



ECB Forum 2020

“De-Globalisation? Global Value
Chains in the Post-COVID-19 Age”

Pol Antràs (Harvard)

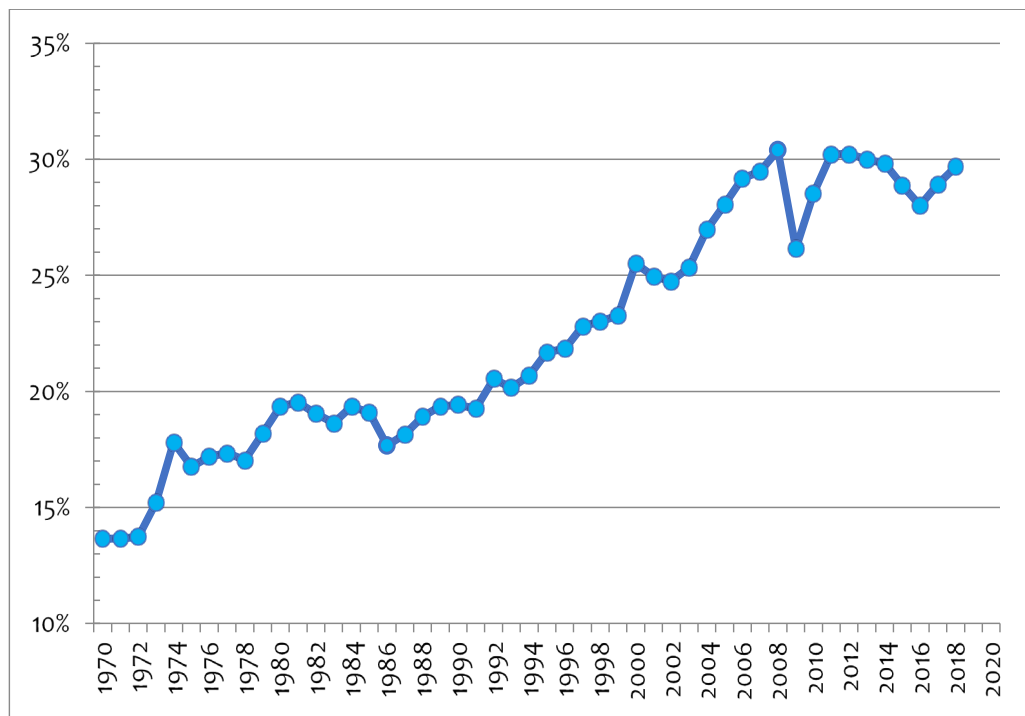
Road Map

- Review recent trends in the global economy
 - Have we entered a phase of de-globalisation?
 - Are global value chains retrenching?
- Study trade and GVC dynamics during the COVID-19 health crisis
- Speculate on the future of globalisation and of GVCs
- I will structure presentation around 10 points
 - More in the background paper

De-Globalisation? The Facts

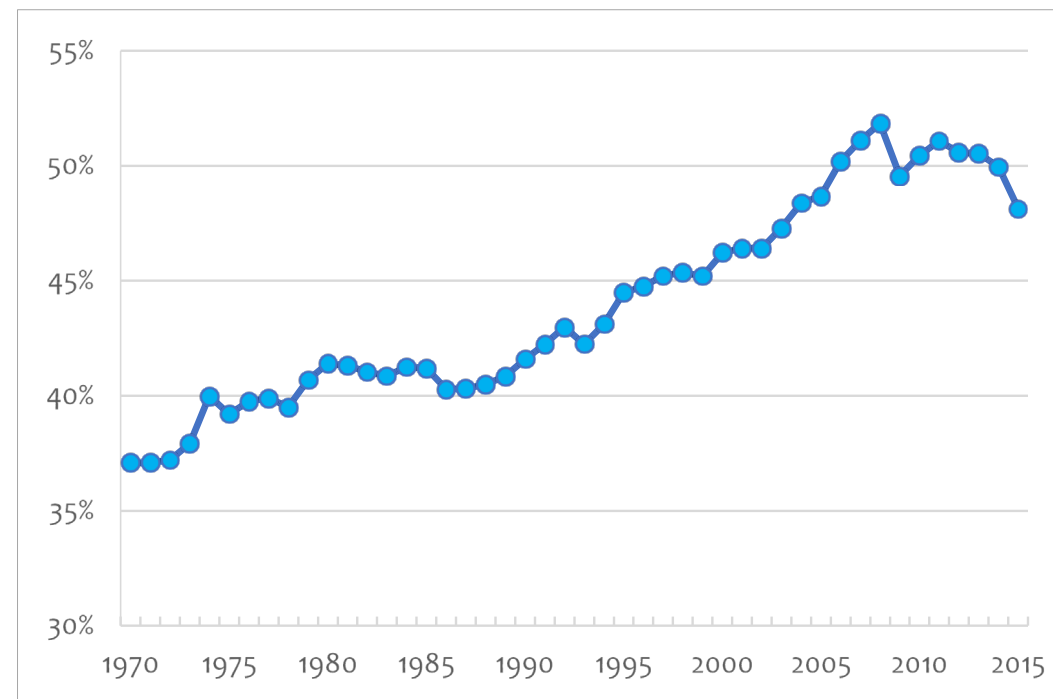
Point #1: Slowbalisation not De-Globalisation

Chart 1. World Trade over World GDP (1970-2018)



Source: World Bank's World Development Indicators ([link](#))

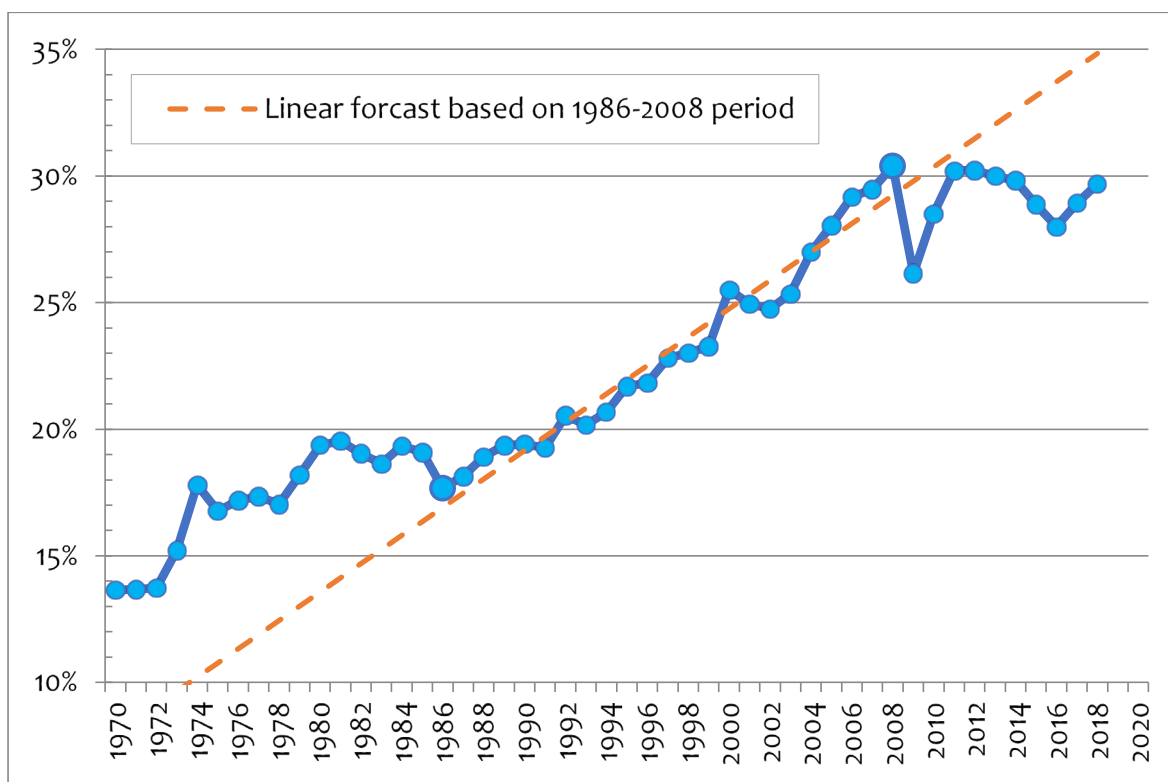
Chart 2. GVC Trade as Percentage of World Trade



Source: Borin and Mancini (2019), as reported in World Development Report (2020)

Point #2: Slowbalisation Was Inevitable

Chart 1. World Trade over World GDP (1970-2018)



Source: World Bank's World Development Indicators ([link](#))

The Period of Hyperglobalisation

Point #3: Three Key Drivers of Hyperglobalisation

1. **Technology:** Information and Communication Technology Revolution
 2. **Policy:** Acceleration in multilateral and regional trade liberalization
 3. **Politics:** Political developments that brought about a remarkable increase in capitalist “labour” force
- **Implication:** Disintegration of production across borders

De-Globalisation and Technological Factors



Point #4: Technology Will Continue to Foster Trade

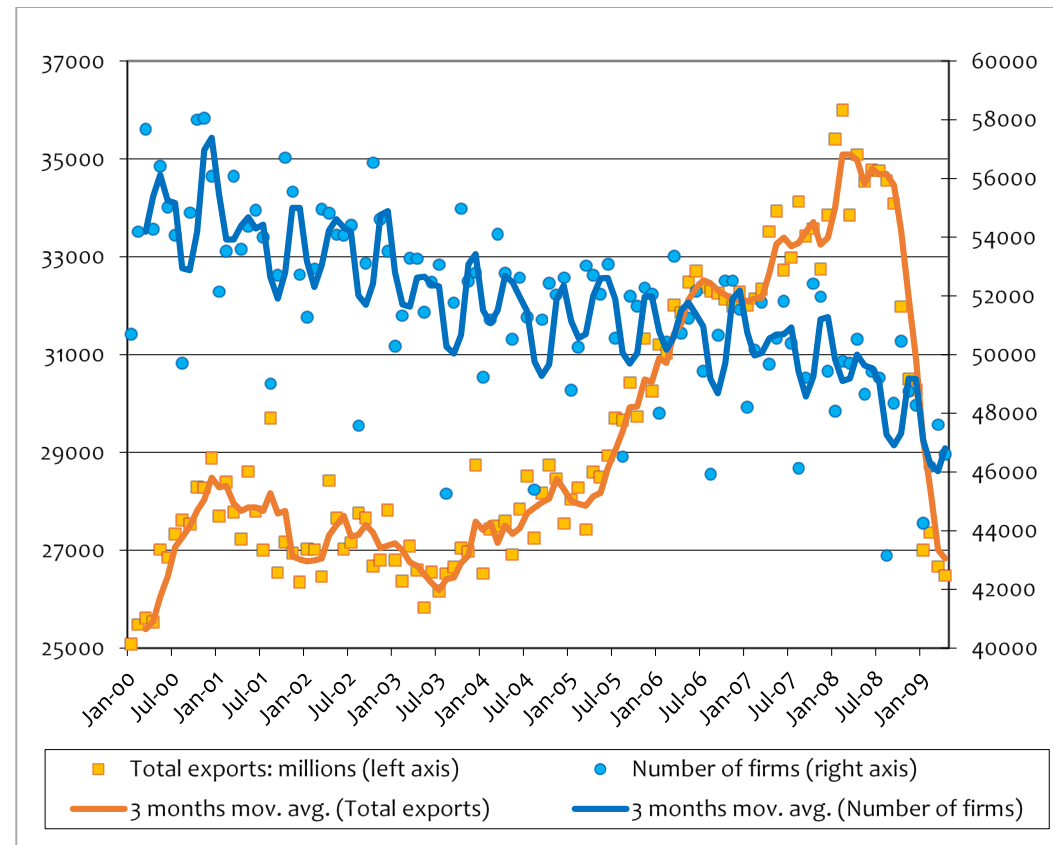
- The ICT revolution certainly did
- Significant new technological developments:
 - Automation / Industrial Robots
 - 3D Printing
 - Digital technologies
 - Open distributed ledgers (Blockchain)
- Although some appear to substitute for labour, they tend to generate increased demand for traded goods (e.g., automation)

Point #5: Fixed and Sunk Costs and GVC Stickiness

- Fixed costs of offshoring generate scale economies (firms rationalize global strategies)
- Fixed costs are also often sunk in nature
- This has important implications:
 - *Ex-ante* decision to offshore \neq *ex-post* decision to reshore
 - Only persistent shocks generate large relocation

Stickiness: Evidence

Chart 9. The Extensive Margin of Trade during the Great Recession



Source: Bricongne et al. (2012, Figure 1)

De-Globalisation and Policy Factors



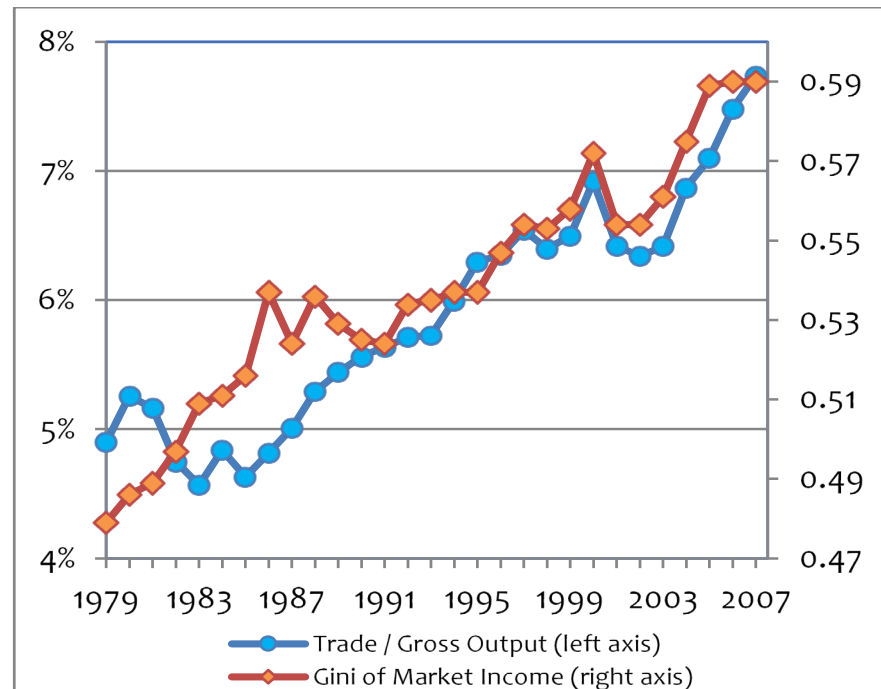
Point #6: There Are Signs of Growing Protectionism

- Three particularly worrisome developments:
 1. Multilateral liberalization agenda under the umbrella of the WTO is at an impasse
 2. Process of regional liberalization has also largely stalled, and shows signs of being in retreat (Brexit, USMCA)
 3. Recent U.S.-China trade war

Point #7: Inequality Caused Backlash

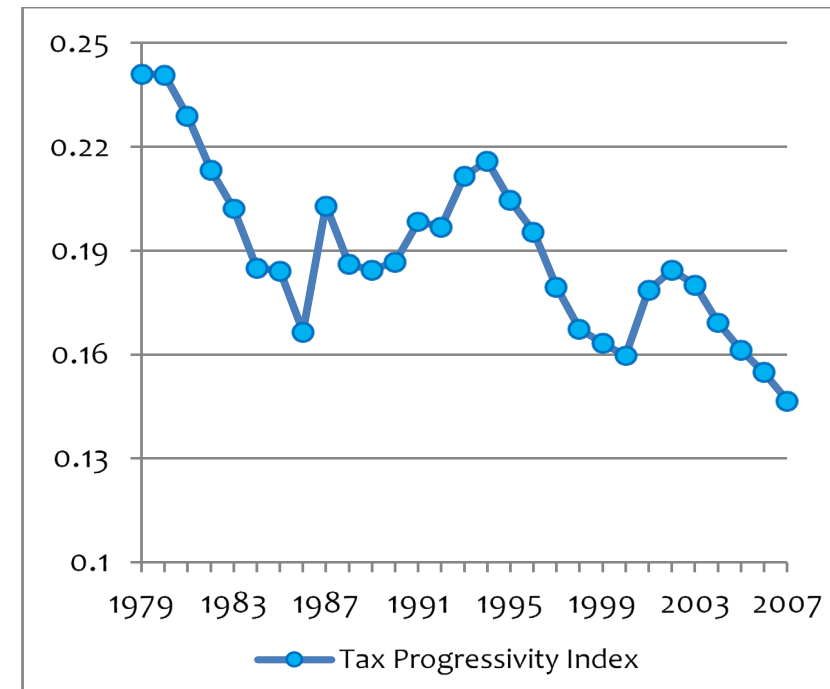
Chart 15. Inequality and Redistribution in the United States

Panel A. U.S. Trade Openness and Gini Coefficient



Source: Antràs, de Gortari and Itskhoki (2017).

Panel B. Index of U.S Tax Progressivity



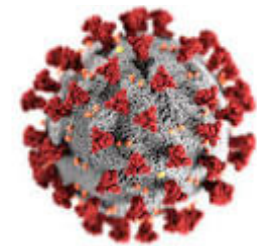
Source: Antràs, de Gortari and Itskhoki (2017).

Point #8: Underlying Forces Will Not Go Away

- We are likely to continue to see trade-induced inequality
 - Automation, digital technologies might give globalisation a second wind, but they will also increase inequality

- Will redistribution systems do a better job of compensating the losers from globalisation? Unlikely

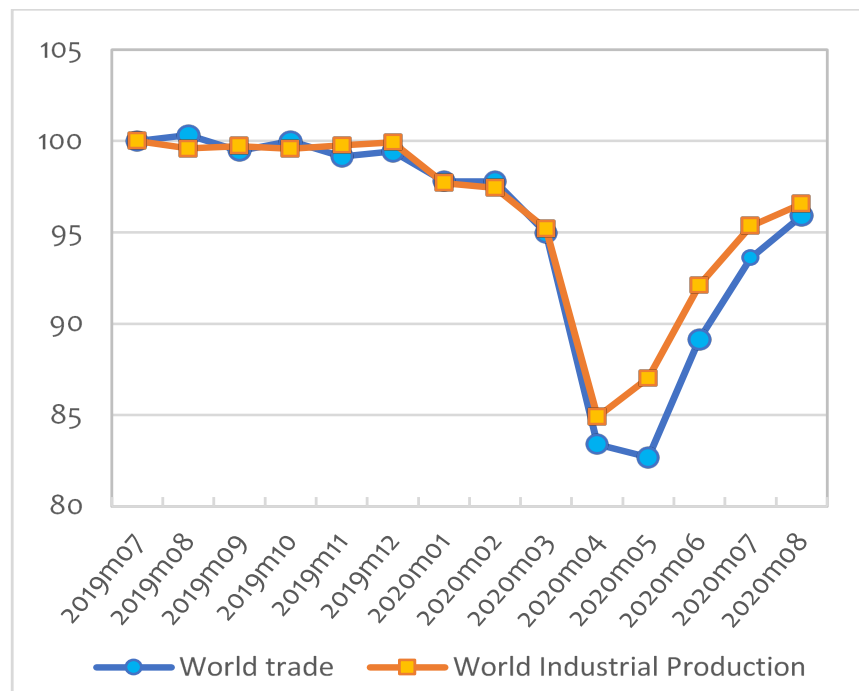
The COVID-19 Crisis and the Future of GVCs



Point #9: COVID Halted Trade but Fast Recovery

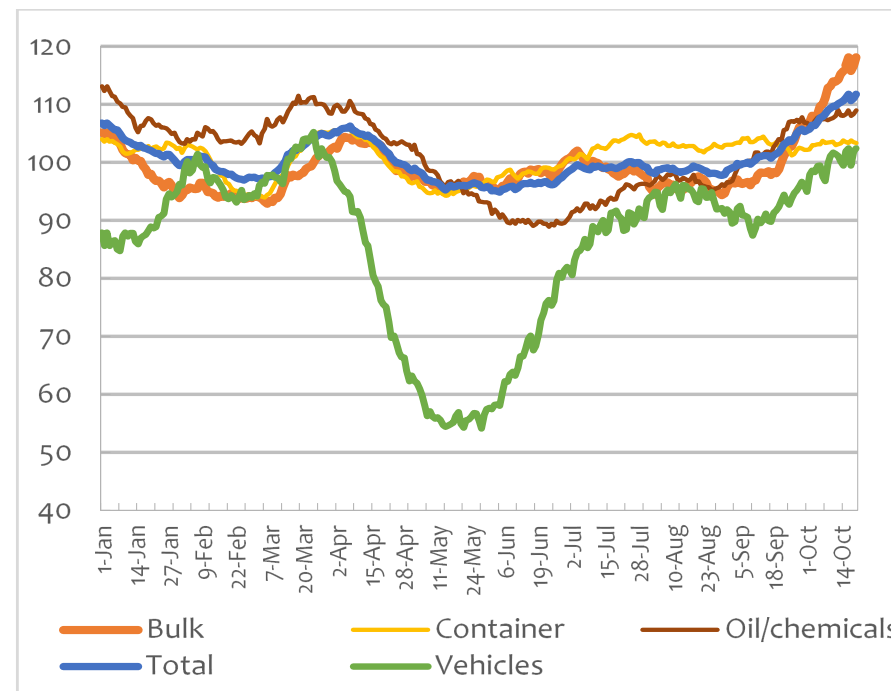
Chart 16. The Impact of COVID-19 On World Trade

Panel A. World Trade and World Industrial Production
(Index July 2019 = 100)



Source: CPB World Trade Monitor ([link](#))

Panel B. Estimated Metric Tons of World Exports
(30-day moving average in ratio to 2017-19 average)



Source: Cerdeiro, Komaromi, Liu and Saeed (2020); AIS data collected by MarineTraffic ([link](#))

Point #10: COVID-19 and Trade in the Long Run

- Decline in face-to-face interactions is likely to persist (though obviously in a less dramatic manner)
- But technical change might make virtual interactions a better substitute for face-to-face interactions
- More worrisome is the political landscape post COVID
 - Diplomatic tensions (“China/Wuhan” virus), EU tensions
 - Effects of the pandemic on inequality → populism

Conclusions

- Not obvious that world economy is de-globalising, though there are clear signs of “slowbalisation”
- Hard to conclude that technological developments or COVID-19 are likely to fuel an era of de-globalisation
- Main challenge for the future of globalisation is likely to be institutional and political in nature