

Decoding the New Global Trade Order: Global Tensions, Policy Shifts and Market Impact

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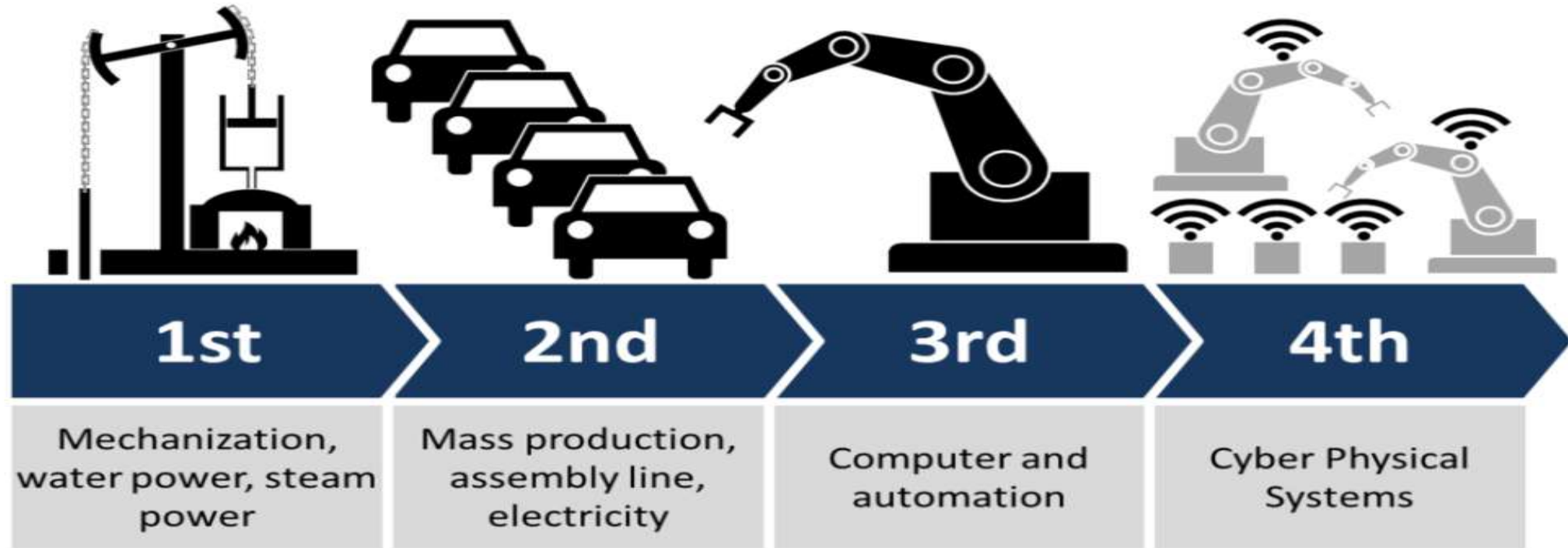
Outline

- 1** **Rise and decline of globalisation**
- 2** **Evolution of new global trade order**
- 3** **Impact on global trade flows and markets**
- 4** **Conclusion and the Way Forward**



Globalisation and the Rise of International Trade

IR driving globalization waves



Industrial revolution (IR)

Key impact

Implications for firms

Reduction of transport & trade costs

Reduction in production & communication costs









Reduction in face-to-face costs

International trade; new markets; access to raw material

Offshoring, unbundling, global value chains; intra-industry trade; rising int'l competition

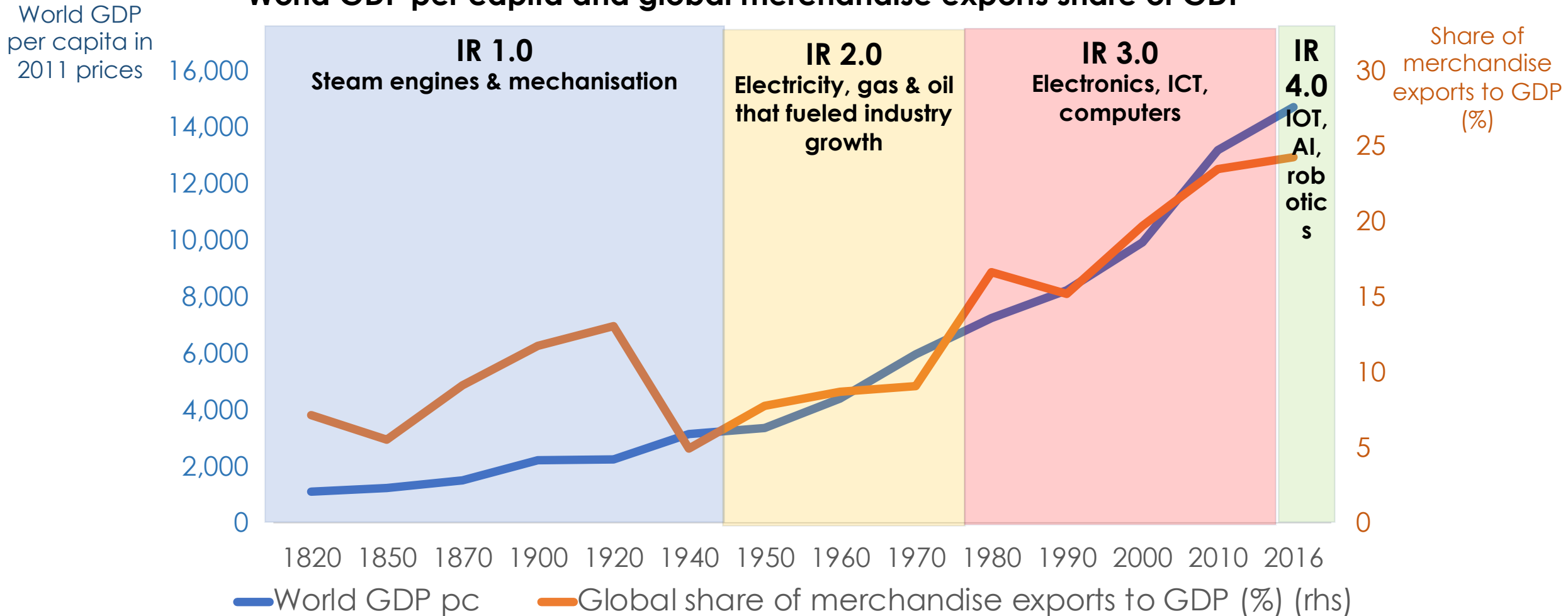
International mobility of digitally connected labour

Globalisation eras and key drivers ...

	Globalisation 1.0	Globalisation 2.0	Globalisation 3.0	Globalisation 4.0
Period	1800s -1914	1945 - 1989	1989 - 2008	2008 - present
Key players	Great Britain	USA & USSR	USA	USA & China
Enabling IR	IR1.0	IR2.0	IR3.0	IR4.0
Innovation driver	Steam engine	Airplanes & container ships	Computer & internet	Digital technology & AI
Beneficiary countries	 Great Britain & European countries	 USA, USSR, Japan,  Advanced nations	 USA, Japan, Europe,  China, East Asia	 USA, Europe, East Asia,  ASEAN, India
				
Core assumptions and premises	<ul style="list-style-type: none"> • Access to raw materials • Natural resource exploitation • Resource supply security • Market access 	<ul style="list-style-type: none"> • Trade liberalisation • Market diversification • Access to cheap land and resources • International capital mobility 	<ul style="list-style-type: none"> • Rules-based, liberal international order • Multilateralism • Financialisation • Gains from trade & labour specialisation 	<ul style="list-style-type: none"> • Security through economic interdependence • Global supply chains

Globalisation benefits: Rising world GDP per capita & trade

World GDP per capita and global merchandise exports share of GDP

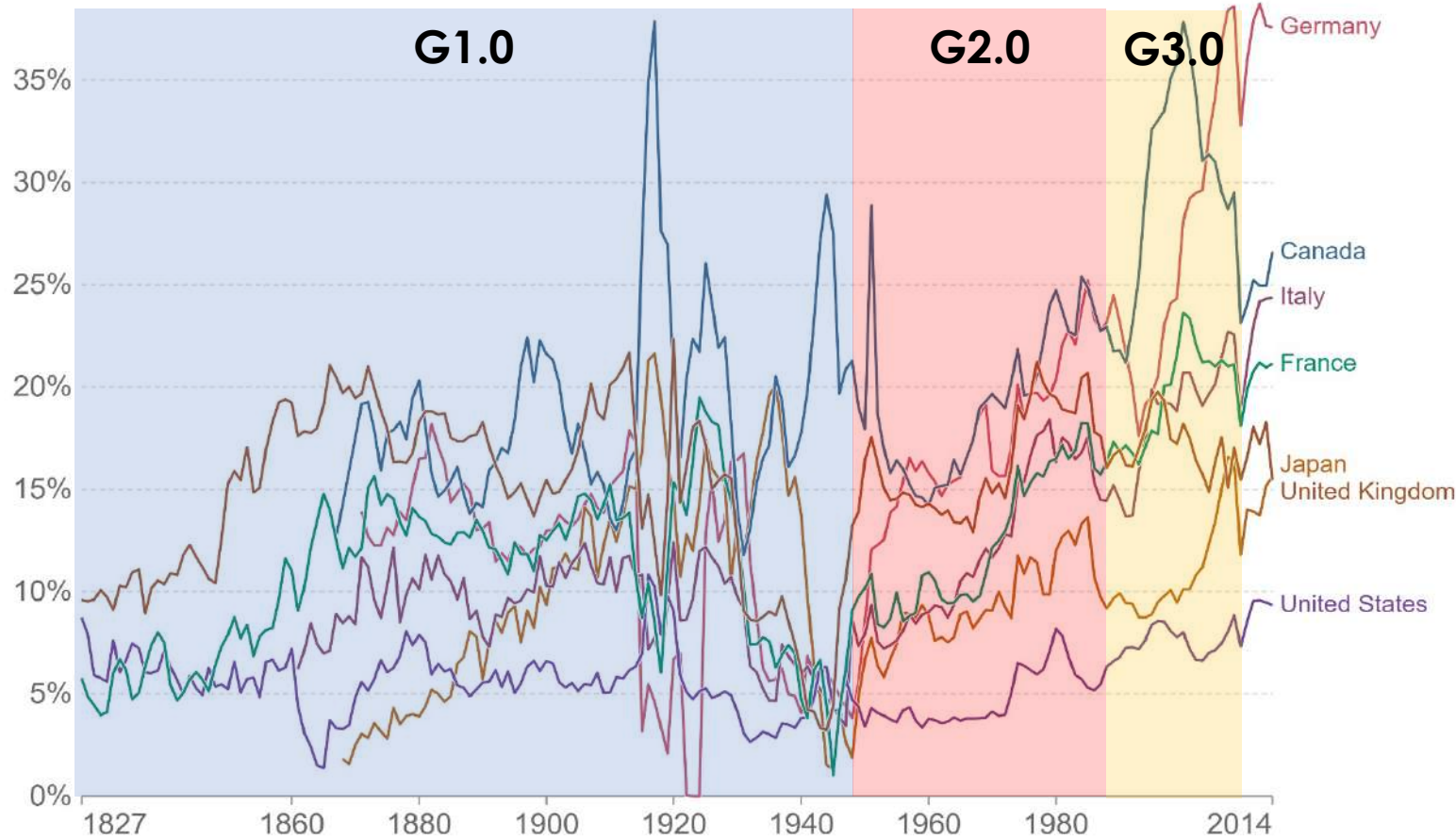


Source: Maddison Project Database (MPD) 2020; Our World in Data

Key beneficiaries of G1.0 and G2.0

Value of exported goods as share of GDP, 1827 to 2014

Estimates correspond to merchandise export-to-GDP ratios.



Source: Fouquin and Hugot (CEPII 2016)

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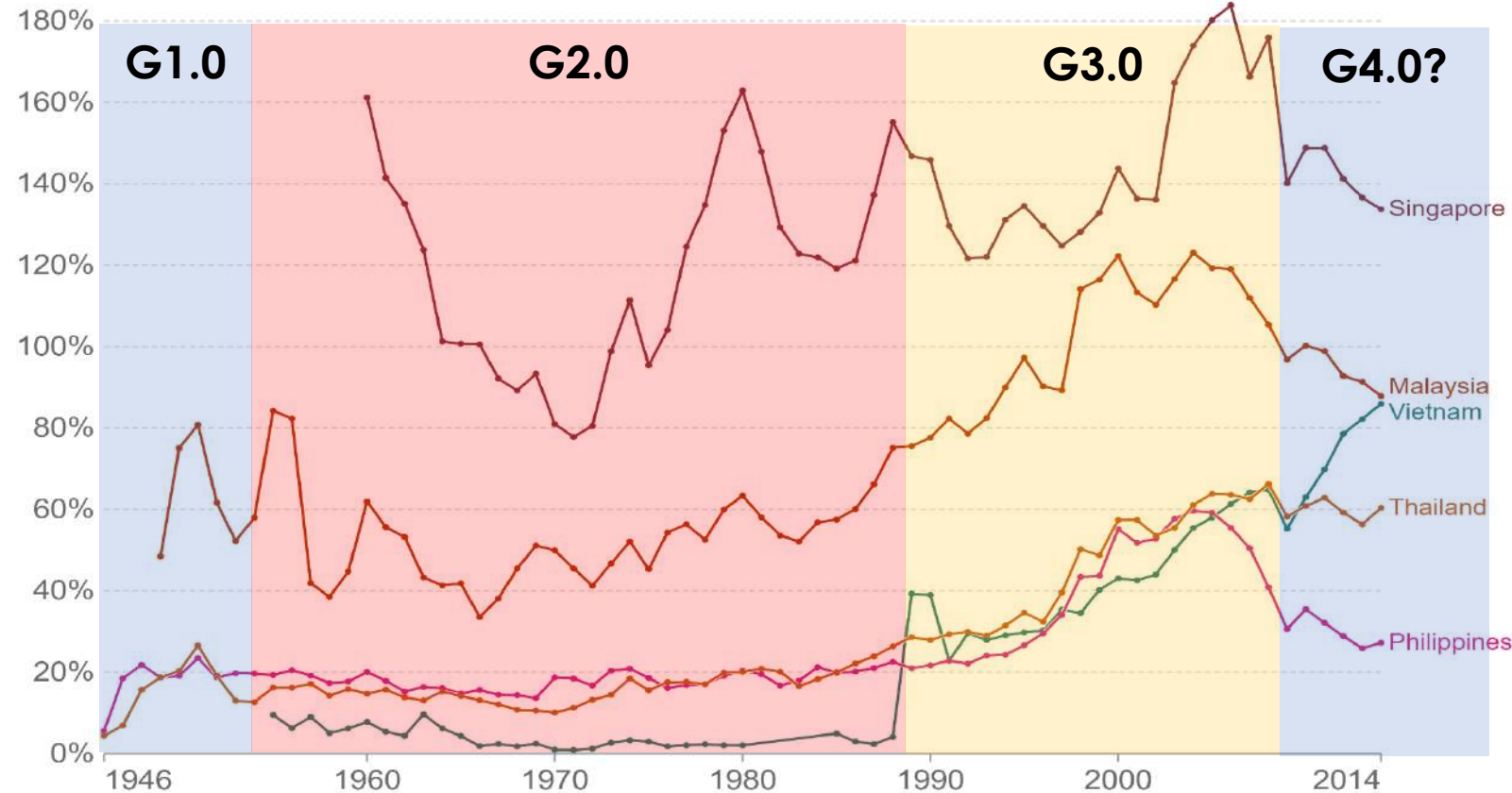
Source: Maddison Project Database (MPD) 2020; Our World in Data

- **Globalisation 1.0**
 - Britain & colonial powers
- **Globalisation 2.0**
 - G7 and other western nations

Key beneficiaries of G3.0 and beyond

Value of exported goods as share of GDP, 1946 to 2014

Estimates correspond to merchandise export-to-GDP ratios.



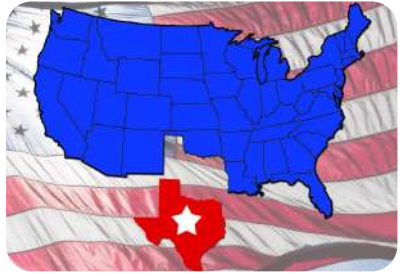
Source: Fouquin and Hugot (CEPII 2016)

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- **Globalisation 3.0**
 - China, India
 - East Asian & ASEAN
- **Globalisation 4.0**
 - Countries with digital skills to tap tele-migration opportunities; arbitrage price differences in wages, ability to compete in services with digital skills

Source: Maddison Project Database (MPD) 2020; Our World in Data

Pushback against globalization and international trade (1 of 2)



Backlash in the US

- Labour displacement; “jobs stolen by China”
- 2008 global financial crisis
- Complaints about unfair trade against China, Europe, Japan etc.



Backlash in developing countries

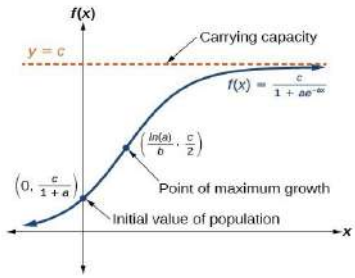
- Gold standard in WTO selectively applied, e.g. agricultural subsidies in European countries
- IMF and other global institutions are biased against developing countries
- Financial crisis caused by free capital flows, e.g. Asian Financial Crisis



Potential US-China decoupling and new international order

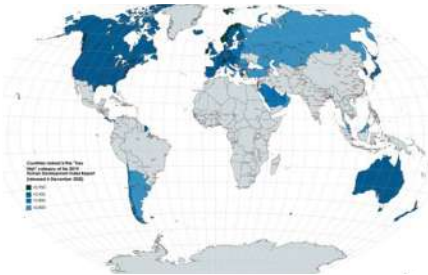
- US-China trade war that has morphed into technological race and spheres of geo-political influence
- Shift from unipolar to multipolar world

Pushback against globalization and international trade (2 of 2)



Limits to growth (degrowth)

- Focus on sustainable development goals
- Shift to green growth
- Resource depletion



Reconfiguration of global supply chains

- US-China rivalry that culminates into a bipolar world
- Response to Covid-19 and future pandemics and climate change risks
- Reshoring by advanced economies especially the US



Rising global competition, complicated by non-trade issues

- Proliferation of bilateral and regional trade agreements (CPTPP, RCEP, etc)
- Global minimum tax
- ESG standards; SDG framework



Evolution of new global trade order

How the global trade order has evolved

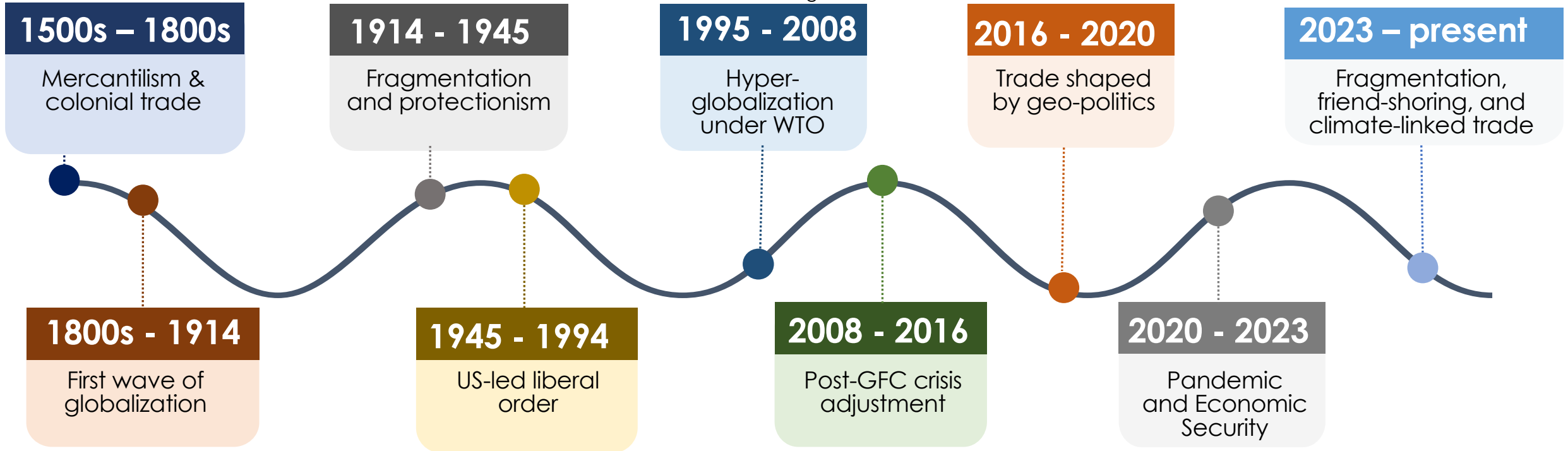
- European colonial powers control trade flows
- Gold and raw materials extraction dominate
- Little multilateral cooperation

- World Wars break global integration
- Great Depression triggers tariff wars
- Collapse of international coordination

- WTO formed established with stronger enforcement
- China joins WTO in 2001
- Global value chains expand across Asia
- Asia rises as manufacturing hub
- Predictable rules and lower trade barriers drive growth

- US challenges China's trade practices
- Trade tensions, tariffs, tech restrictions
- Rise of reshoring and national security narratives

- Countries diversify away from single market dependence
- Regional and bilateral trade pacts gain traction (RCEP, CPTPP, IPEF)
- Trade policy increasingly tied to carbon, sustainability, & human rights
- Digital trade rules still contested



- Rapid industrialization and falling transport costs
- Major increase in cross-border flows
- Trade agreements mostly bilateral

- Bretton Woods created IMF, World Bank
- GATT (1947) rules-based trade system
- De-colonization creates new economies entering global trade
- Cold War rivalry influences trade alignments

- Global financial crisis exposes vulnerabilities
- Advanced economies become more inward focused
- Concerns rise about inequality and supply chain risks

- COVID-19 disrupts supply chains
- Vaccine nationalism
- Chips and clean energy become strategic assets
- Talk shifts from free trade to “resilient” trade

The Vision: Building the Post-War Order (1945-)



Core Belief: Open markets and shared rules prevent conflict and foster prosperity.



Key Institutions:

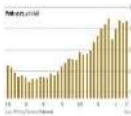
- **GATT (1947):** Progressive tariff cuts via "negotiating rounds."
- **WTO (1995):** The crown jewel – rules for goods, services, IP, and a **binding dispute settlement system**.



Guiding Principle: Non-Discrimination

- Most-Favored-Nation (MFN)
- National Treatment

Golden Age of Globalisation



Trade Growth: World merchandise trade grew at **15% annually** between 2001 and 2008; it slowed to 2.5% per annum between 2008 and 2024.



Trade as a share of GDP rose from 20% in 1968 to 49% in 2001 before peaking at **61% in 2008** and gradually declined to 57% in 2024.



Tariff Cuts: Average tariffs in developed nations fell from **~40% (1940s)** to **<5% (2000s)**.

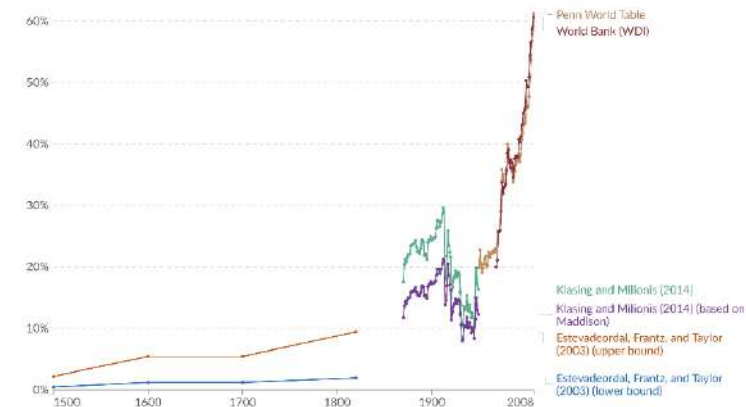


Poverty Reduction: Extreme global poverty fell from **36% (1990)** to **<10% (2015)**, fueled by trade-led growth.

Strong growth in merchandise trade

Globalization over 5 centuries, World

Shown is the "trade openness index". This index is defined as the sum of world exports and imports, divided by world GDP. Each series corresponds to a different source.



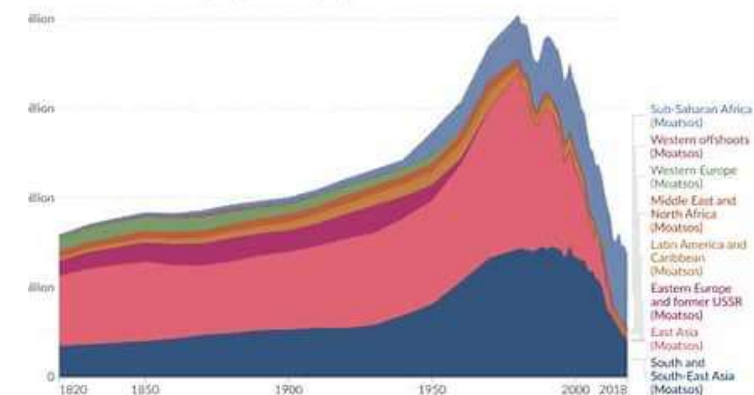
Data source: Klasing and Millions (2014) and other sources

OurWorldInData.org/trade-and-globalization | CC BY

Sharp reduction in global poverty

Number of people living in extreme poverty by region, 1820 to 2018

Extreme poverty is defined as living below the International Poverty Line of \$1.90 per day. Data after 1981 is to household income or expenditure surveys collated by the World Bank; before 1981 it is based on official reconstructions of GDP per capita and inequality data.



Source: Mehelis Moatsos (2021)

OurWorldInData.org/poverty | CC BY

Data is measured in international \$ at 2011 prices to account for inflation and differences in living costs between countries.

Cracks Begin to Show (2008-2016)

1 The "China Shock":

A. **Assumption:** Economic liberalization → Political liberalization.

B. **Reality:** State capitalism, subsidies, IP issues, overcapacity.

2 Domestic Backlash:

A. Rising inequality and deindustrialization fueled populism (Trump, Brexit).

3 WTO Stagnation:

A. Collapse of **Doha Round (2001-2015)**.

4 Empirical Evidence: Many studies show U.S. job and economic losses in regions exposed to Chinese import competition. => The import competition from China is one factor among many (automation, technology change, globalisation) in manufacturing decline.

Breakdown accelerates (2017 - present)



The U.S.-China Trade War (2018-): Tariffs used as a weapon.



The WTO's Paralysis: U.S. blocks Appellate Body, crippling it by end-2019.



Global Shocks:

- **COVID-19 pandemic:** Exposed fragile supply chains.
- **Russia's Invasion of Ukraine:** Weaponization of trade in energy and food.

US-China trade war tariffs: An up-to-date chart

Last updated September 25, 2025

a. US-China tariff rates toward each other and rest of world (ROW)

— Chinese tariffs on US exports — US tariffs on Chinese exports ... Chinese tariffs on ROW exports ... US tariffs on ROW exports



Source: Constructed by Chad P. Bown (PIIE) with data from UN Comtrade, Trade Map and Market Access Map (International Trade Centre Representative).

The Return of Protectionism; US Isolationism?



Global Trade Alert Data:

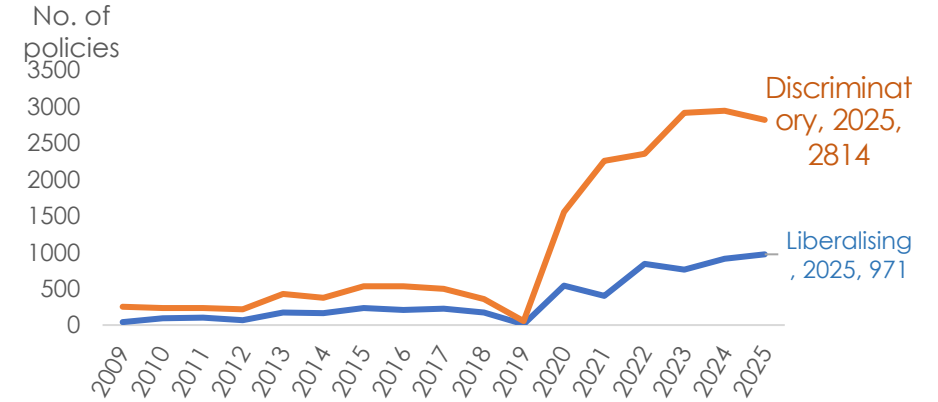
- A sustained surge in subsidies, tariffs, and trade distortions.



The U.S.-China Tariff War in numbers:

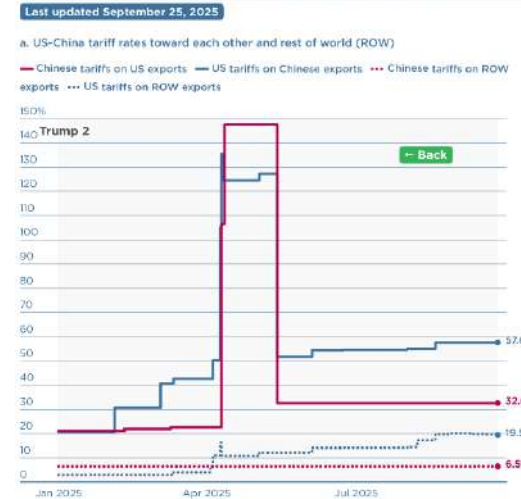
- **U.S. tariffs on Chinese goods:** 3.1% (2017) → 57.6% (Sep 2025)
- **Chinese tariffs on U.S. goods:** 8.0% (2017) → 32.6% (Sep 2025)
- **Value affected:** Over **\$450 Billion** in bilateral trade.

New policies per year that are discriminatory or liberalising



Source: Global Trade Alert <https://globaltradealert.org/>

US-China trade war tariffs: An up-to-date chart



Source: Constructed by Chad P. Bown (PIIE) with data from UN Comtrade

The Rise of Geopolitical Blocs



The End of Multilateralism: The WTO is stagnant.



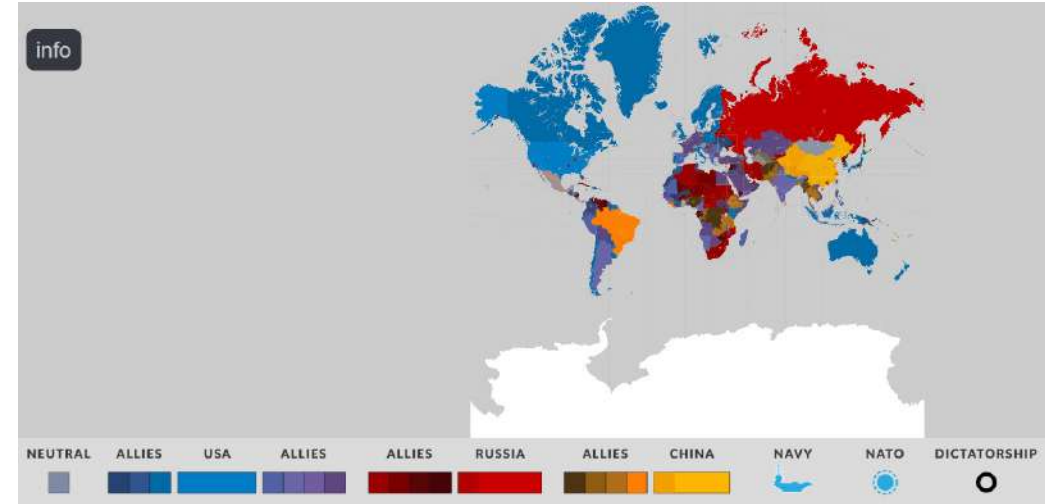
The Rise of Plurilateral & Geopolitical Deals:

- **U.S.-Led:** Indo-Pacific Economic Framework (IPEF)
- **China-Led:** Regional Comprehensive Economic Partnership (RCEP)



Empirical Shift: Cross-border investment is now concentrating among **geopolitically aligned countries**.

Geopolitical Map of the world



Source: <https://world-geopolitics.com/links.html>

Weaponized Trade & Industrial Policy



Subsidies for Security:

- **U.S. CHIPS Act (\$52B):** For domestic semiconductor production.
- **U.S. Inflation Reduction Act (\$370B):** For clean energy.



Export Controls as a Weapon:

- Sweeping U.S. controls to deny China advanced semiconductors.

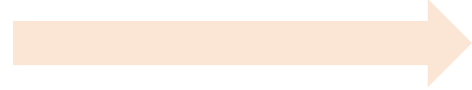
The New Geo-economic Paradigm

The system is not collapsing, but it is fundamentally **reorganizing** as the world transitions from a unipolar to a multipolar world

The Old Order (c. 1945-2008)

The New Reality (Present-Future)

Multilateralism (WTO)



Plurilateralism & Bilateralism

Non-Discrimination (MFN)



"Friend-Shoring" & Blocs

Free Trade (Efficiency)



Managed Trade (Resilience, Security)

Economics & Security Separate

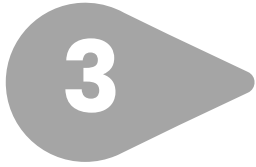


Geoeconomics (Fused)

Goal: Maximize Efficiency



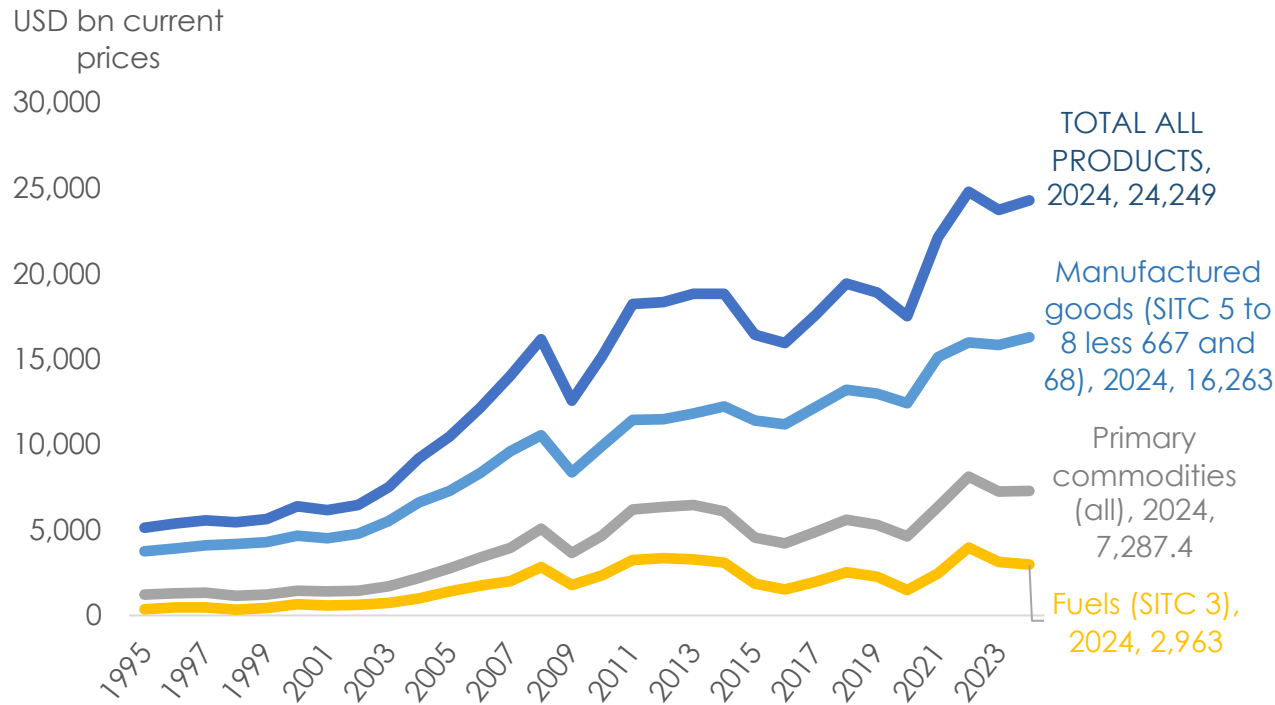
Goal: De-risk & Secure Supply Chains



Impact on global trade flows and markets

Trade based on comparative advantage and mutual gains will continue in spite of geo-politics

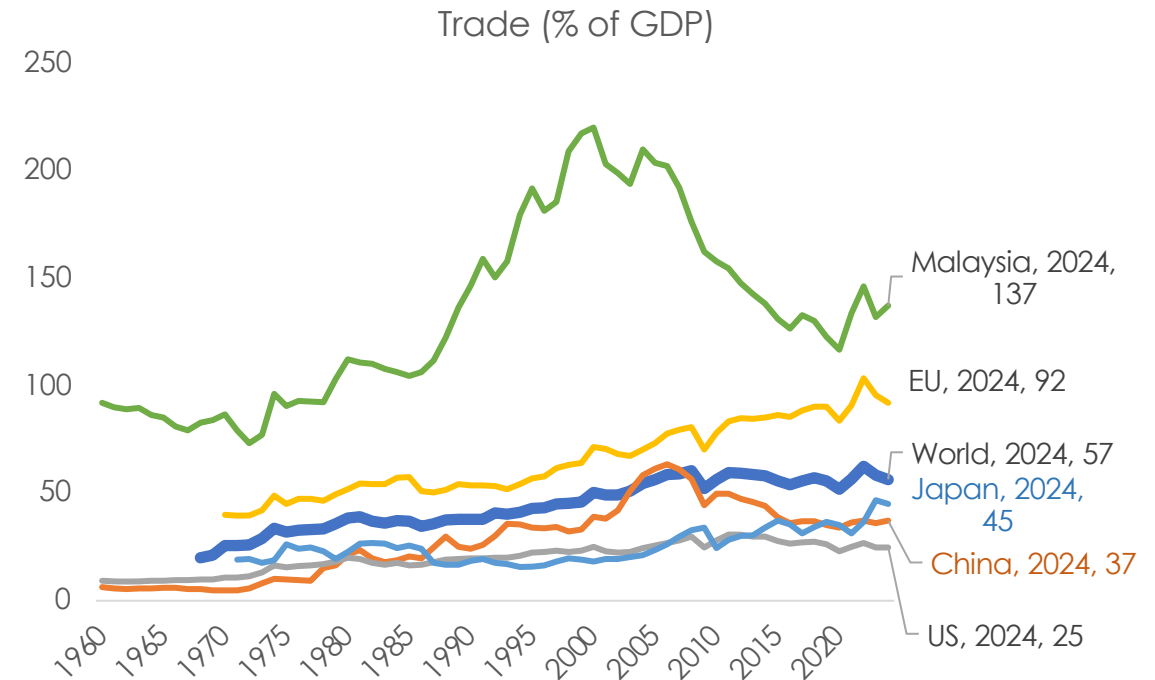
Global merchandise exports, especially manufactured exports, continue to expand



Source: UNCTAD COMTRADE

- Trade in manufactured products trending up.
- Primary commodities show fluctuating but rising trade.

Trade as a share of GDP has flattened at 57% of GDP since 2005; country trends vary



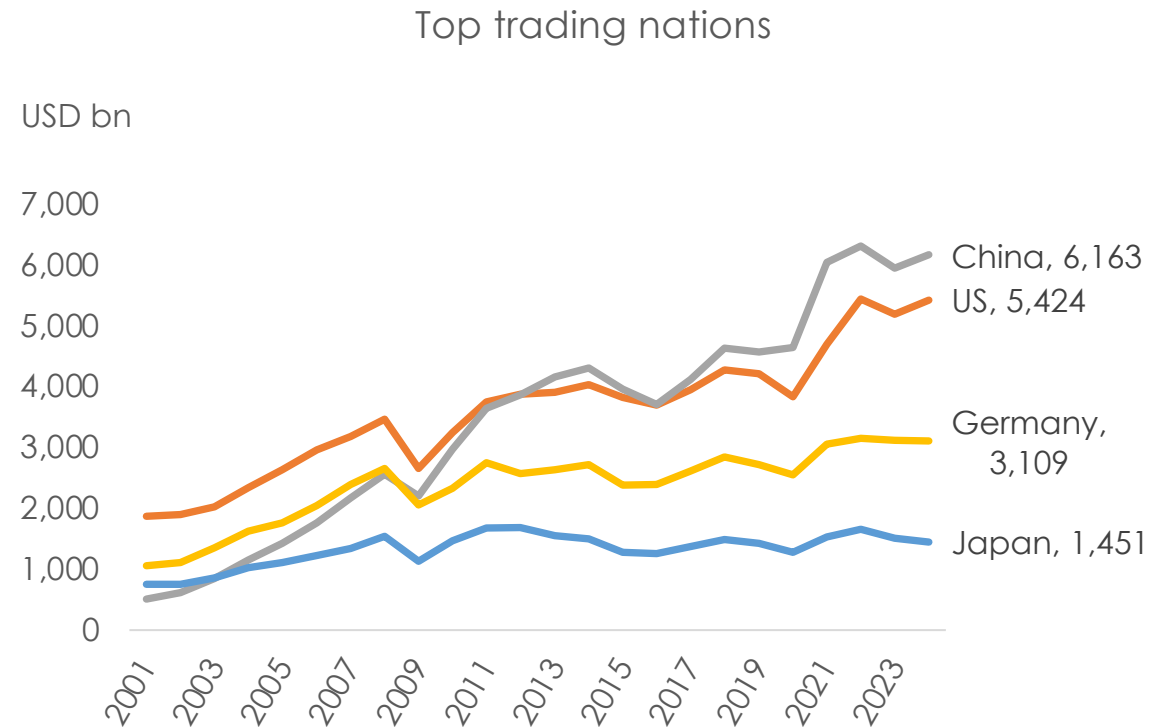
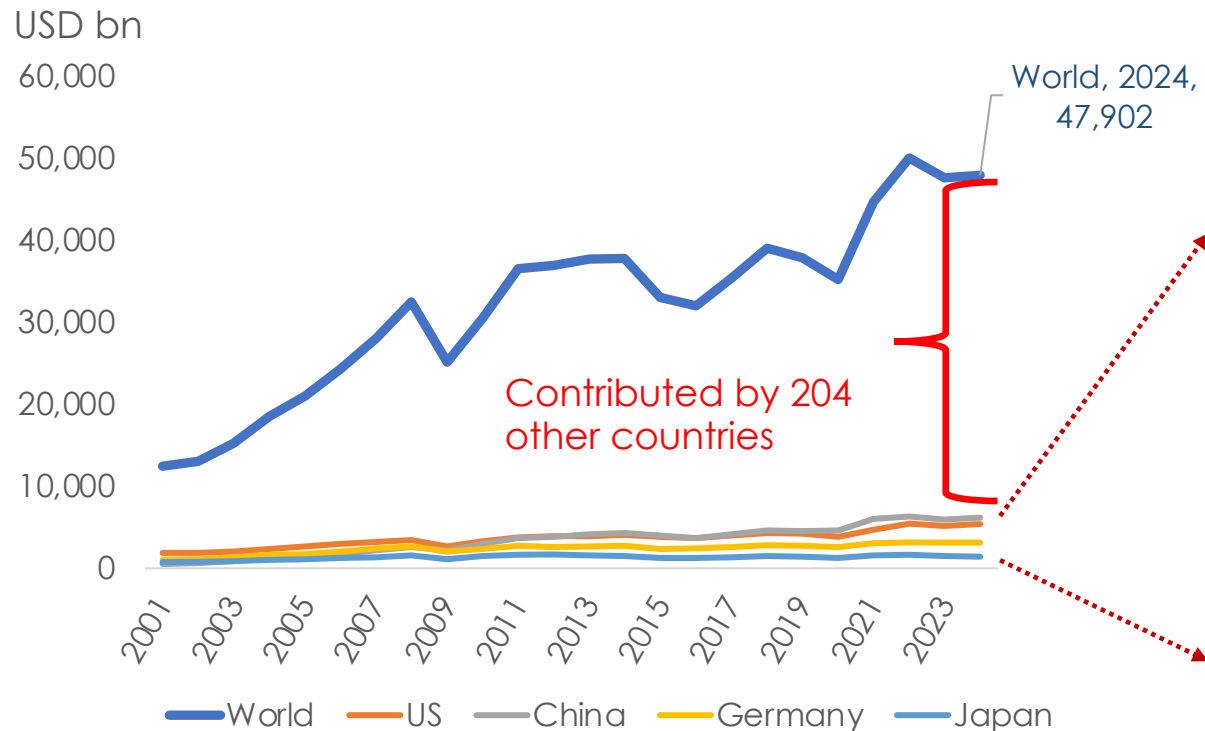
Source: Our World in Data

- Malaysia's trade openness remains high.
- Decline seen for US and China while Japan and EU fluctuate but trending up slightly.

Global merchandise trade has not diminished

Total world merchandise trade tapering off since 2022, and amounted to USD48 trillion in 2024

Sharp rise in China's total exports and imports since entry into WTO in 2001



Source: ITC Trade Map

From drivers of change to strategic actions

Key drivers of change



Policy shifts



Market impact



Timber sector risks & opportunities



Strategic actions

- Geopolitics and supply chain fragmentation
- Rise of green regulations and due diligence
- Industrial policy and export controls
- Market uncertainty and price volatility

- EU Deforestation Regulation (EUDR)
- US Lacey Act enforcement
- Carbon border adjustments
- Raw log export restrictions

- Higher compliance costs
- Demand shifts (China, EU)
- Price volatility & supply disruption
- Premium for certified, traceable timber

Risks

- Market access barriers
- Compliance failure penalties
- Margin squeeze on raw log exporters
- Financing challenges for SMEs

Opportunities

- Value-added processing
- Certification and digital traceability
- Diversified markets and products
- Sustainability-linked finance

Short term:

- Compliance mapping
- Traceability basics

Medium term:

- Local processing
- Certification stack

Policy:

- Phased compliance for SMEs



Conclusion and the Way Forward

Concluding remarks

(1 of 2)



Changes in global trade patterns

- Geographic re-alignment
- Rise of “friend-shoring”:
- Policy proliferation



Winners and losers

Potential winners:

- **ASEAN & Mexico:** Have become pivotal alternative manufacturing and assembly hubs ("swing states") in the US-China decoupling.
- **Countries with critical minerals:** Chile (lithium, copper), Indonesia (nickel) are gaining strategic importance due to green energy transition.
- **Advanced economies with strong subsidy power:** The US and EU can attract high-value industries through massive fiscal packages (IRA, Green Deal).

Potential losers:

- **Trade-dependent economies with high China exposure:** e.g., Taiwan, South Korea, and Germany face headwinds from both a slowing Chinese economy and supply chain reorientation.
- **Least developed countries (LDCs):** Risk being marginalized as complex new regulations (CBAM, EUDR) create insurmountable compliance burdens and investment is diverted to "friendlier" shores.
- **Global consumers:** Face higher prices and reduced variety due to erosion of efficiency-driven global supply chains.

The Way Forward

(2 of 2)



Strategic direction

PIVOT 1: Digital & Traceability Leap

- **Action:** Implement digital traceability from forest to final export for EUDR compliance.
- **Government:** Create a national geolocation database; support SMEs.
- **Industry:** Embrace full supply chain transparency as a core business practice.

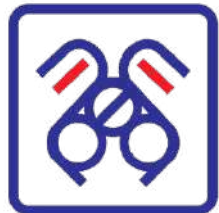
PIVOT 2: Green & High-Value

- **Action:** Go beyond certification. Invest in renewable energy, resource efficiency, and carbon sequestration.
- **Action:** Fund R&D for value-added products. Lead in the global green building market.

PIVOT 3: Strategic Diplomacy & Market Diversification Drive

- **Action:** Secure the EU market while proactively diversifying into Asia and the Middle East.
- **Government:** Use diplomacy to get Malaysian Timber Certification Scheme (MTCS) recognized as a global sustainability benchmark.
- **Industry:** Build "friendly shore" partnerships for resilient, future-proof supply chains.

THANK YOU!



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