

The Changing Global Trading System: Trends, Crises and Prospects

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New Trends of Global Trade and Investment

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The Global Trading System in Crisis

03



The Prospects of the Global Trading System

01

New Trends of Global Trade and Investment

1. The contribution of global (merchandise)trade to global economic growth has weakened



1

Trade growth continues to slow. Global merchandise trade grew at an average annual rate of 12.5% from 2000 to 2008, 5.5% from 2008 to 2014, and has slowed further to 3.1% over the past decade.

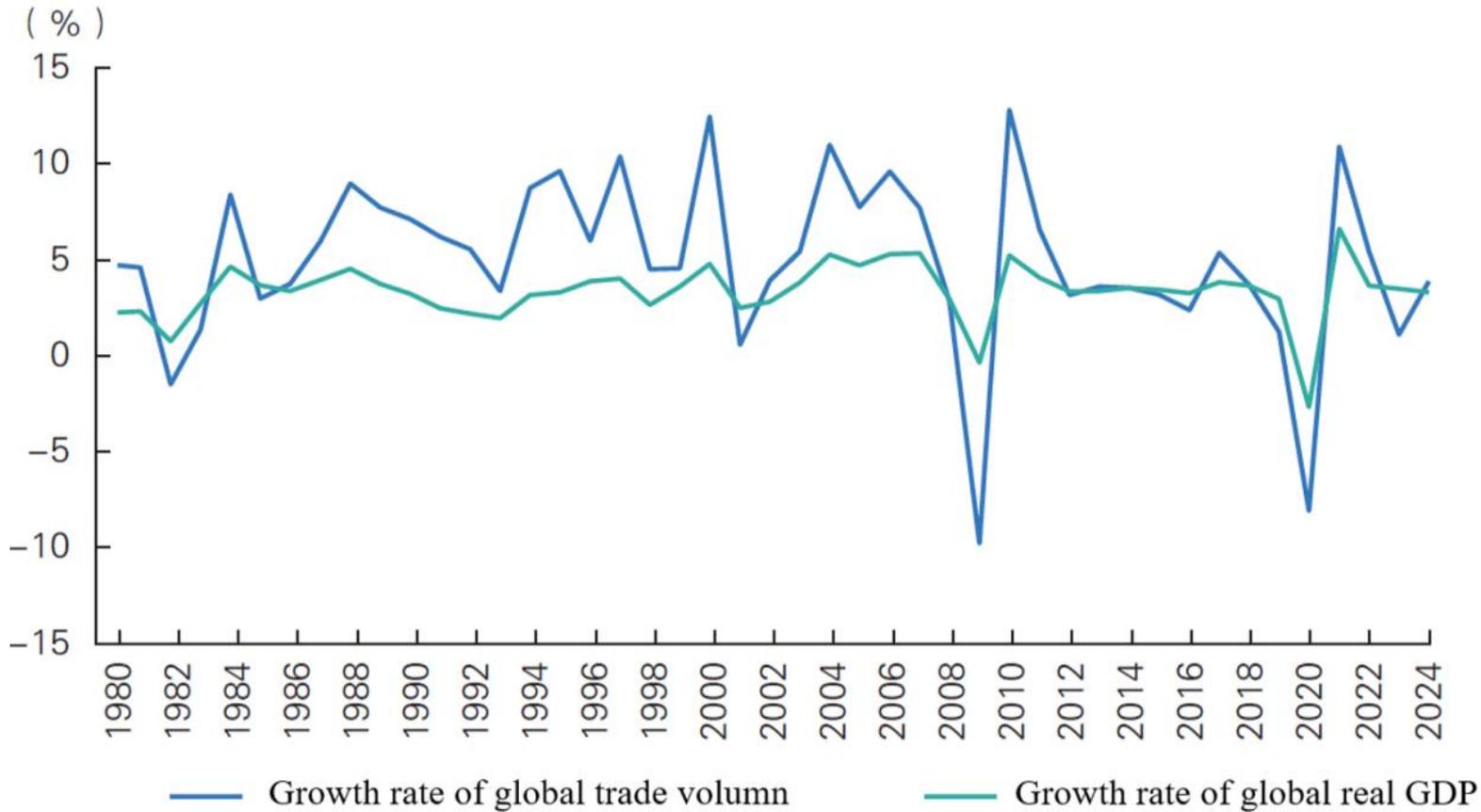
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According to UNCTAD, global trade volume reached approximately \$33.2 trillion in 2024, a year-on-year increase of 3.7%, reversing the downward trend seen in 2023.

3

In 2024, global trade accounted for approximately 30.0% of global GDP, a slight increase from 29.3% in 2023.

1. The contribution of global (merchandise)trade to global economic growth has weakened



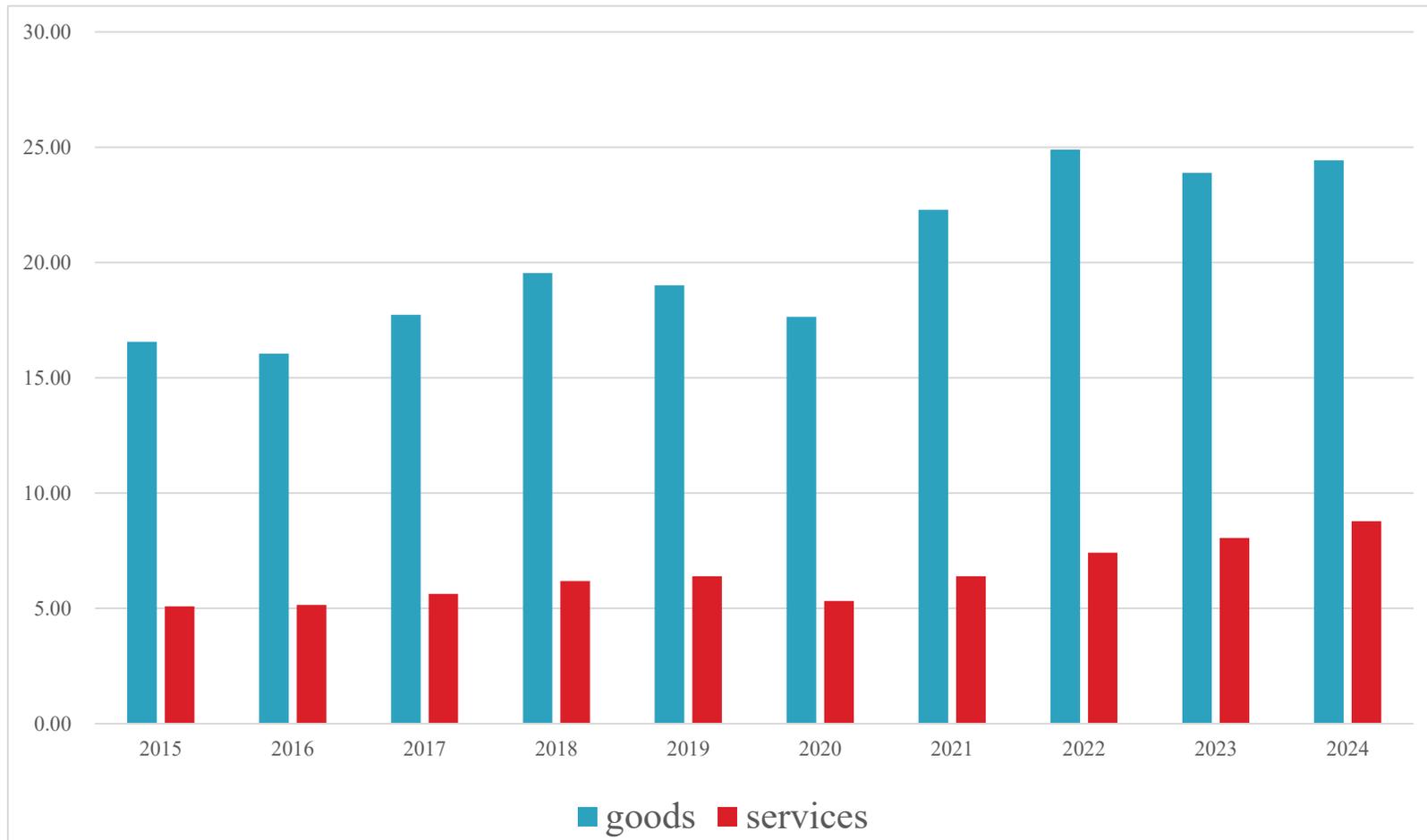
- **1995-2007:**
global merchandise trade grew at twice the rate of global GDP.

- **2008-2024:**
the average real growth rate of merchandise trade (2.1%) is lower than the average global GDP growth rate (2.6%).

Figure1. Global trade growth vs. Global real GDP growth, 1980-2024.

Source: IMF.

2. Trade in goods is slowing down, while trade in services and digital trade grows rapidly



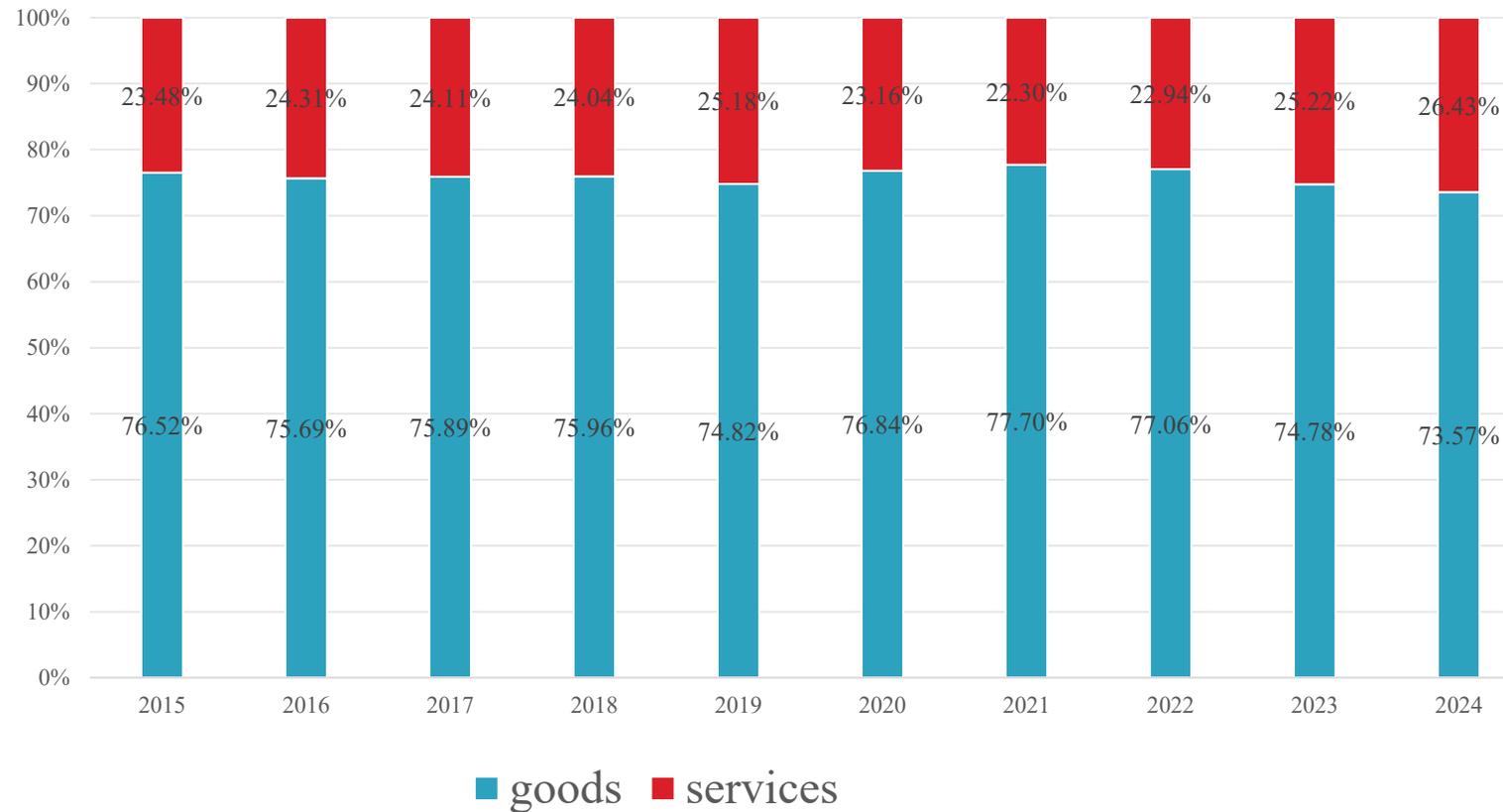
- Trade in goods remains dominant, but trade in services plays an increasingly vital role in global economy and international trade growth.

- In 2024, trade in goods registered approximately 24.4 trillion dollars, while the total volume of services trade was about 8.8 trillion dollars.

Figure 2. Changes in trade in goods and trade in services, 2015-2024.

Source: UNCTAD database (Unit: USD trillion)

2. Trade in goods is slowing down, while trade in services and digital trade grows rapidly



- Services trade continued its growth trend since 2021, with its share in global trade rising to a new high of 26.4% in 2024.

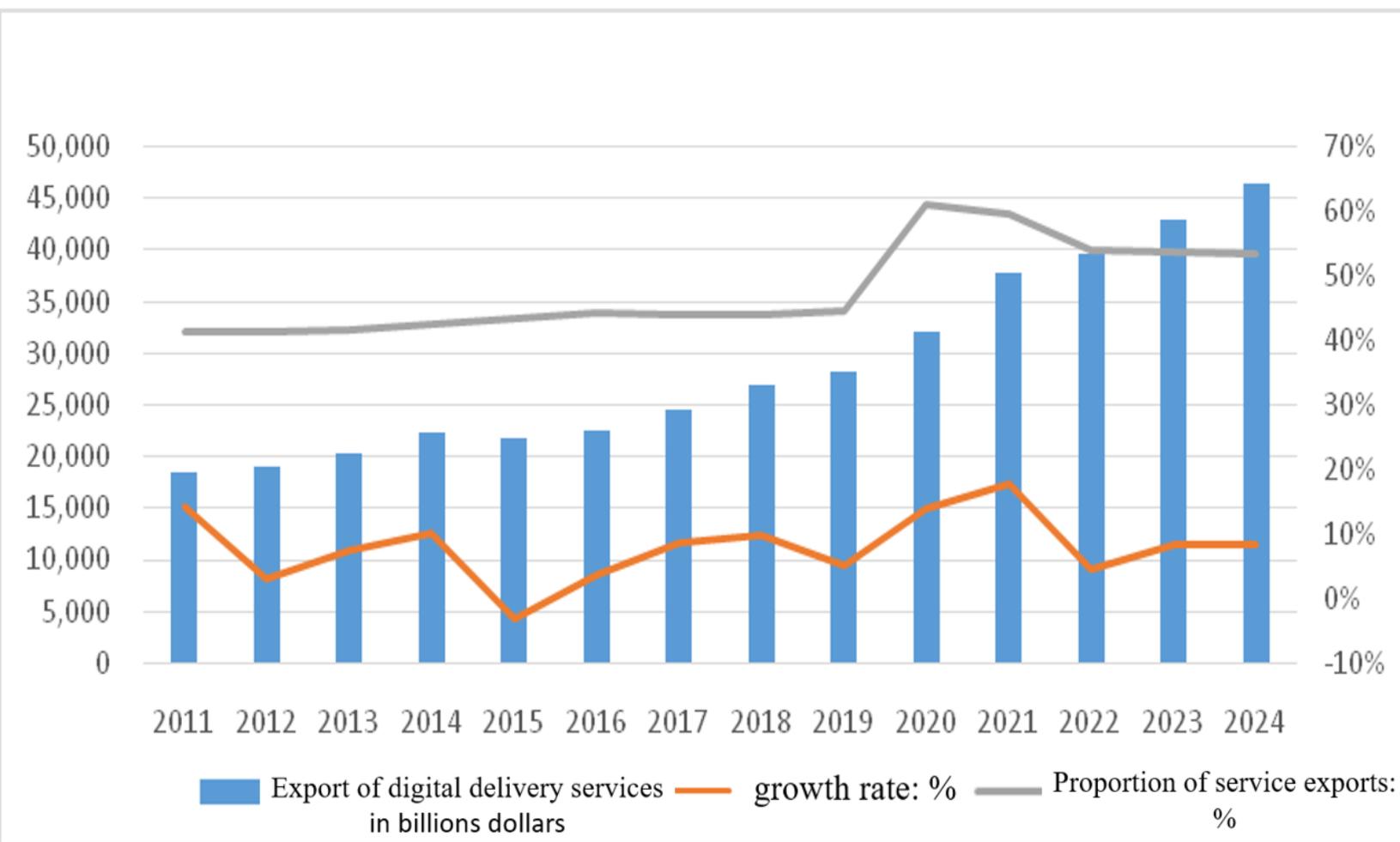
- In terms of incremental growth, goods trade grew by 2.3% in 2024, with an increase of approximately 500 billion dollars.

- Services trade went up by 8.8%, adding about 700 billion dollars to the global total and contributing nearly 60% to the global trade growth..

Figure 3. Changes in the share of trade in goods and services, 2015-2024.

Source: UNCTAD database.

2. Trade in goods is slowing down, while trade in services and digital trade grows rapidly



•Global digital trade has shown strong momentum.

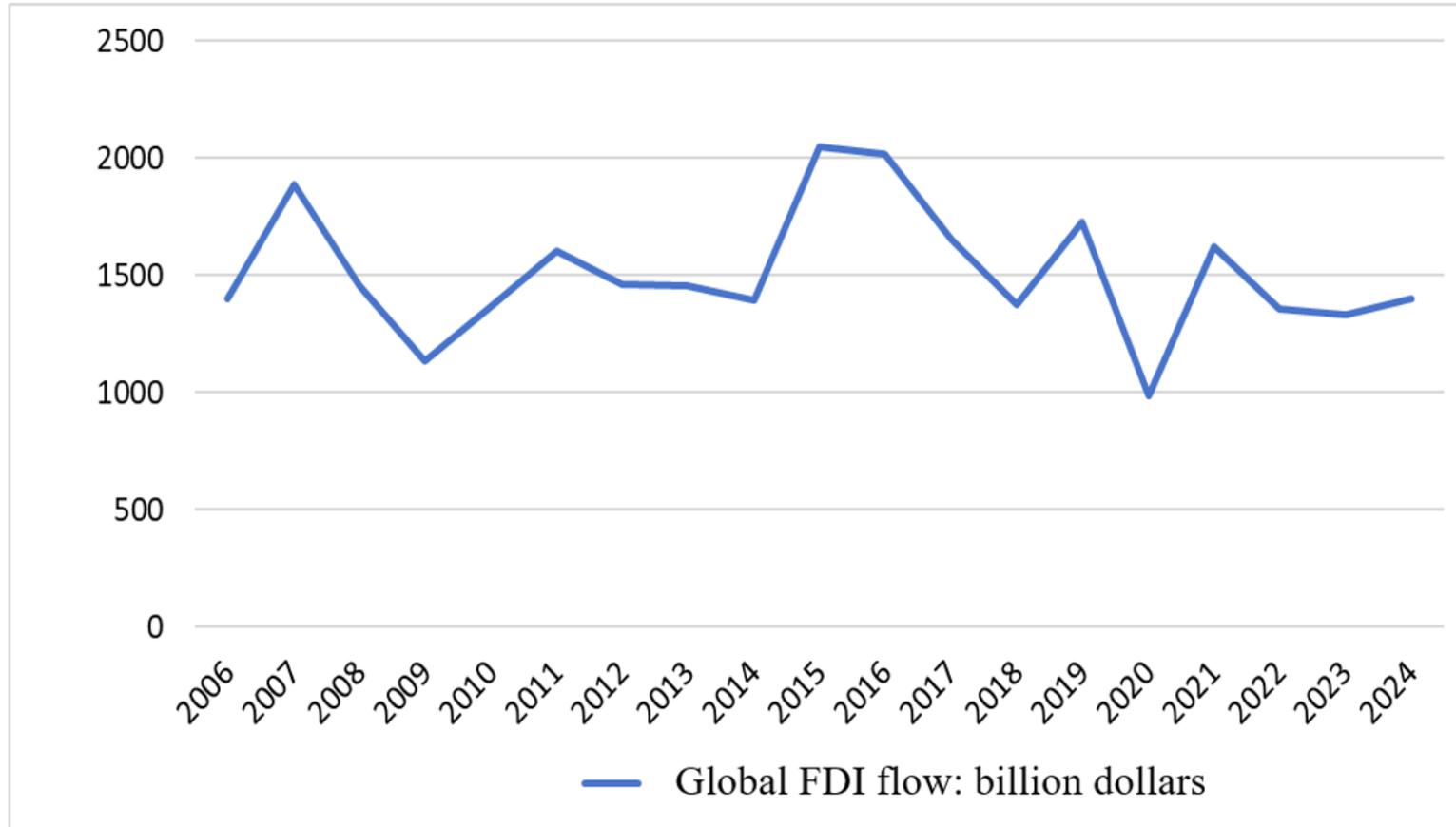
•Global digital service exports reached \$4.64 trillion in 2024, doubling in size from a decade earlier. The share of global service exports rose from 43% to 53%.

•WTO estimated that by 2040, digital technology will increase the average annual growth rate of service trade by 1.2 percentage points, indicating significant potential for further development.

Figure 4. Global Digital Delivery Service

Source: WTO.

3. Global FDI: Scale fluctuates downward



•Reached a high of 2.1 trillion dollars in 2015.

•FDI flows have generally shown a downward trend, with negative growth in the past three consecutive years.

•Fell to 1.3 trillion dollars in 2024.

Figure 5. Global Foreign Investment Flow from 2006 to 2024

Source: UNCTAD.

3. FDI: The contribution to global economic growth weakens

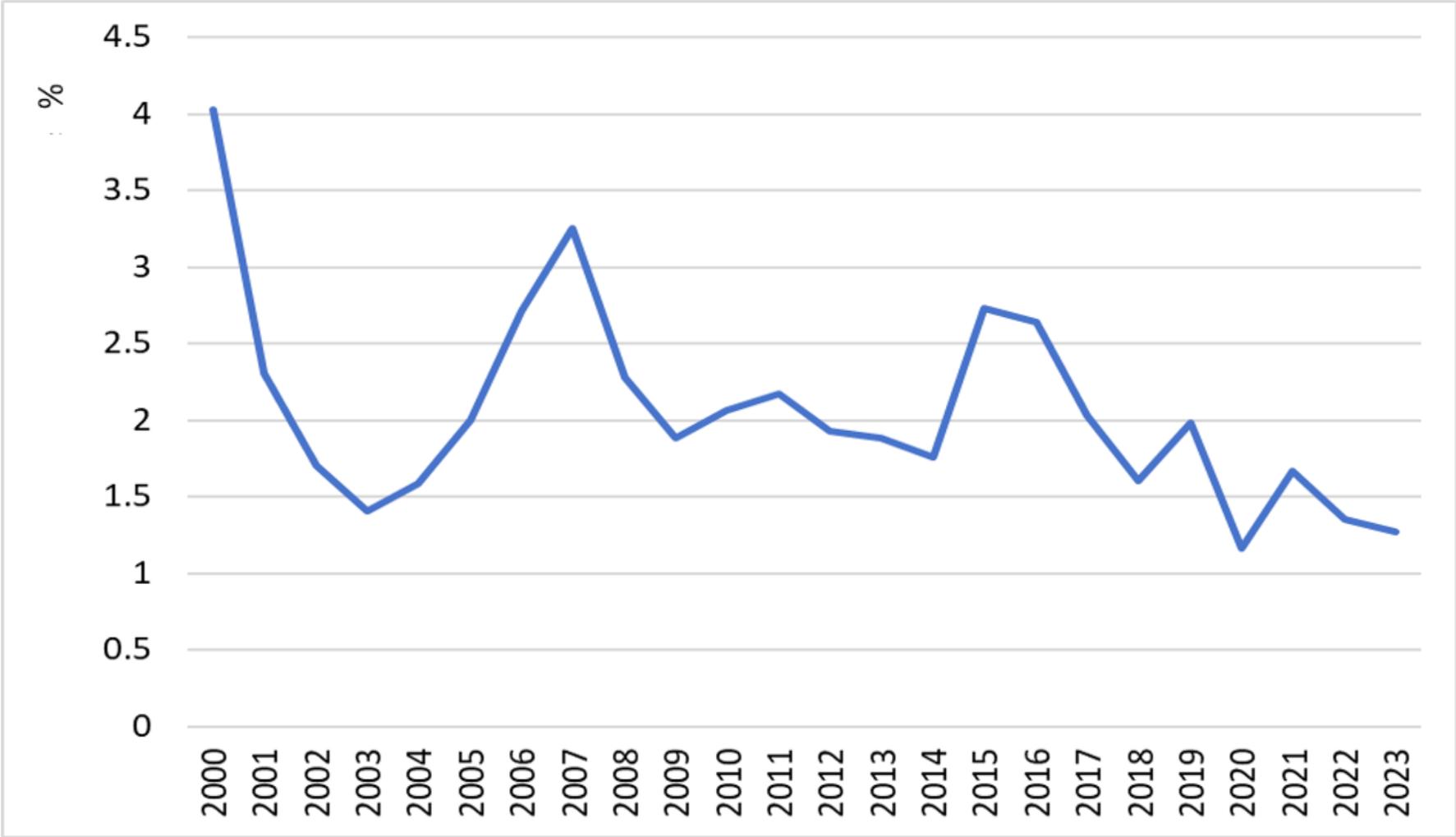


Figure 6. Proportion of Global FDI Flow to GDP from 2000 to 2023

Source: UNCTAD.

3.Global FDI: Services, green, digital and AI investments is booming

Services Investment

UNCTAD: services sector accounted for 81% of cross-border greenfield investment projects from 2020 to 2023, a 15 percentage point increase from the period from 2004 to 2007.

Green and low-carbon investment

Bloomberg: based on the goals set by the Paris Agreement, global energy transition investment will require an average of \$5.6 trillion annually from 2025 to 2030 alone. Green industries such as electric vehicles, clean energy, and green finance will create approximately 24 million jobs worldwide.

Digital and AI investment

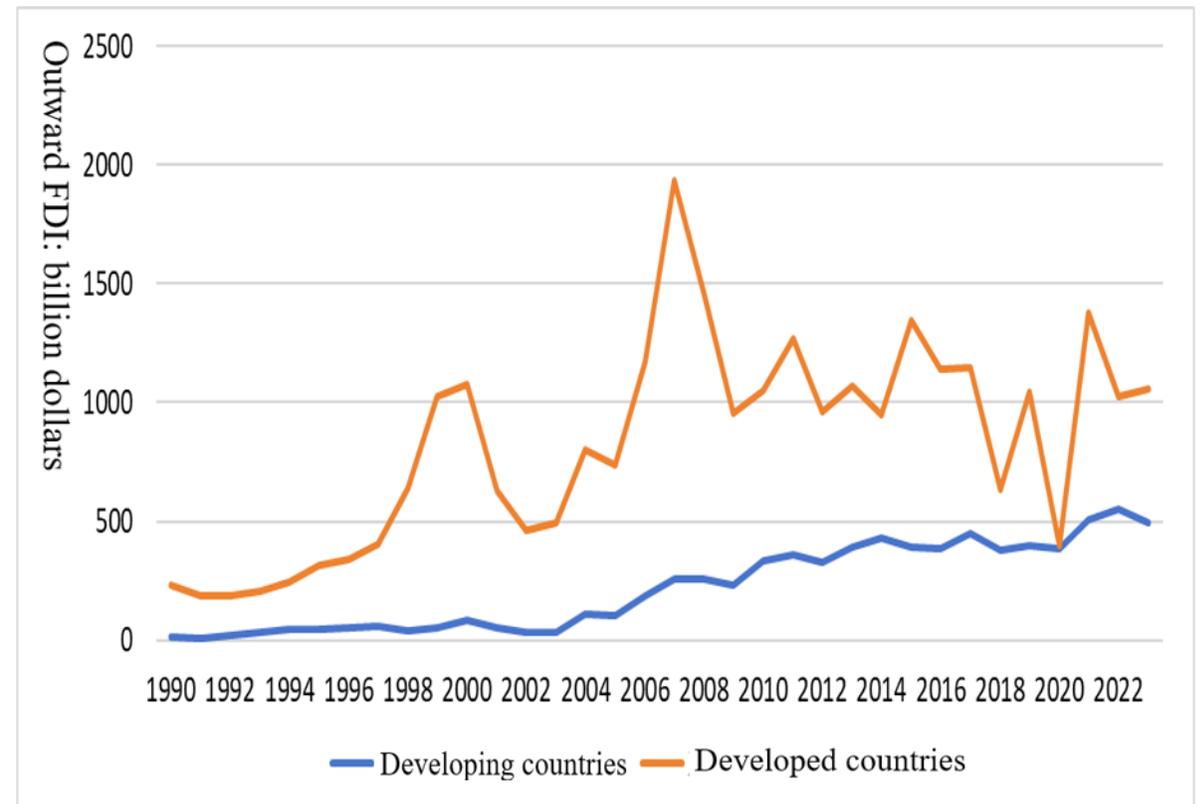
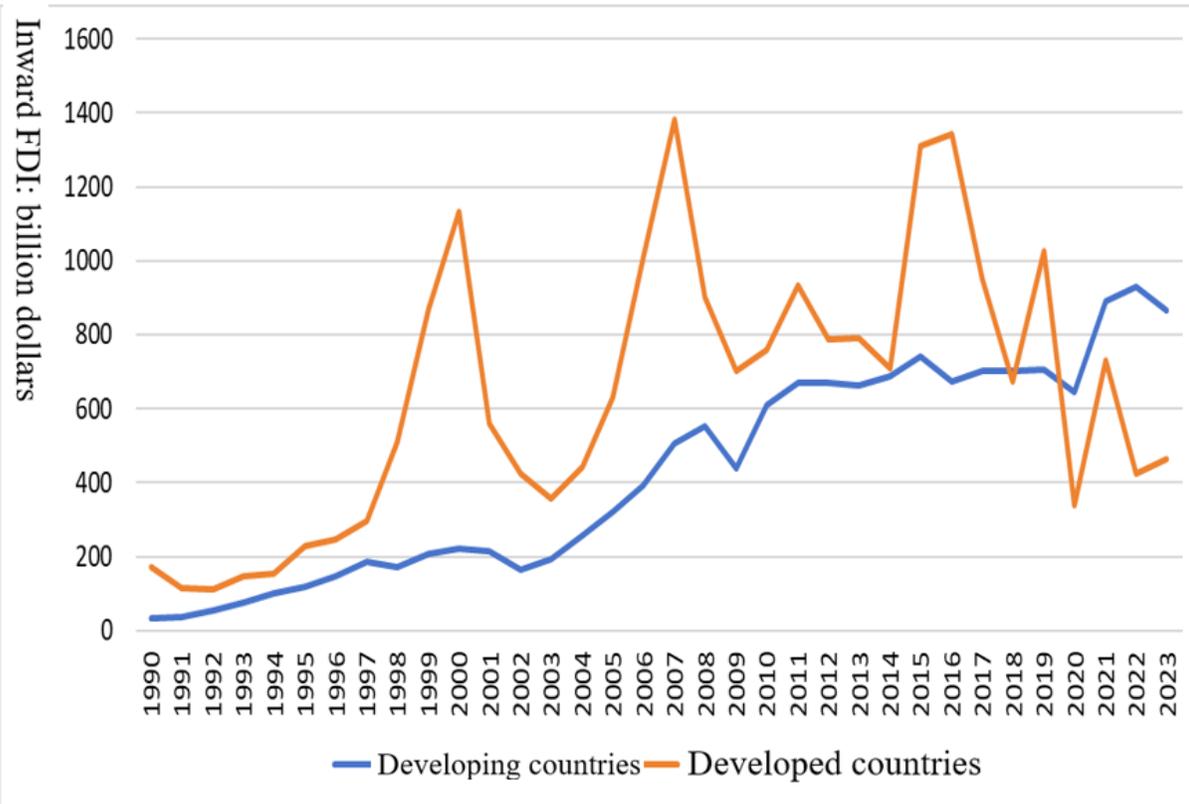
IDC: global corporate investment in generative artificial intelligence will grow at an annual rate of 86% from 2023 to 2027.

3. Developed economies and developing countries account for approximately 70% of global OFDI and FDI

•Over the past two decades, developed economies have experienced significant fluctuations in their use of foreign capital and outward investment, while developing economies have experienced steady growth.

•Developed economies are the primary recipients of outward direct investment, accounting for approximately 68% of global investment flows in 2023.

•Developing economies have become increasingly attractive to international capital, exceeding developed economies in terms of foreign investment for six consecutive years since 2019, and their global share has remained above 60% for the past two years.



4. The Global South is rapidly emerging as a key engine of world's economic growth

Economic Performance and Contribution

- **By 2024:** 40%+ of global output, 80% to world economic growth (IMF) .
- **By 2060:** share of global economic output will rise to 57% (OECD) .

Trade Performance

- Since 2000, merchandise trade in developed economies has tripled, while that in developing economies has increased 4.6 times, increasing their share of global merchandise trade from 30% to approximately 45%.
- In 2024, trade in developed economies will see almost zero growth (a 2% decline in the fourth quarter), while that in developing economies will grow by 4%.

FDI performance

- Continues to rise
- Outward investment stock rapidly increasing from 9% in 2000 to 22.5% in 2023
- share of utilized foreign capital rapidly increasing from 20.6% in 2000 to 32% in 2024.

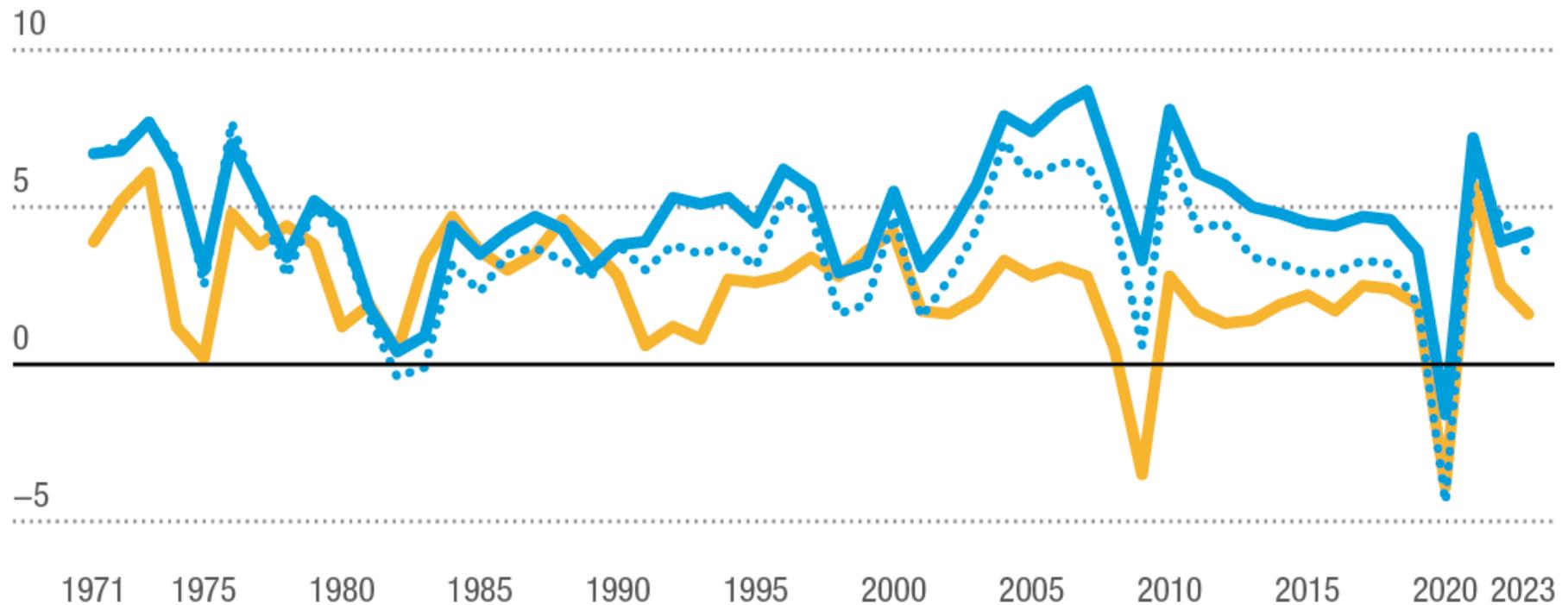
4. The Global South is rapidly emerging as a key engine of world's economic growth



Growth plunges across the board during crises, with the global financial crisis and COVID-19 crises having lasting effects

Real GDP growth rates
(Percentage)

— Developing economies — Developed economies ... Developing economies, excluding China

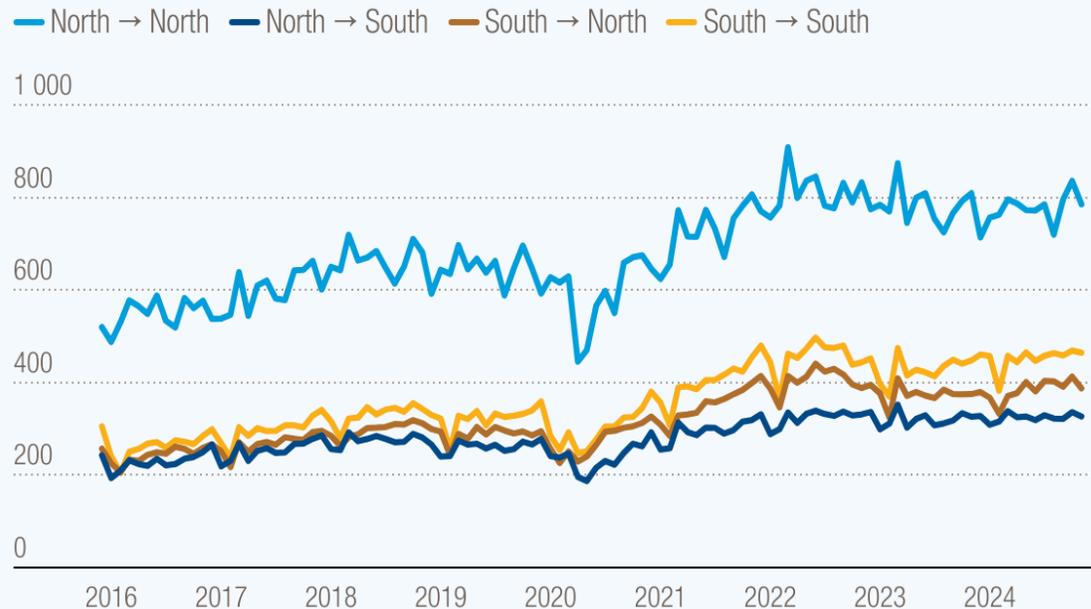


Source: UNCTAD.

4. South-south trade and investments are rising

Global trends: South-South trade has been increasing

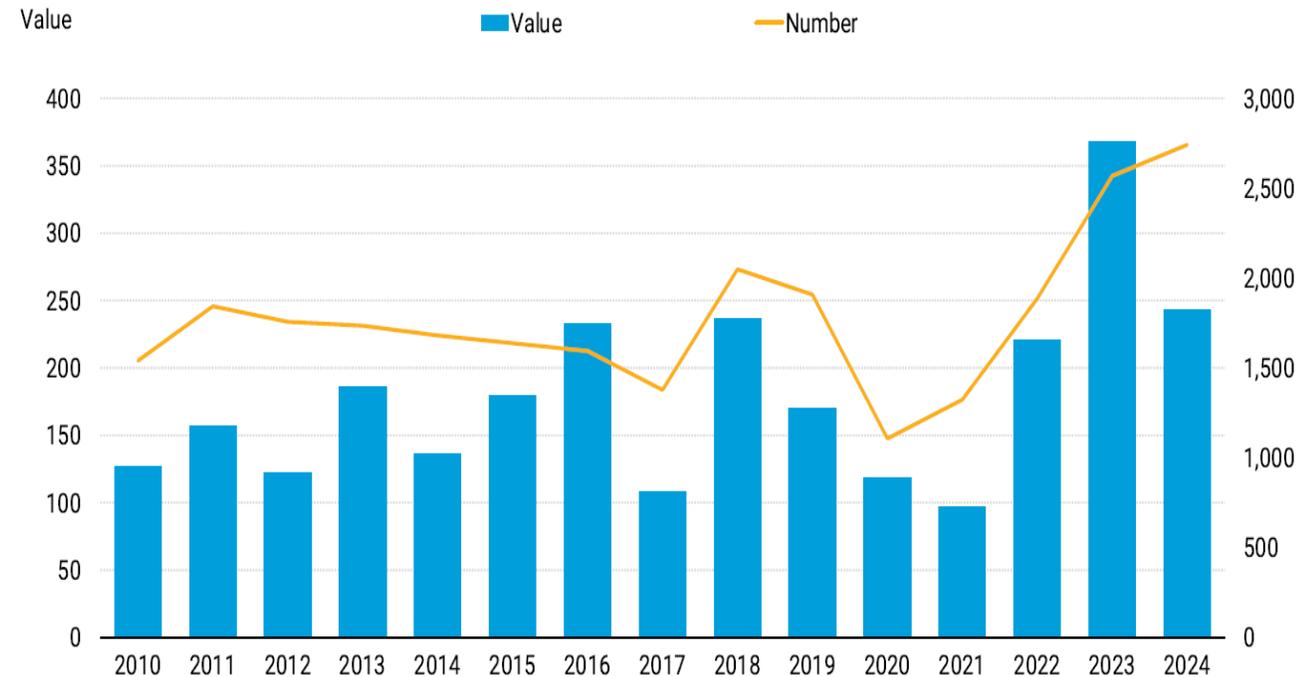
Monthly exports of goods by trading partner groups, billions of dollars, December 2015 – November 2024



Source: UNCTAD.

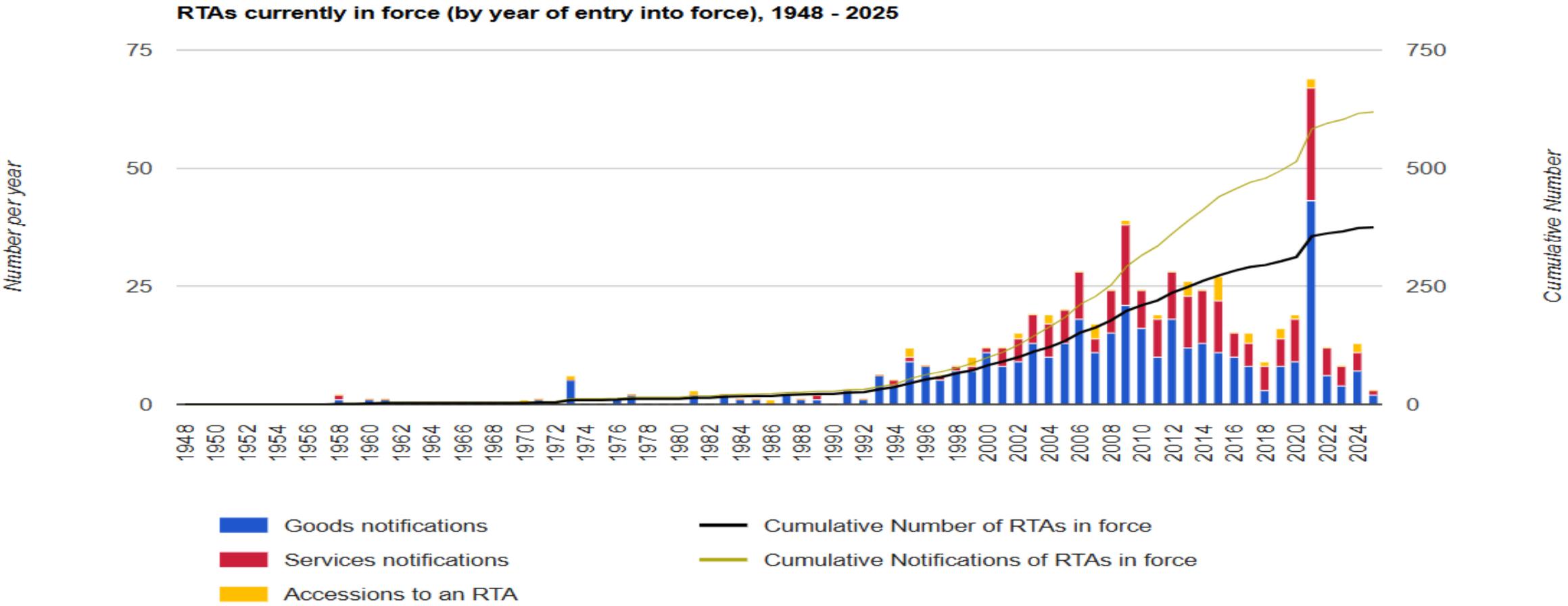
South-South investment on the rise

Value of announced greenfield investment, South-South (Billions of dollars and number)



5. The multilateral trading system is declining, while regional integration and trade blocs are rising

The number of regional trade agreements has surged. According to WTO, the number of notified regional trade agreements (RTAs) has increased from less than 100 at the beginning of this century to 619 by early June this year, with 375 in force, covering over 90% of countries and regions worldwide.



5. The multilateral trading system is declining, while regional integration and trade blocs are rising

1

•Regional and cross-regional cooperation and negotiation accelerated.

2

•EU, UK, Canada, and India have all been accelerating negotiations on their foreign trade agreements.

3

•Negotiations on the China-ASEAN Free Trade Area 3.0 have been fully concluded.

4

•The Regional Comprehensive Economic Partnership (RCEP), the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), and the Digital Economy Partnership Agreement (DEPA) are rapidly expanding.

02

The Global Trading System in Crisis

Global trade-restrictive measures increase rapidly

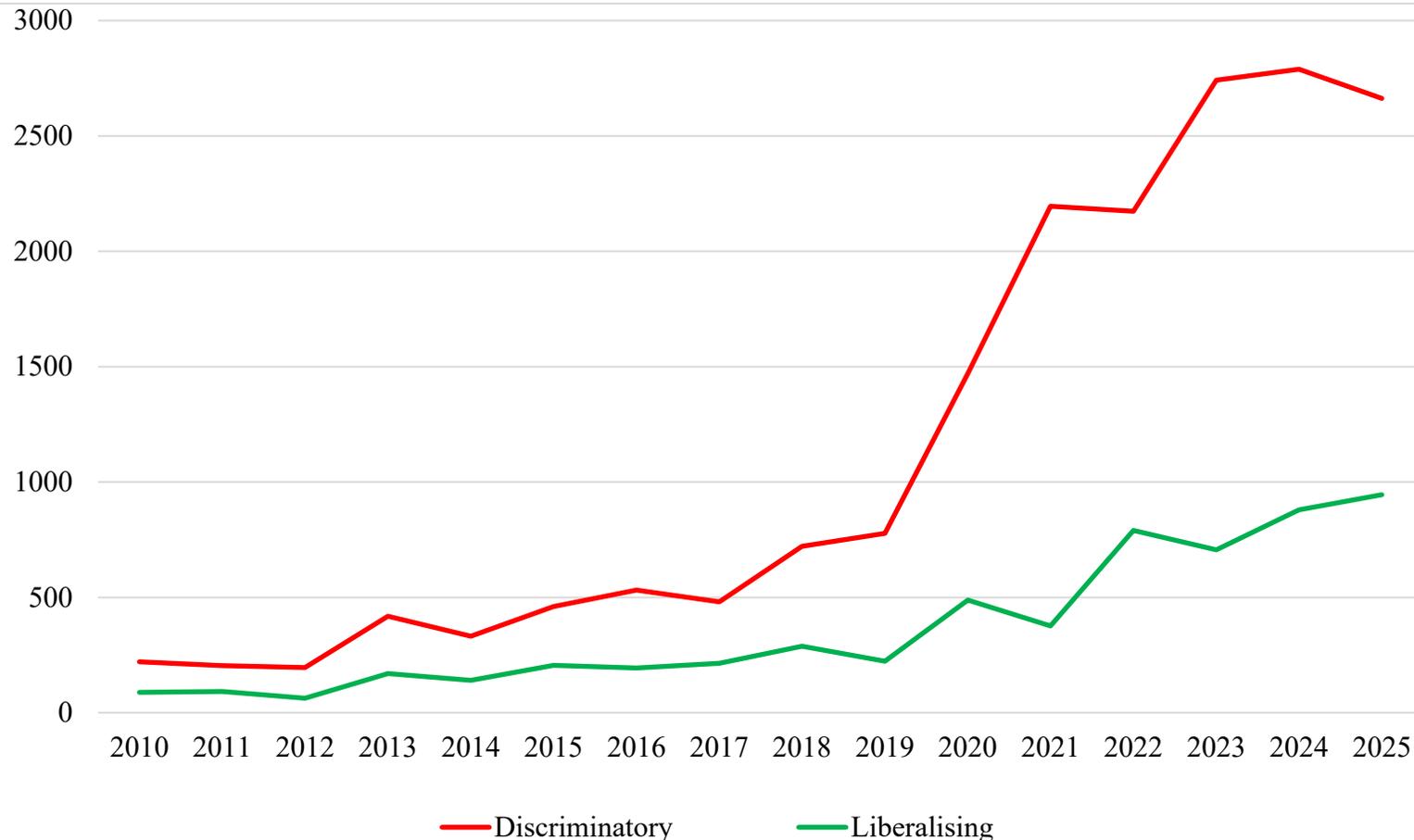


Figure 7. Discriminatory and liberalising trade measures announced worldwide, January 2010-October 2025.

Source: Global Trade Alert database.

The number of discriminatory trade barriers worldwide reached 2,789 in 2024, nearly double of the number in 2020, and much higher than the pre-pandemic annual average (over 200).

- As of October 12,
- 2663 new discriminatory bans have been announced worldwide;
 - three times of the number(945) of new liberalising measures in 2025.

Green and digital trade barriers are on the rise

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•Some countries implement de facto trade protectionism by introducing stringent environmental regulations and technical standards, which have an impact on small and medium-sized enterprises (SMEs) and producers in developing countries.

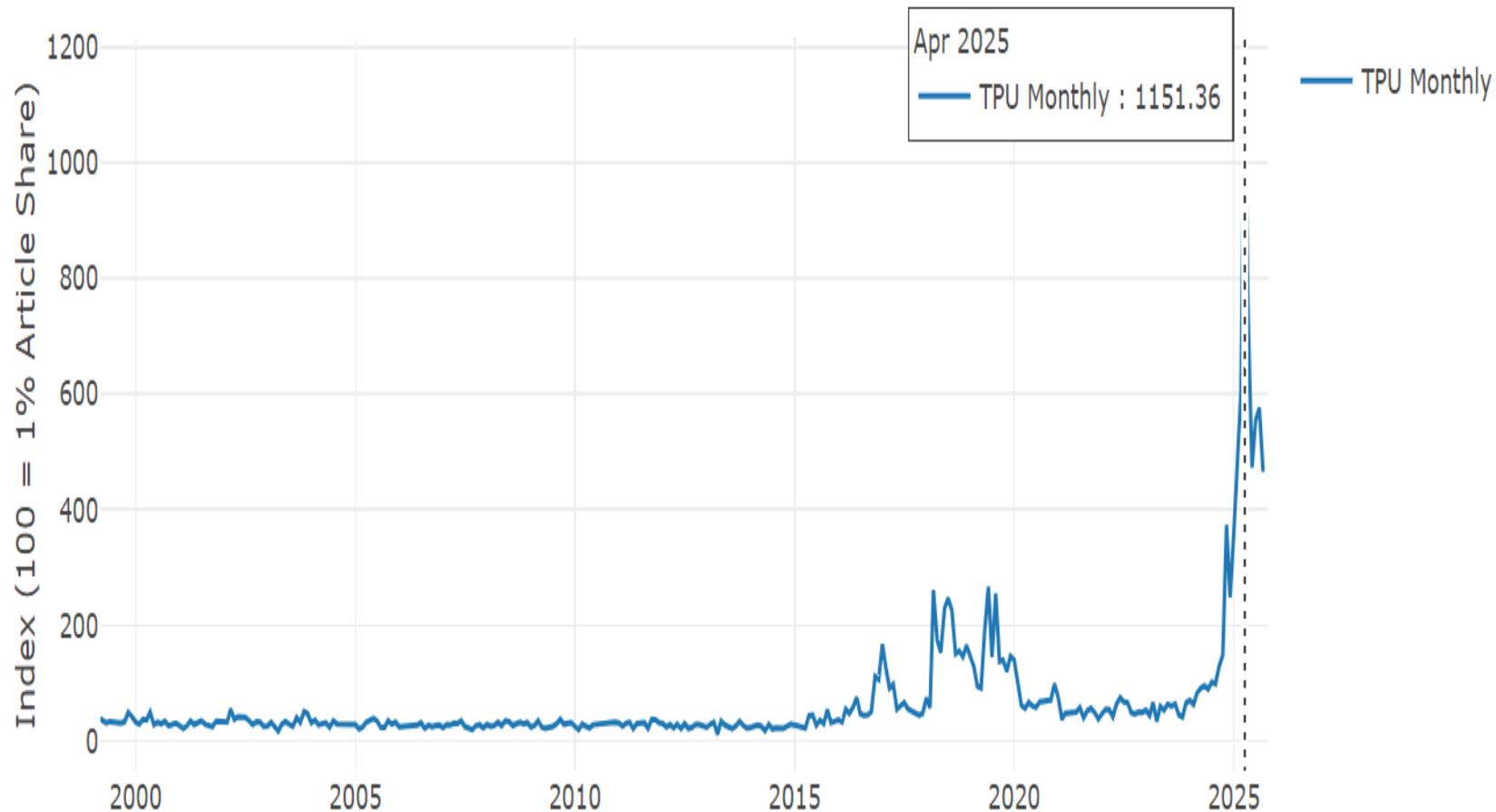
02

•Trade protectionism is also extending into the digital sector. Measures include mandating compliance with specific digital technical standards or specifications to give local companies a competitive edge in entering the market and expanding their market share.

03

•These measures risk stifling digital trade, a key engine of global growth.

Global trade policy uncertainty surged dramatically



• The global trade policy uncertainty (TPU) index constructed by the Federal Reserve economists show that,

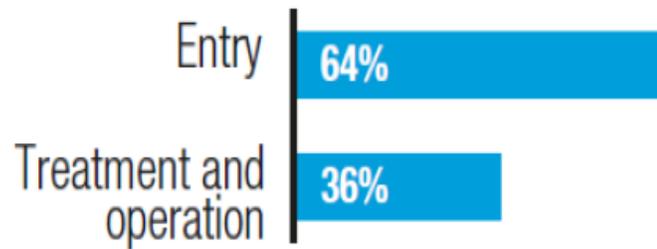
- **2000-2015:** below 50;
- **2018:** spiked beyond 200;
- **November 2024:** climbed to 373.31;
- **April 2025:** skyrocketed to a historic high of 1151.36

Figure 7. Global trade policy uncertainty index (2020-2025)

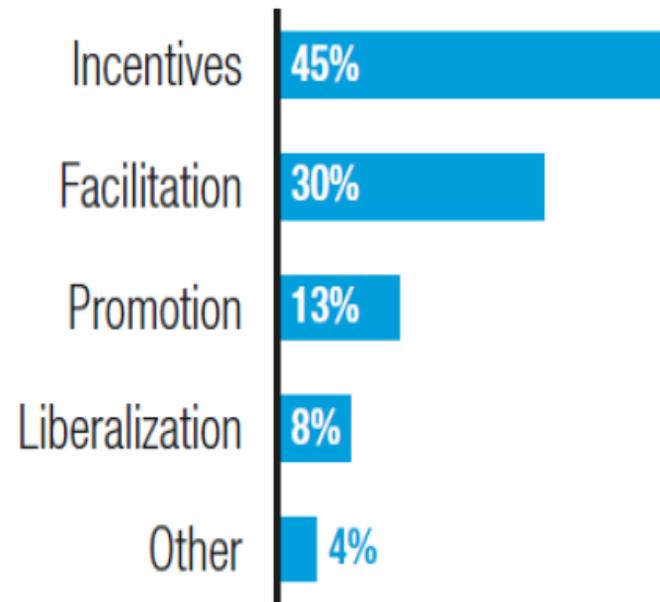
Source: <https://www.matteoiacoviello.com/tpu.htm>

Global FDI: geopolitical tensions and industrial policy drove investment policymaking

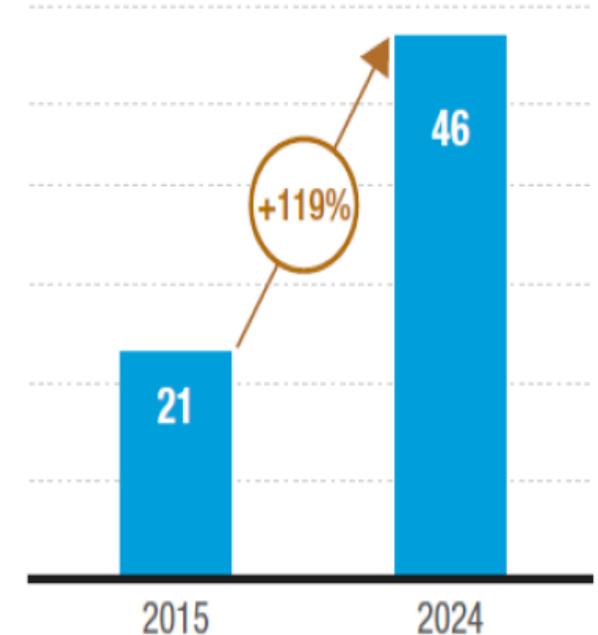
Measures less favourable to investors



Measures more favourable to investors



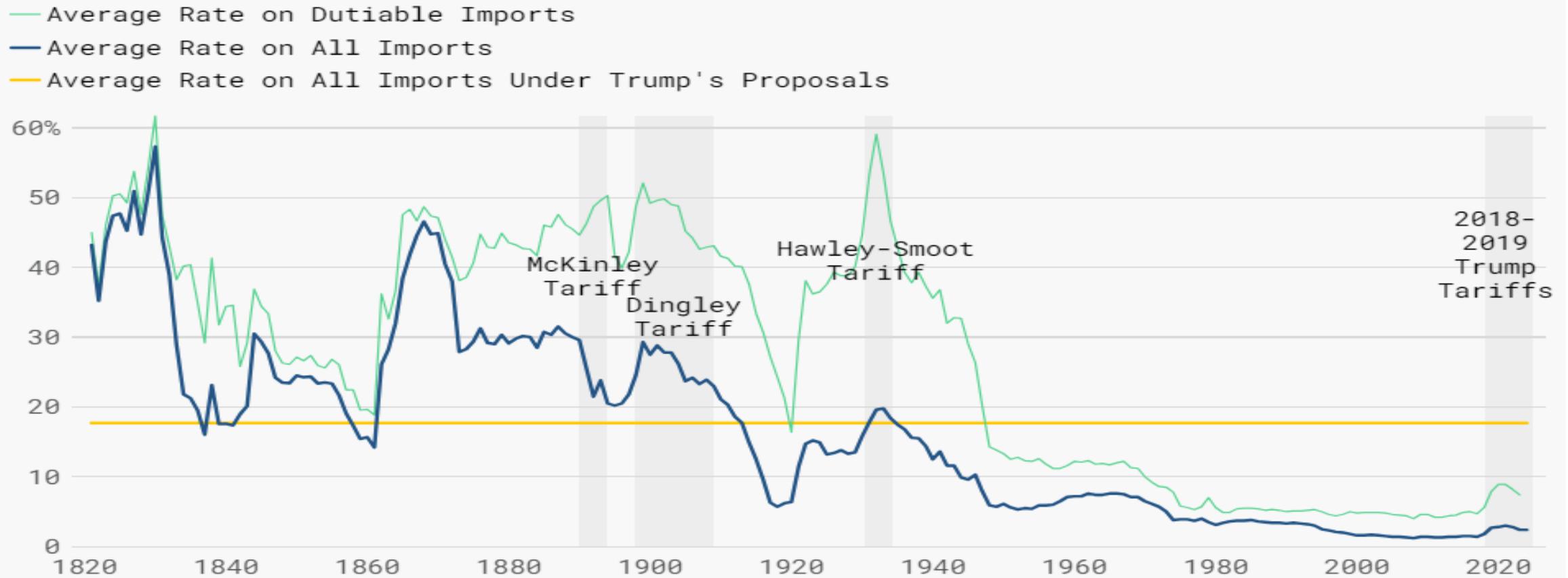
Number of countries with FDI screening



Source: UNCTAD.

Trump's Tariffs Would Take the Average Tariff Rate on All Imports to Highs Not Seen Since the Great Depression

Average Tariff Rate on All Imports and Dutiable Imports, Historical Rates from 1821-2023, Projected Rates for 2024, Estimated Rate for 2025 Under Trump's Proposals



Note: Tariff revenue estimate uses an elasticity of -0.997, tax-inclusive rates, and a noncompliance rate of 15%

Source: US Census Bureau, Historical Statistics of the United States: Colonial Times to 1970, Part II; US International Trade Commission, "U.S. imports for consumption, duties collected, and ratio of duties to values, 1891-2023, (Table 1)"; Tax Foundation calculations.

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Features of US trade deals with emerging markets and advanced economies

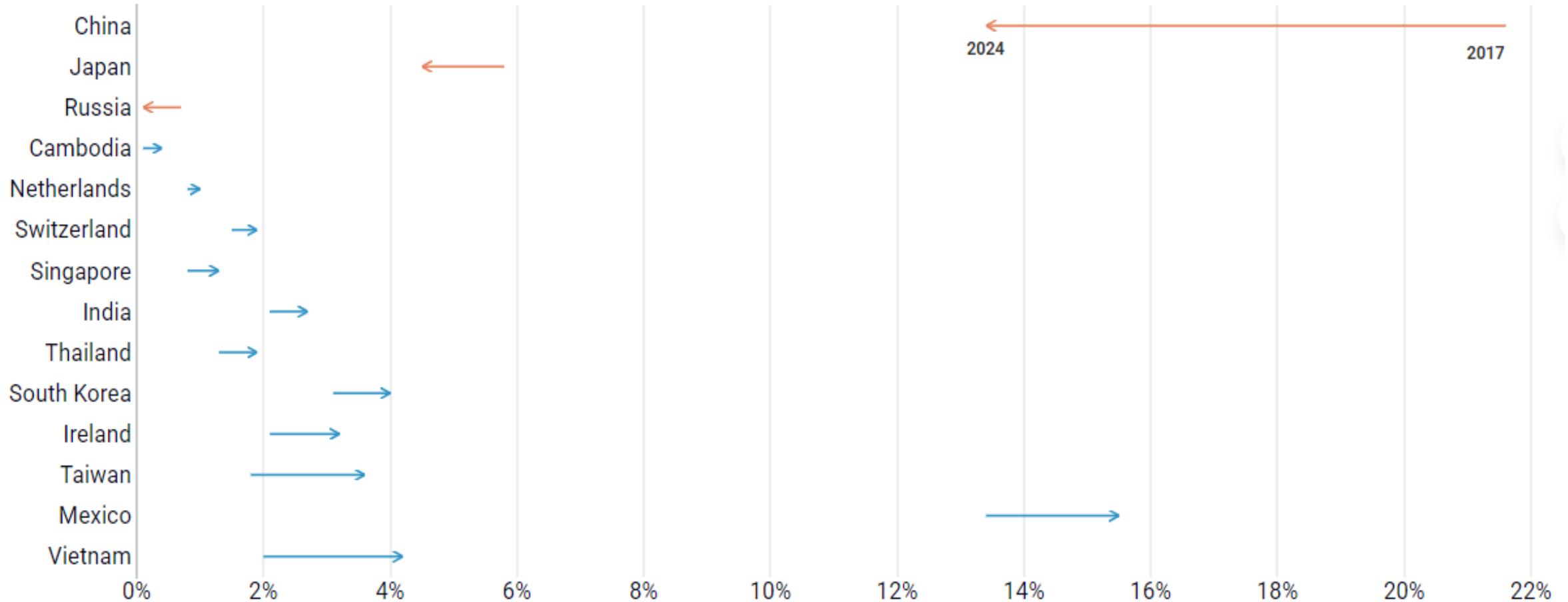
	Emerging markets	Advanced economy, like-minded partners
Examples	Vietnam, Malaysia, Thailand, Cambodia, Indonesia, Philippines, Pakistan	EU, Japan, South Korea (TBD)
US tariff on imports	19%-20%	15%
Tariff on US exports	0% tariff on most or all US goods	Lowered on certain goods
US access to critical inputs	Indonesia to lift restrictions on exports of processed critical minerals	US tariff exemptions on certain aircraft and aircraft parts, chemicals, generic drugs, and critical minerals
Transshipment tariffs	40% tariff on transshipped goods	40% tariff on transshipped goods
Purchases of US goods	Indonesia: \$4.5B agriculture, \$15B energy, \$3.2B aerospace products. Malaysia: \$19B Boeing aircraft, \$150M technology equipment, \$3.4B LNG. Cambodia: 20 Boeing aircraft. Thailand: 1M tons of LNG.	Japan: 100 Boeing aircraft, increased rice quotas, \$8B agriculture. EU: \$750B in US energy, \$40B in AI chips. Korea: \$100M US LNG, \$50B Boeing and GE goods
Investments in the US		EU: \$600B in EU firm investment in the US. Japan: \$550B fund for equity, loans, guarantees in strategic sectors. Korea (TBD): \$350B in loan guarantees, equity in strategic sectors (mostly shipbuilding), \$150B from Korean business.
China provisions	Potential rules of origin requirements and China de-risking measures	Weak elements of economic security cooperation and supply chain security

Source: Rhodium Group research

US Trade geography is changing

Country share of US imports, 2017 to 2024

Percent

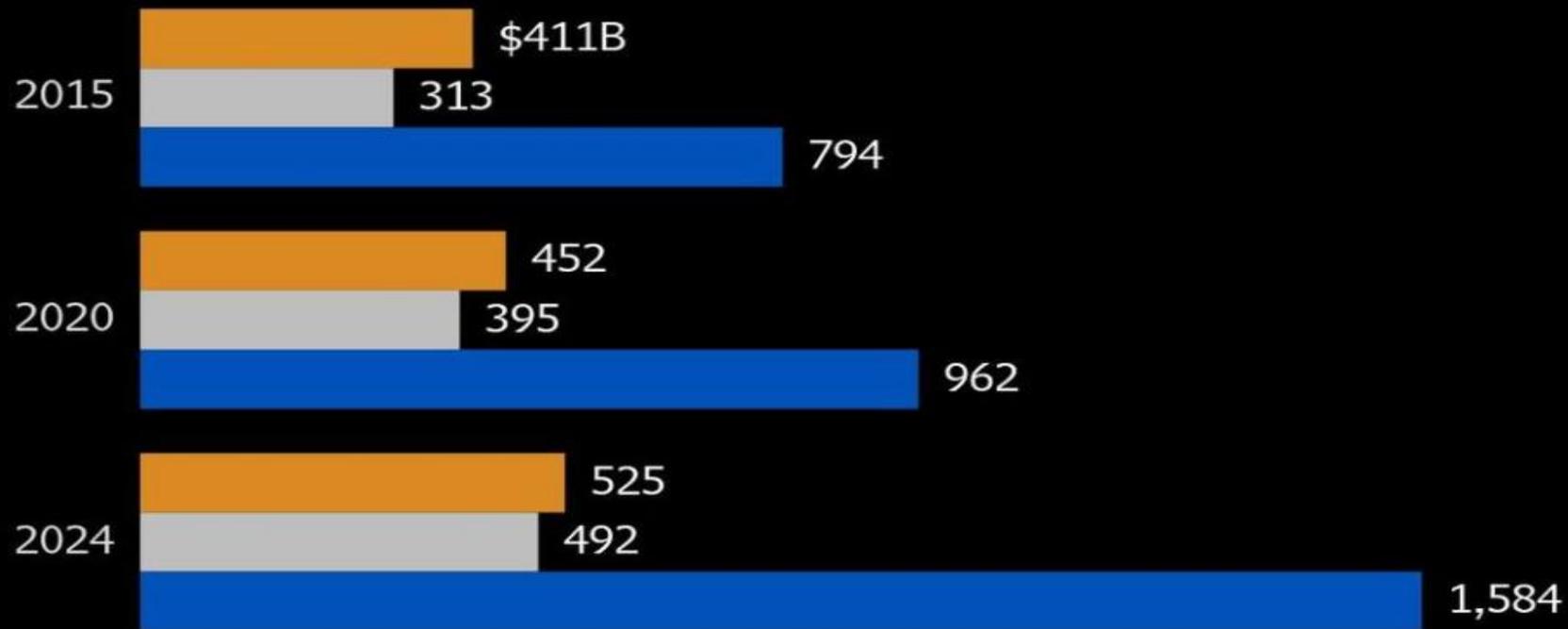


Source: US Census

China's trade with the Global South surges

Exports increase over past decade

■ Exports to US ■ W. Europe ■ Global South



Source: S&P Global Ratings, ITC, UN Comtrade

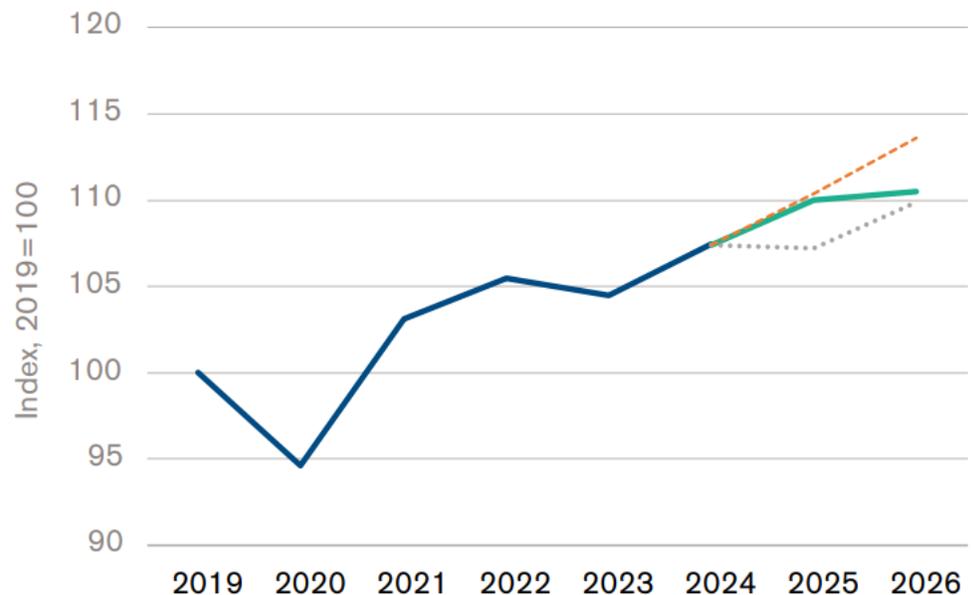
Note: Global South includes South and Southeast Asia, Middle East and Africa, Eastern Europe, Central Asia and Latin America.

Bloomberg

Global trade outlook by WTO, October 2025

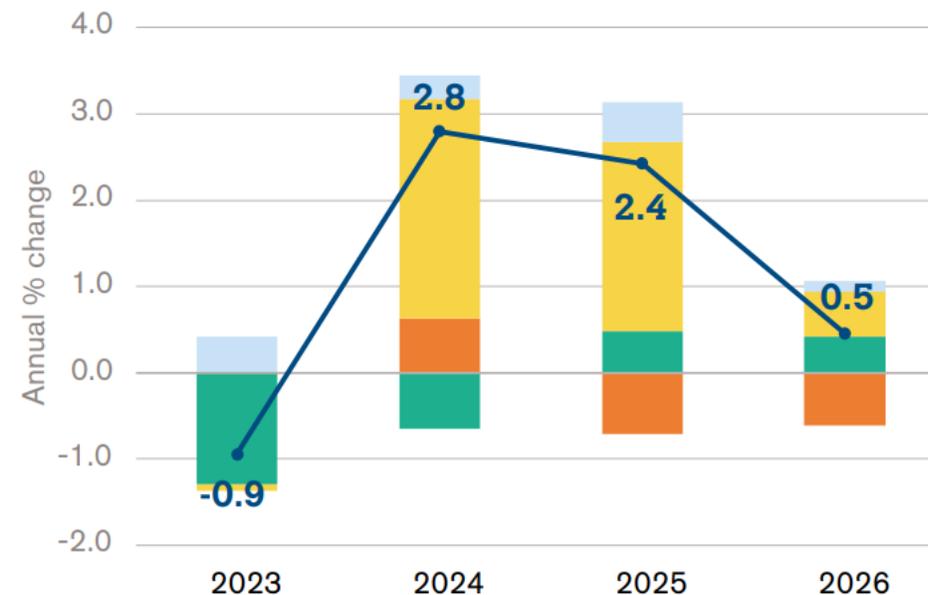
WTO revised trade projections for this year and next year, upgrading their forecast for world merchandise trade volume growth in 2025 to 2.4% (up from 0.9% in the August forecast) and lowering their estimate for 2026 to 0.5% (down from the previous forecast of 1.8%).

Merchandise trade volume



--- Original baseline (April) — Revised forecast
..... Original forecast (April)

Contributions to trade volume growth by region



■ North America ■ Europe ■ Asia
■ Rest of World ● World

Developing countries are confronted with multiple risks

1

Developing countries' efforts to advance industrialization and economic diversification are hampered. Unilateralism and protectionism deliver a heavy blow to the developing countries whose exports heavily rely on global markets. Imposing high tariffs on manufactured goods entrenches their dependence on raw material exports. It limits developing economies' opportunities to integrate into global supply chains, move up value chains, create jobs and diversify their economies.

2

Economic and financial stability of developing countries is affected. Due to the concerns over fickle tariff policies and technical restrictions, investors shift capital towards assets and markets regarded as relatively safe and stable in advanced economies, propelling capital outflows and currency depreciation in developing countries.

3

Uncertainties also trigger cascading effects beyond investment suppression. Trade disruptions fuel inflation, which in turn sparks exchange rate fluctuations. This prompts prolonged high-interest rate policies, ultimately compelling more countries to give up their development imperatives in order to ensure debt-servicing capacity.

03

The Prospects of The Global Trading System

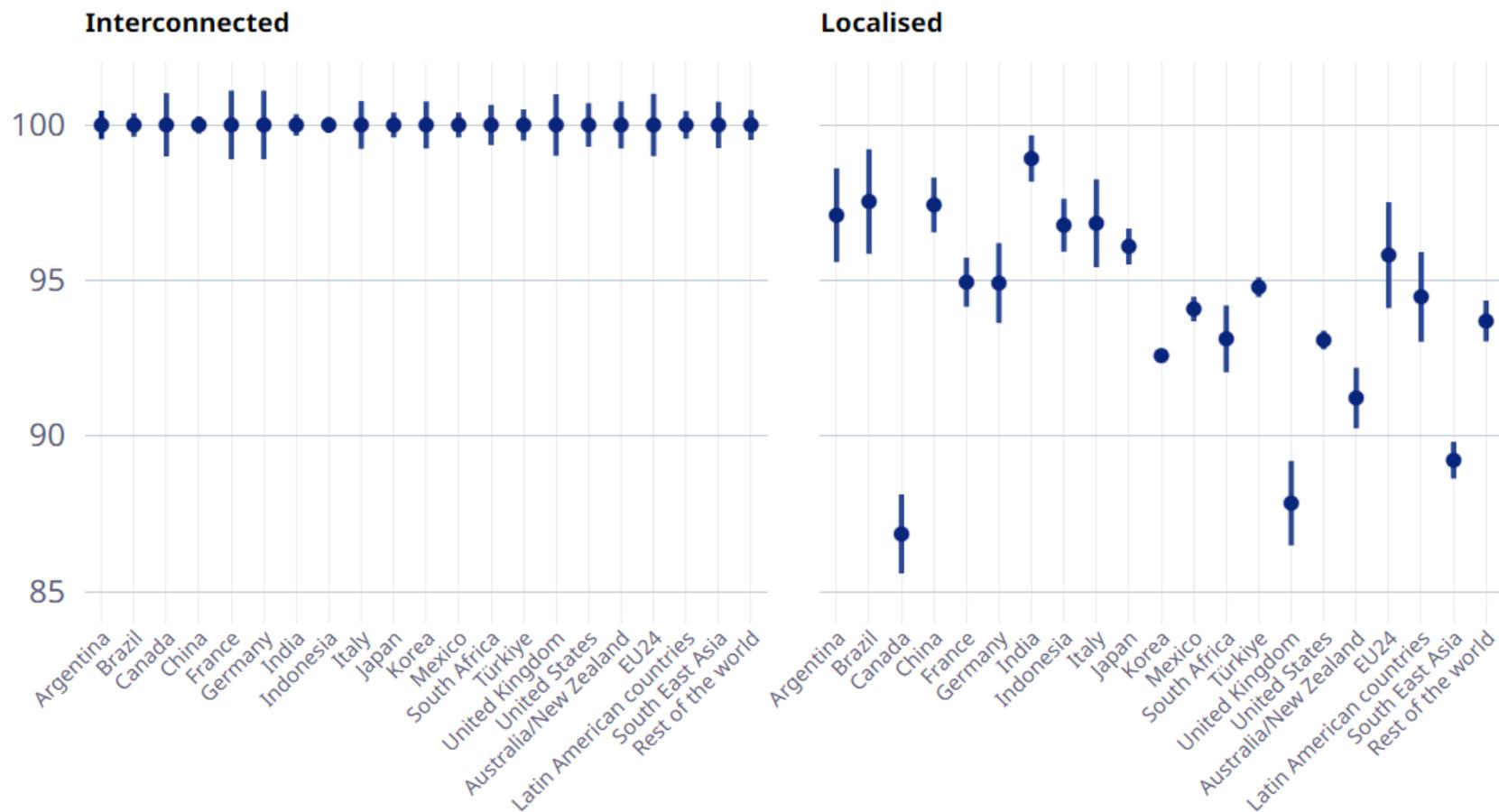
The global trading system is at a turning point

- ▶ The End of Globalization, De-globalization, Re-globalization?
- ▶ The New Cold War? Blocs Competition?
- ▶ Trade Fragmentation? Trade/Supply Chain Realignment?
- ▶ De-risk or De-coupling?
- ▶ Weaponization of Trade?
- ▶ How to keep a balance between national security and efficiency?

Relocalising supply chains can come at a high economic cost

Impact of supply chain localisation on GDP and output volatility

GDP (index, interconnected base = 100), modelled



Note: All effects of scenario (right panel) are relative to the level of the interconnected regime base scenario (left panel), the whiskers show average positive and negative deviations from the trade cost shocks

Source: OECD (2025). OECD Supply Chain Resilience Review

- OECD modelling shows that efforts to relocalise supply chains could decrease global trade by over 18% and reduce global real GDP by more than 5%.

- Yet, these measures do not consistently improve resilience.

- In fact, GDP volatility increased in more than half of the economies modelled, challenging claims that relocalisation is inherently more stable.

Globalization still serves the interests of most parties

1

- It conforms to economic laws with sufficient theoretical logic and practical support. No country can achieve good development in isolation.

2

- It meets the development needs of all countries and remains an irreversible historical trend.

3

- Although unilateralism and protectionism are gaining ground, the fundamental forces of economic globalization remain at play.

4

- Digital technological advances, expanding regional free trade and the collective rise of developing countries continue injecting momentum into the global trading system.

Reform and Make Globalization Great Again

1

- ▶ **The side effect of globalization:**
Inequality between classes/groups
within a country and between nations

2

- ▶ **Vision and goal:** More equal,
balanced, sustainable, inclusive

Uphold multilateralism and reform the existing multilateral trading system

1

The rules-based multilateral trading system is the cornerstone of globalization and free trade and plays a crucial role in global economic governance.

3

Efforts should be made to promote the stable and smooth flow of global industrial and supply chains, safeguard international economic and trade order as well as global trade stability, and provide greater certainty to the world economy.

2

It is imperative to further deepen WTO reform, resolve differences and disputes through equal dialogue under the WTO framework, and jointly uphold multilateralism and free trade.

4

The WTO should continue to function as a rule-making institution. It is imperative to advance solutions to issues such as agriculture and food security, and bring agreements on fisheries subsidies, investment facilitation, and e-commerce into effect as soon as possible.

Deepen multilateral, bilateral and regional trade cooperation



Regional economic integration is becoming a highlight of global trade, providing stability and new momentum for economic growth.

1

RCEP: According to Asian Development Bank, RCEP is projected to generate 245 billion dollars in additional economic output and create 2.8 million jobs for members by 2030.

2

China-ASEAN Free Trade Area version 3.0: nine new chapters, will facilitate broader and deeper regional economic integration under new circumstances.

3

African Continental Free Trade Area: In 2024, intra-African trade grew by 12.4%, reaching USD 220.3 billion.

4

CPTPP: The United Kingdom's accession and the bloc's continued expansion will further advance regional integration and trade and investment liberalization and facilitation.

5

ASEAN and GCC strengthen cross-regional cooperation.

Tap the potential of services, digital and green trade

1

Seize the momentum of digitalization, inter-connectivity and intelligent transformation as well as green and low-carbon development to propel global trade and sustainable economic growth.

2

Services trade market access should be further relaxed.

3

The coordinated development of global digital trade infrastructure should be accelerated.

4

Technology transfer and knowledge-sharing between developing countries and developed countries in digital infrastructure should be facilitated to unlock digital trade potential and bridge the digital divide.

Unlock the Development Potential of Global South



1

- ▶ Enhance infrastructure development and connectivity: cross-border railways, highways, ports, and aviation networks to improve logistics efficiency; jointly developing regional power grid interconnections to ensure energy security, accessibility, affordability, and sustainability at national and regional levels.

2

- ▶ Streamline customs procedures and mutual recognition of inspection and quarantine standards.

3

- ▶ Promote policy coordination and alignment of rules and standards to advance trade facilitation.

4

- ▶ Build technology transfer centers to promote the sharing of cutting-edge technologies such as clean energy and digital economy.

5

- ▶ Establish long-term mechanisms for talent development and enhance their capacity of industrial development through joint R&D, vocational training and distance education.



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Thank You!
