoppages and logistics bottlenecks.

Which brings us to one of the more debated trade issues resulting from the crisis.

BREAKING THE CHAINS

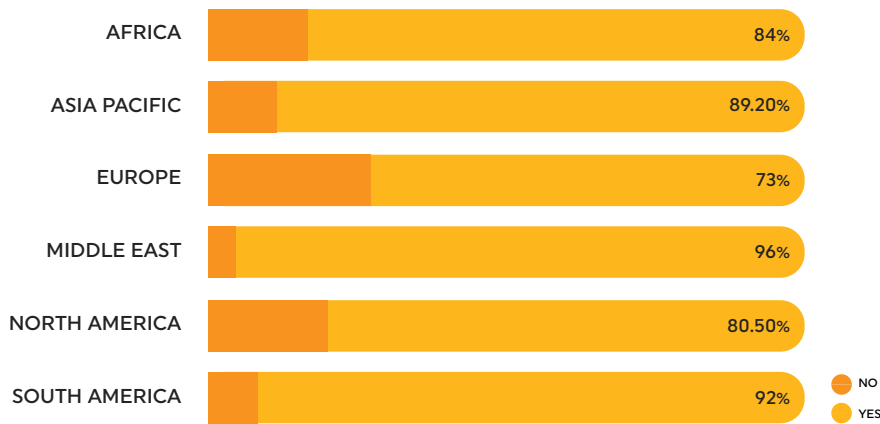
For at least the past decade, economists, journalists and consultants have been predicting a great shift in global supply chains. It started with the observation that wages were rising on China’s eastern seaboard, cutting into the labour-arbitrage play multinational companies had been profiting from even

⁴ Air Passenger Market Analysis. International Air Transport Association. November 2020. Available online at <https://www.iata.org/en/iata-repository/publications/economic-reports/air-passenger-monthly-analysis---november-2020/>

⁵ Are financial crises demand or supply shocks? VOX EU. 3 March 2020. Available online at <https://voxeu.org/article/are-financial-crises-demand-or-supply-shocks>

⁶ Rounding means the figures don’t sum to 100%

FIGURE 4
Are you reconfiguring your supply chain?



The Economist Intelligence Unit survey, October - November 2020

before the country joined the WTO in 2001. With few exceptions, firms opted to absorb the hit to their margins and stand pat rather than move production elsewhere. Through natural disasters, new trade agreements and newer trade wars, that has more or less remained the case. There has been no great shift.

The pandemic might finally be providing the impetus. Eighty-three percent of executives surveyed across the world said their firms are currently in the process of reconfiguring their supply chains, which we define as one or more of the following: switching or adding new suppliers, using different logistics providers and changing production or purchasing locations. A plurality, or even a slim majority, could potentially be dismissed, but that is harder to do when four-fifths of the executives appear to agree.

Moreover, the differences between regions, among firms of different sizes (as measured by annual revenue) and in different sectors, and the level of seniority of the respondents were, for the most part, not significant. "Only" 73% of executives based in Europe, for example, said their firms are reconfiguring their supply chains, the lowest among the six regions; the highest figure was in the Middle East at 96%, albeit from a smaller sample size. The distribution was similar for the sectors covered, with professional services—which don't really have supply chains in the traditional sense of assembling and trading tangible goods—at the low end at 63%

and electronics at the high end at 92%.

But are they right? Or is this just the herd of corporate minds stampeding towards a solution to a problem that has perhaps been exaggerated? For all the early pandemic stories about runs on toilet paper and other consumer goods, at least in the developed world, most global supply chains, as they were structured, "worked quite well", says Marion Jansen, director of the trade and agriculture directorate at the OECD, a club of mostly rich countries. A temporary lack of goods, like personal protective equipment, medicines and disinfectants provided a "psychological shock" to people in many countries, but there was "rapid response at a global level", says Ms Jansen that ended many shortages.

Rick White, chair of the International Agri-food Network, a coalition on international trade organisations, mostly agrees. "There were certainly hiccups at the beginning," Mr White says, referring to questions about the availability of agricultural inputs and labour and the impact that would have on the planting season. But in the end they held; although he did express concerns that this resilience in the food supply chain was not as present in the developing world as it was in countries like Canada, where he is based.

In light of this, asked about our survey results indicating a possible over-correction in supply chains, Simon Paris, CEO of Finastra, a UK-based fintech firm, and the chairman of the World Trade Board, says he's not too concerned. "The

attention on supply chains has been elevated dramatically. Economic actors have had to ask themselves 'Do we have sufficient redundancies, sufficient resilience?' and 'What if this happens again?'" All important questions, Mr Paris says, adding that "ultimately, economics prevail."

ENTER POLITICS

Whether the global trading system actually worked in a time of major crisis might be moot if domestic policy decisions and geopolitical considerations can't be crafted and agreed in a way that retains the economic benefits. Economics may not prevail in this debate, at least not in some countries, and that bodes ill for trade.

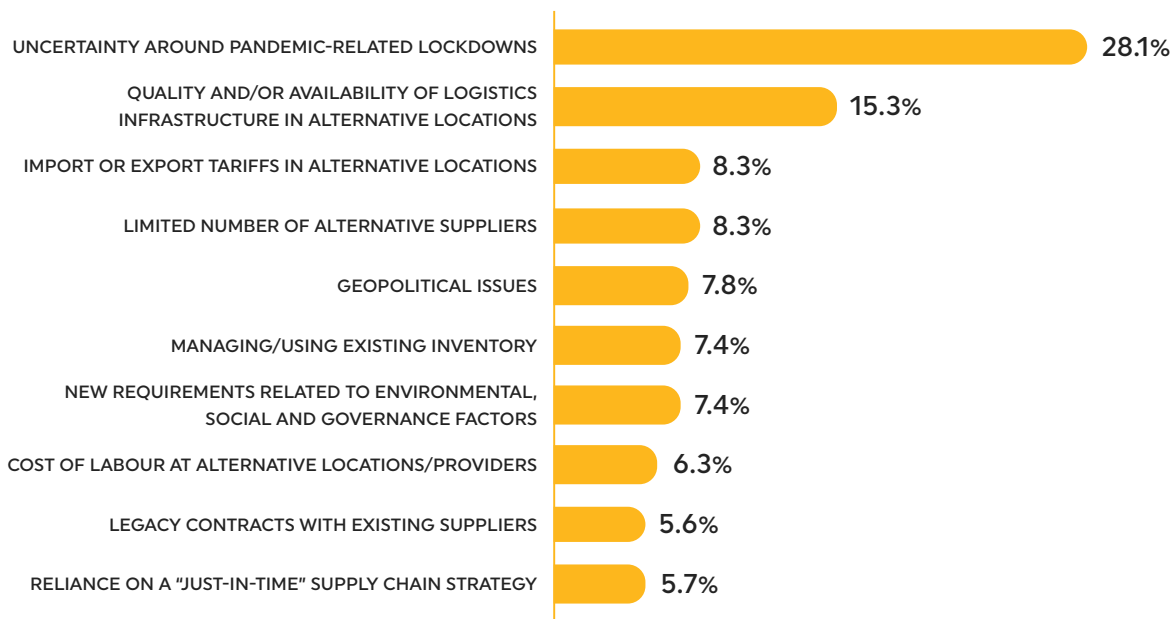
In our first survey, early in 2020, tariffs and government policy were the second and third most cited reasons (out of eight choices) among executives whose firms' international sales revenue had contracted in the year before (the first was the availability of human capital). In our survey fielded later in the year, when asked about the greatest barrier to reconfiguring their existing supply chains during and post-pandemic, tariffs and geopolitical issues were third and fifth, respectively, out of ten, with uncertainty around pandemic-related

lockdowns coming first.

One of the pressing questions overhanging the global economy, and by extension trade, is decoupling, says Robert Ward, director of geoeconomics and strategy at the International Institute for Strategic Studies (IISS), a think-tank. But not just decoupling in the strictest, most commonly understood sense of the term, which refers to the ongoing attempts by both the US and China to lessen or sever their economic ties and dependencies. "In some respects [what we're seeing] is a kind of North Koreanisation of policy," says Mr Ward, referring to *juche*, the country's governing philosophy of self-reliance.

That may be extreme, but almost all of the world's major economies are either already implementing or in the process of developing a mix of industrial policies, domestic content requirements and subsidies for firms to reshore production. Smaller and medium-sized economies are following suit, too. The most prominent are China's "Made in China 2025" and "Buy American" in the US, one of the few initiatives the Biden administration is carrying over from its predecessor. The EU announced a yet-to-be defined concept of "Strategic autonomy" in late 2020, as well as a more targeted strategy for pharmaceutical

FIGURE 5
What is or will be the greatest barrier to reconfiguring the most critical portion of your firm's existing supply chain(s)?



The Economist Intelligence Unit survey, October - November 2020

production meant to address “direct dependence on manufacturing in non-EU countries”. India’s current government has been more unabashed, calling its plan *Atmanirbhar Bharat*, or “self-sufficient India”. Meanwhile, Japan, South Korea and Taiwan are all offering various incentives for firms, particularly those in strategic industries, to route more, most or all of their supply chains through their home markets. The list goes on, from the Asia-Pacific to Africa, the Middle East and many points beyond and between.⁷ What it all means for companies is not yet clear. It’s never been clear and so the recent history of these policies is, to be generous, mixed. That is to say most haven’t achieved their stated goals of boosting employment and wages or increasing self-sufficiency. The reasons vary, but include factors such as: lack of domestic raw materials and other inputs that simply can’t be procured domestically, at scale or at all; skills and knowledge gaps that take years to fill; and insufficient infrastructure that likewise takes years, if not decades, to build or repair.

However, that isn’t stopping governments from continuing to try. Mr Ward of IISS sees three sectors where efforts are likely to increase in the coming years: technology, health care and food security. The implications of that for global trade is a subject we return to in the concluding

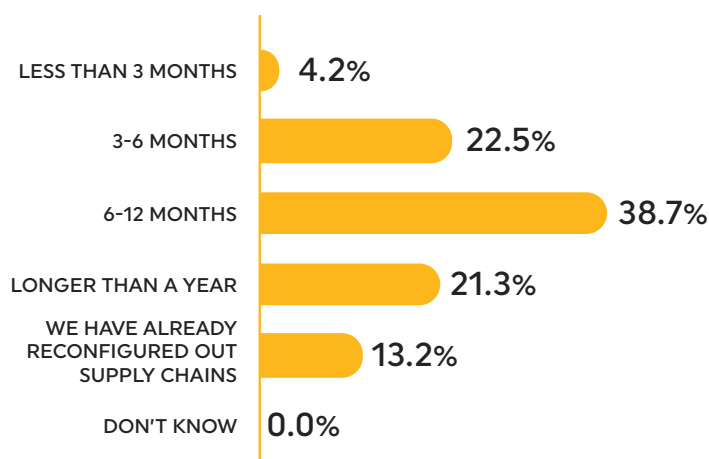
section of this report.

A SUPPOSEDLY EASY THING...

Another factor governments don’t seem to consider is the sheer complexity of global supply chains. It’s neither a cheap nor an easy task to rearrange even a few links, let alone reshore the entire production to a single market, even when the key factors of production are available. It is one of the more persistent misconceptions about supply chains; perhaps because so many focus on “just-in-time” delivery, policymakers and their advisors assume that they are easy to move on short notice. This is not the case in most industries. Supply chains are the products of years of investment, relationship-building and education and training, among a host of other factors. They cannot change overnight.

On average, firms in our survey who are reconfiguring their supply chains are reallocating 32% of their revenue from the first half of 2020 to do it. Thirty-four percent of respondents are reallocating between 10-29% of revenue, another 30% between 30-49% of revenue, and 22% are reallocating 50% or more. Considering that companies with more than \$500m in annual revenue comprise half the survey sample size, the sentiment could indicate massive spend in the coming months and years

FIGURE 6
How long does your firm estimate it will take to reconfigure your supply chain?



The Economist Intelligence Unit survey, October - November 2020

⁷ Some of these policies are discussed in more detail in the regional briefing papers

on supply-chain shifts.

Also among this group, 39% said that the process will take between 6-12 months and 21% said it would take longer than a year. In contrast, just over 4% said it would take less than three months while 23% said 3-6 months. Thirteen percent of respondents had already reconfigured their supply chains at the time of the survey.

The regional and sector variations in length of time are somewhat as expected. Among Asia-based executives, for instance, slightly more than a quarter were of the view it would take longer than a year to reconfigure their firms' supply chain, the highest rate.

The region's supply chains are arguably the deepest, most entrenched and most complex of anywhere in the world, criss-crossing numerous maritime and land borders, trade agreements and political systems. Add to that the uncertainties around the pandemic, vaccine rollouts and the US-China trade conflict, and you have a recipe for a long process. However, many firms are still likely to remain in the region according to executives and experts interviewed for the Asia regional report. There is "movement around intra-Asia trade being the new dynamic," says Marc Mealy, senior vice president of policy at the US-ASEAN Business Council, an advocacy group, echoing much the same sentiment expressed by Steven Beck of the Asian Development Bank, Robert Koopman, chief economist at the WTO and Victor Fung, group chairman of Li and Fung Group.

Africa presents a similar story in many respects, although its supply chains are not as developed as they are in Asia. Nearly the same share of executives based there (24%) answered that it would take a year or longer to reconfigure their supply chains as a result of the pandemic. Eighty-four percent answered that they were already in the process of doing so, marginally over the global average of 83%.

Africa also has a new trade agreement—the African Continental Free Trade Agreement (AfCFTA)—that came into force on January 1st 2021, months if not potentially a full year or more ahead of Asia's Regional Comprehensive Economic Partnership (RCEP), an agreement signed by its 15 members but not yet ratified by enough for it to have come into effect. With

demographics on its side, expectations are high that AfCFTA could stimulate intra-African trade and growth in the way it is hoped the RCEP will.

Africa- and Asia-based executives also share views with their counterparts in the rest of the world on whether these supply chain reconfigurations will result in more localisation of production or government-mandated reshoring. There is near-consensus that it won't. Asked to select from nine factors that will be the most important in determining how their firms will be conducting international trade transactions between now and 2025, only 7% overall picked government reshoring mandates and just 8% localising production. There were no outliers either, not at the regional level or even the sector level. Only time will tell if this cohort of 90%-plus executives is prescient or blinkered, particularly on government-mandated reshoring.

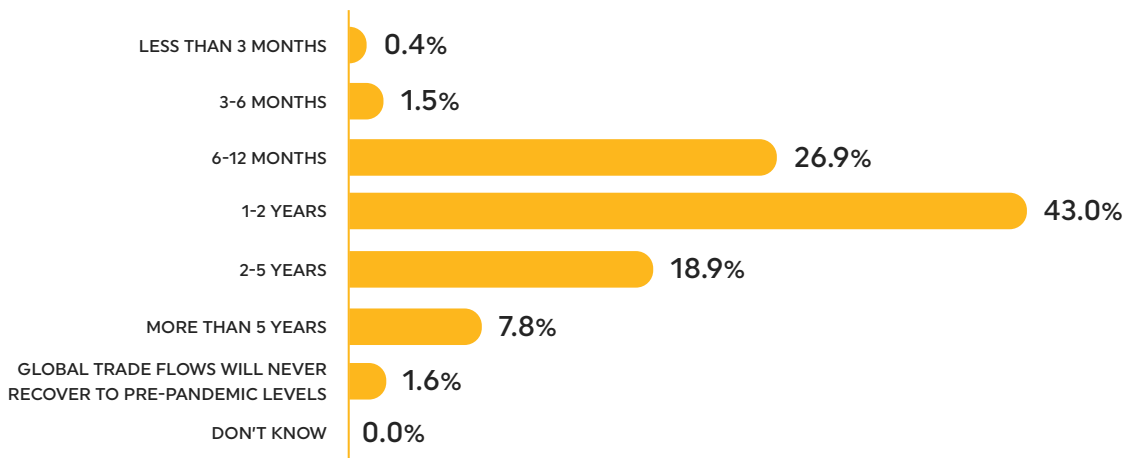
THE SHORT(ER) ROAD TO RECOVERY: GFC VS COVID-19

How any of this will impact the recovery in trade in the long-run is, like most informed predictions and forecasts, still a guessing game. The most recent comparison would be the GFC in 2008-09. From when the value of merchandise trade began trending downward in August 2008, it took over two years for monthly trade flows to fully recover, according to EIU calculations using the Netherlands Bureau for Economic Policy Analysis' World Trade Monitor, a monthly index of global trade.

More than 70% of respondents to our survey believe trade will recover from the effects of the pandemic in even less time. Asked how long it will take for global trade to return to the same level as the second half of 2019, nearly 27% answered 6-12 months; 2% even believe that it will take less than six months. The most common response was between one and two years, which 43% of respondents selected. Only 8% believe that it will take more than five years and less than 2% believe trade will never recover to pre-pandemic levels.

Across sectors, the most optimistic for a quick recovery was among consumer goods firms, with 36% of them indicating it would take less than a year. Two of the sectors that showed the most pessimism—those with the highest

FIGURE 7
How long do you think it will take for the world's trade flows to recover to the same level as the first half of 2019?



The Economist Intelligence Unit survey, October - November 2020

percentage of respondents answering the recovery would take more than five years—were health and pharmaceuticals (14%), and IT (11%). This is surprising since both have been at the centre of the pandemic and are experiencing substantial growth: health and pharmaceuticals for obvious reasons, and IT because it has enabled companies to continue functioning amidst the lockdowns.

With the exception of construction, energy and natural resources, executives in other sectors—industrials, logistics, transport and travel, and general services—are more hopeful.

THE LONG(ISH) ROAD AHEAD

Their hope may prove justified.

Most cheering for trade perhaps is that there is a new administration in the US. While it is likely to bring more of a change in tactics than overall trade strategy, especially regarding China, the world should benefit from a more deliberate, transparent and predictable policymaking process in Washington. In our initial, pre-pandemic survey, "government policy" was selected by most respondents as the factor that was most likely to contribute to a contraction in their firms' international sales in 2020—likely stemming from the Trump administration's chaotic approach toward trade. More stable global economic leadership from

the US should help ameliorate some of this risk.

That a Brexit deal was also finally agreed in late December also removes the spectre of the UK crashing out of the EU. Neither side got everything it wanted in the agreement, but now that it is in effect (as of January 1st 2021), firms on both sides of the channel—and around the world—can at least begin to make informed decisions about trade and investment.

And, of course, there are the various covid-19 vaccines that have been developed, trialed and approved (in many countries) in the shortest time of any major vaccine ever. The approval process in some countries, like Japan, is behind and even where approval has been swifter, distribution bottlenecks and other constraints are keeping vaccination rates low, pushing back the achievement of herd immunity. But we are closer to that day than many projected we would be in the middle of 2020. The return to some semblance of normalcy that would bring will only help trade.

Still, once the pandemic is behind us, many significant risks and constraints will remain. The residual effects of import tariffs and export controls imposed on essential goods during the pandemic are likely to continue to weigh on trust between countries, as will

the drive towards greater self-sufficiency, if it continues. Tensions between the US and China will remain unresolved, particularly in the area of technology, but with the potential for further spillover into health care and food security. The WTO, long diminished as a forum for advancing trade liberalisation at the multilateral level, has seen its capability to resolve these types of trade disputes severely damaged, with the prospects for repair in the near-term dim at best. And then there's the matter of the massive shortfall in trade finance, an oft-overlooked but vital aspect of global trade.⁸

Executives and experts interviewed for the *Trade in Transition* series recognise these and other problems, but believe, as with covid-19, they can be overcome. Robert Koopman, chief economist and director of the economic research and statistics division at the WTO, argues that "sudden policy uncertainty or economic uncertainty...does not mean a retreat from globalisation." Simon Paris of Finastra takes a wider view to inform his optimism: "If we restrict trade, we will see more conflict, more poverty and more migration." "Ultimately," he says, "self-interest will prevail."

Let's hope Mr Koopman, Mr Paris and all the others who, to one degree or another, share their views, are proven right.

⁸ Trade Financing and COVID-19: Priming the market to drive a rapid economic recovery. International Chamber of Commerce. May 2020. Available online at <https://iccwbo.org/content/uploads/sites/3/2020/05/icc-trade-financing-covid19.pdf>

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