

CRT Insights

Is Trade Protectionism Really on the Rise?

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The last few issues of *Regional Trade and Beyond* tried to compile trade and economic cooperation related developments in different regions of the world. A close reading of the news throws up somewhat paradoxical stylized facts that characterize the global economy, when viewed from the angle of bilateral / regional trade and economic cooperation initiatives.

First, while the popular narrative is that there is considerable rise in 'economic nationalism' most often than not reflected in anti-trade and anti-FTA sentiments as well as protectionism, the developments across regions suggest that this is only a partial truth. In most of the regions of the world, there are new initiatives that are being implemented, negotiated and contemplated upon in the areas of trade and related domains. This is happening because countries do understand that trade can be an engine of growth and economic cooperation is crucial for countries to bridge demand-supply gaps and to alleviate size of the market constraints.

Secondly, the scope of trade and economic cooperation is getting expanded and deepened, engulfing not just trade in goods but also trade in services, investment, technology, skills, e-commerce, intellectual property rights, competition policy and so on. This has important underpinnings of the 'new economics' of Global Value Chains (GVCs) and Regional Value Chains (RVCs). Suffice it to say that unless these dimensions are taken up in a cooperative framework 'simultaneously' inter-country inter-dependence cannot fetch the fullest gains from trade and economic cooperation and any agreement would operate at a sub-optimal and low-level equilibrium. This is because these flows are interlinked, for instance, just an agreement in trade in goods may not provide a sufficient condition to harness the full potential of inter-country cooperation and thus hinder any attempts to be a part of any RVCs and /or GVCs.

Thirdly, countries are increasingly focusing on Non-Tariff Measures (NTMs) for improving standards of products. Driven by the health and food safety concerns there is a conscious attempt to focus on upgrading the quality of products. Countries that would lag behind on this front in terms of adhering to these would make these measures as Non-Tariff Barriers (NTBs) by default. Beyond this in any case NTMs would be used as NTBs as a future trade war instrument among nations. In other words, initiatives by countries in different regions, is an aspect that has to be kept on radar on a continuous basis. In any case, these are imperatives for domestic consumers as much as from the point of view of trade and inter-country supply chains.

Fourthly, countries are focusing on broader economic ecosystems including hard and soft infrastructural connectivity. This entails cooperation in mega-projects in the fields of inter-continental rail and road projects; cyber infrastructure; energy generation and grids; R&D; financial architecture, among others.

Thus, contrary to the popular narrative, regional and global economic dynamics are also being shaped by important trade and economic cooperation initiatives that need not be overlooked.

