

What's This, a Whole New World Economic Order in the Making?

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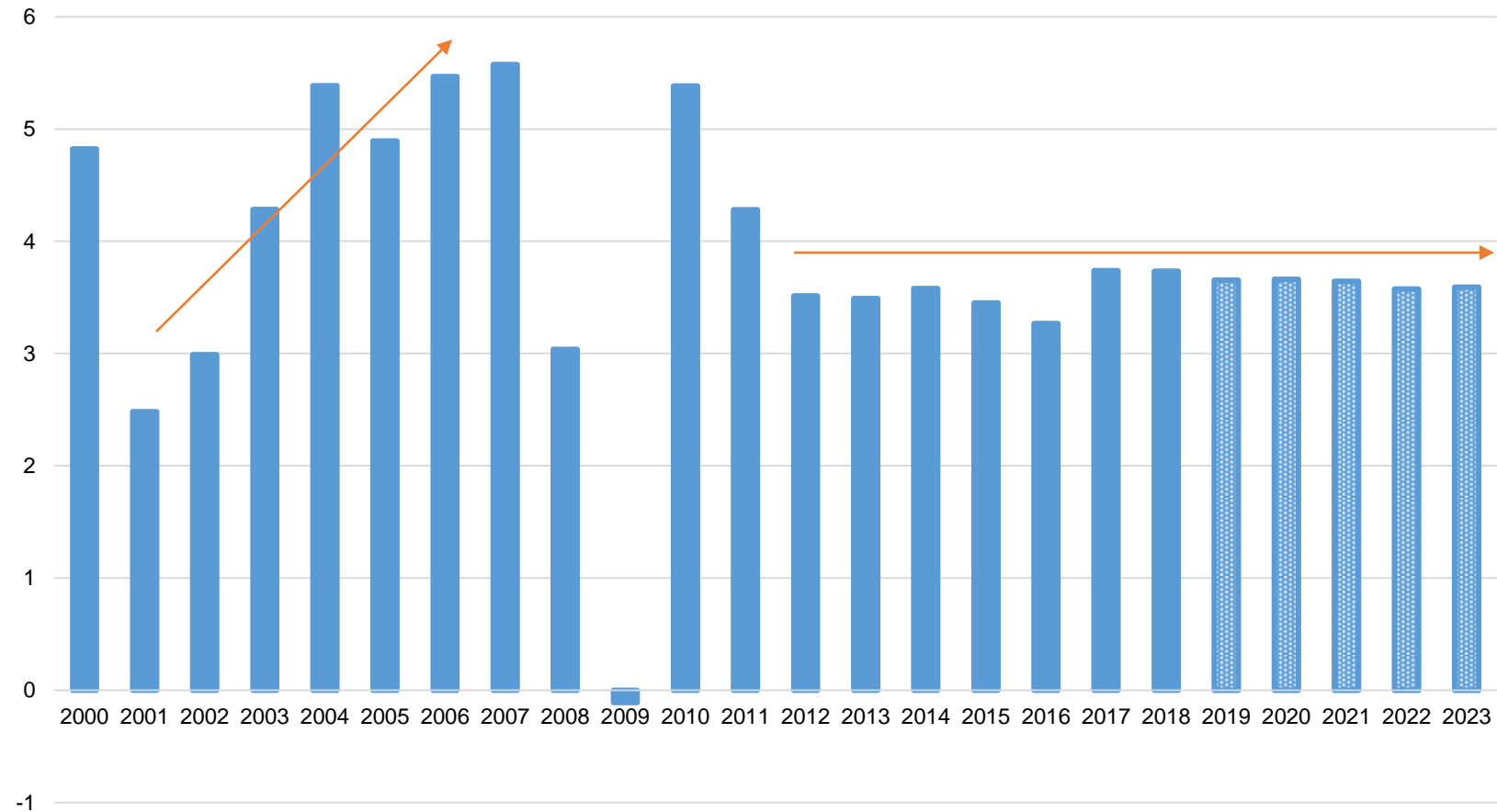
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1. The Old World: 1955-2016 From National to Global Through International Fragmentation of Production
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4. From Global to Regional?
5. Conclusions

World conditions have deteriorated and will continue doing so

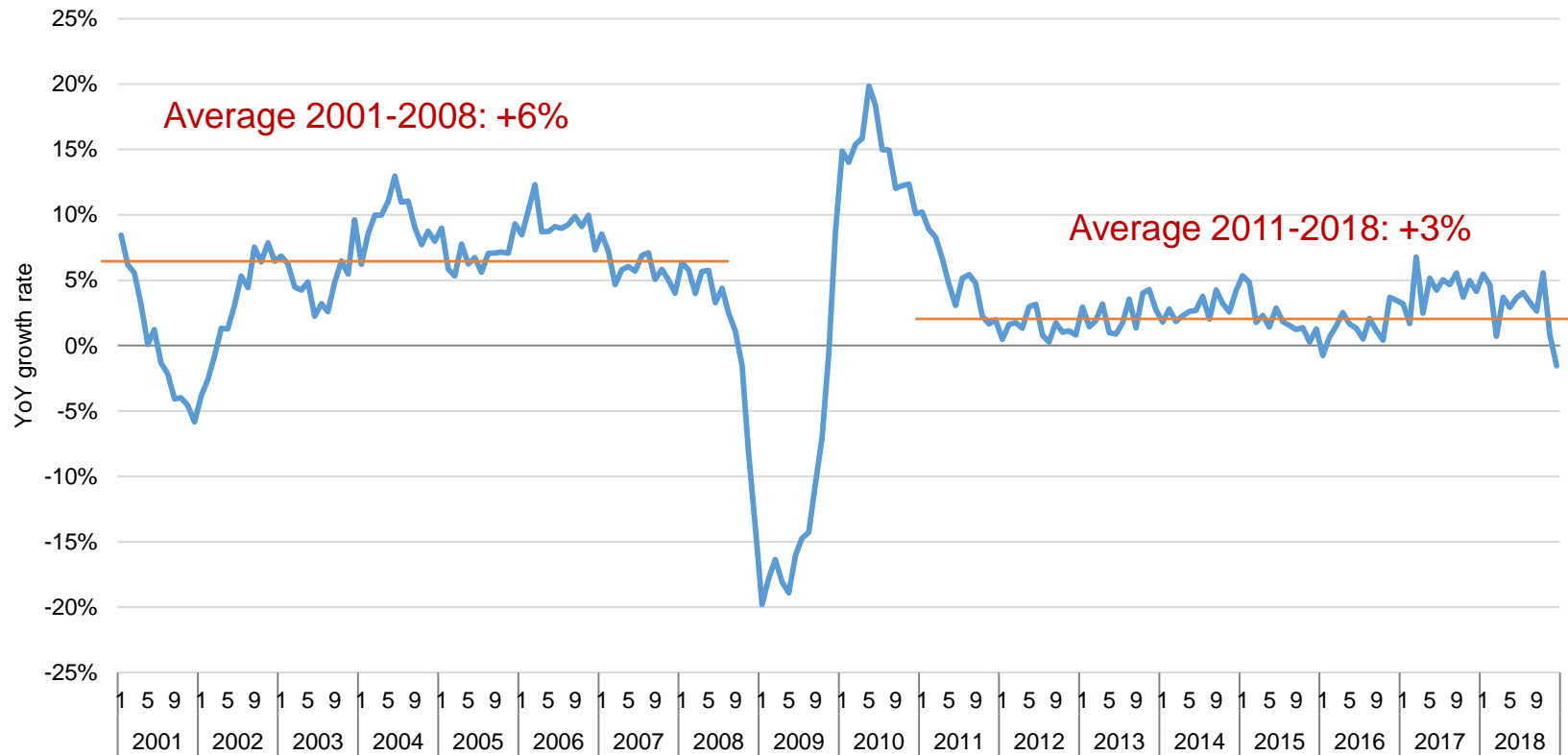
World's GDP (constant prices, % change):



Source: IMF's WEO, October 2018

World conditions have deteriorated and will continue doing so

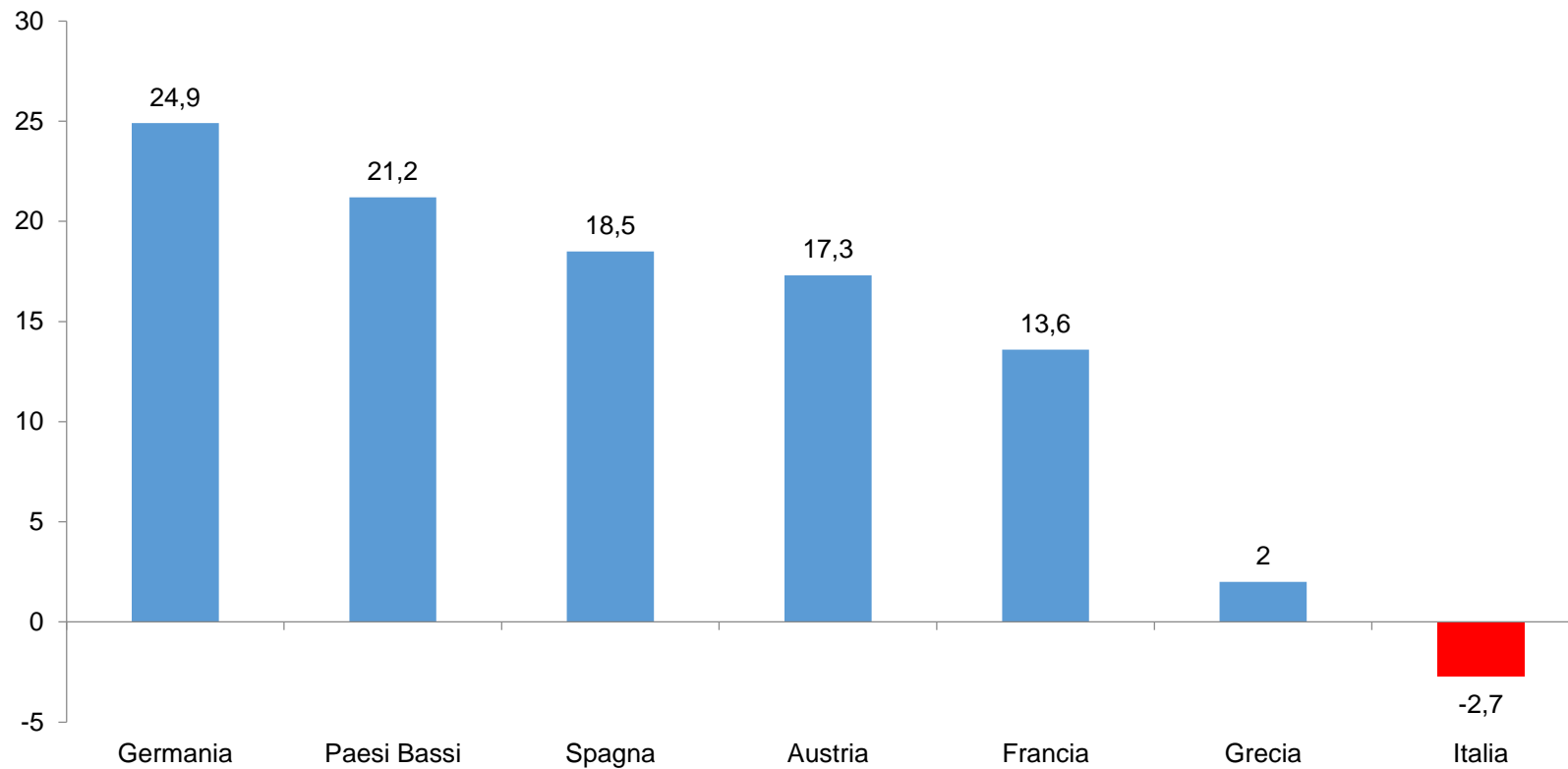
World trade growth, YoY(exports, volumes, seasonally adjusted):



Source: World Trade Monitor, CPB Netherlands Bureau of Economic Policy Analysis

Growth rates of GDP, major € countries, 2001-2021

Expected cumulative rates of real GDP, 2001 – 2021:



Source: Corriere della Sera on IMF's WEO October 2018

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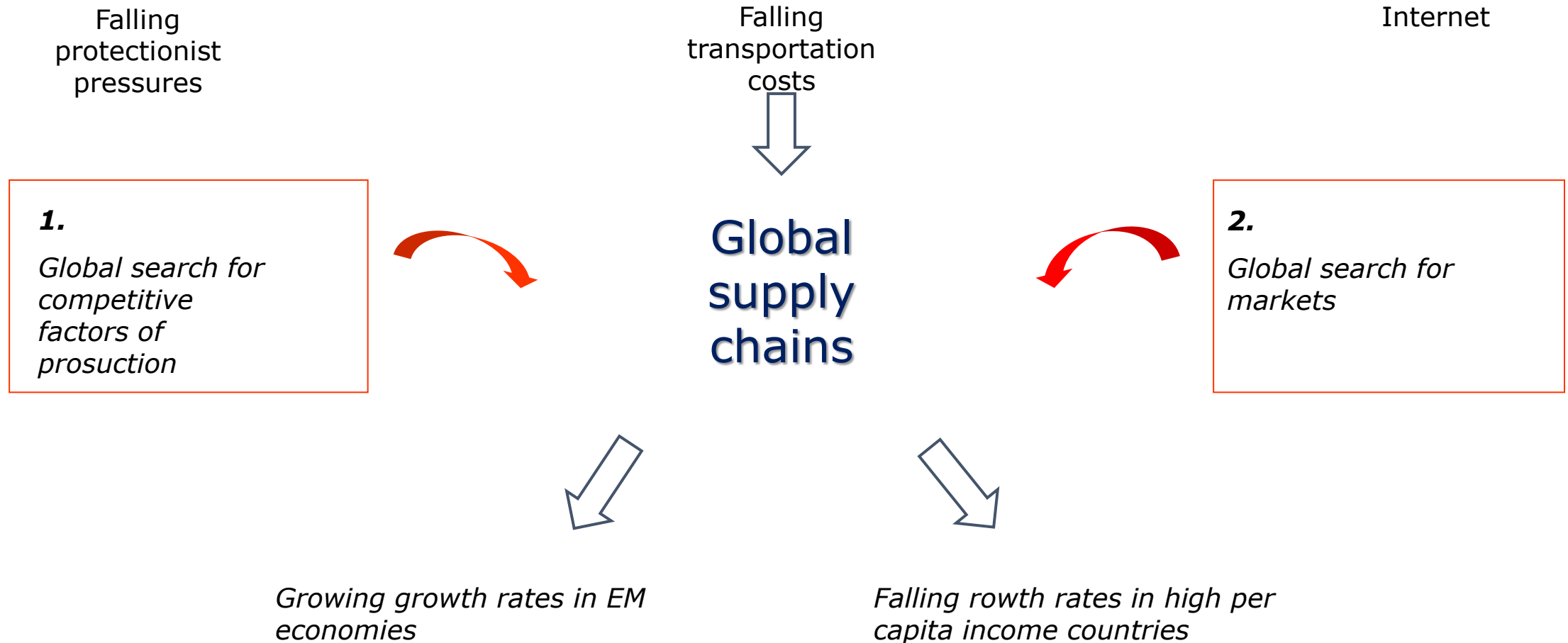
International Fragmentation of Production and Global Value Chains

The Integration of Production has changed the international division of labor:

*As recently as 30 years ago, products were assembled in one country, using inputs from that same country. Measuring trade was thus easy. 2011 is very different. **Manufacturing is driven by global supply chains, while most imports should be stamped "made globally", not "made in China", or similar. This is not an academic distinction. (...) It isn't just phones. Automobiles, aircraft, electronics – even clothing – are increasingly made in many countries. **No car or commercial jet could now be built with inputs from just one country.** Business leaders also know that new trade frictions are especially damaging in an era of global supply chains.***

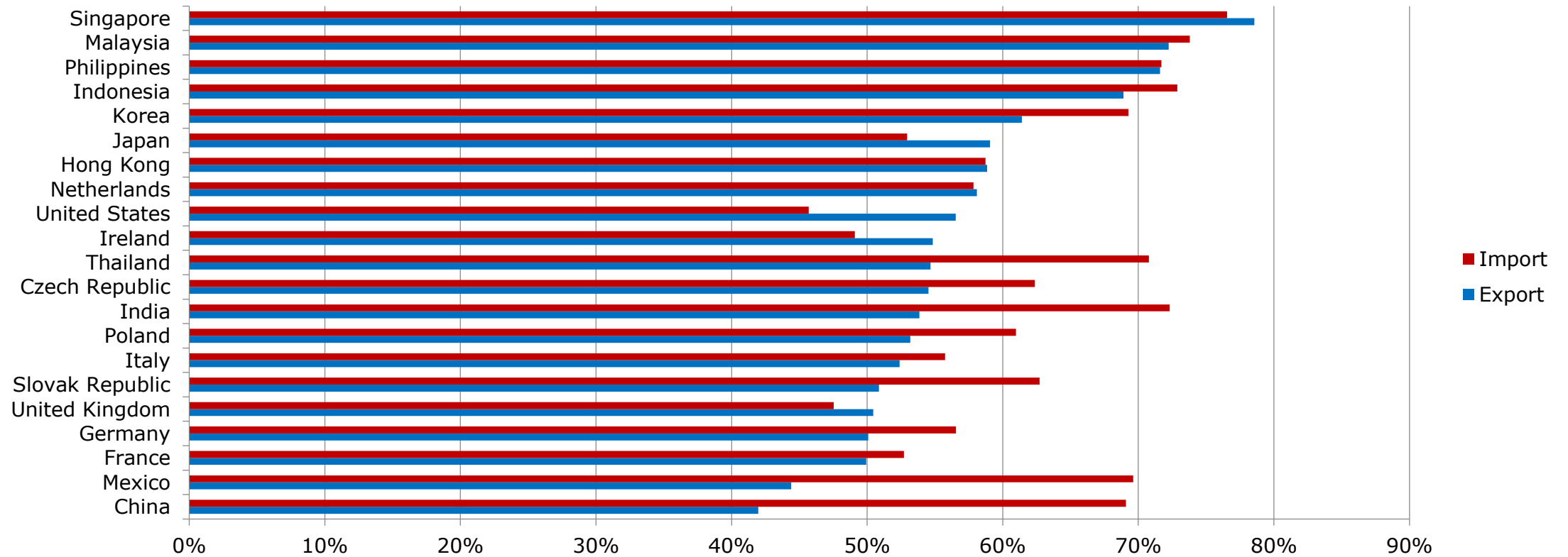
(Pascal Lamy, "["Made in China' tells us little about global trade"](#)
January 24 2011, Financial Times)

International Fragmentation of Production and Global Value Chains



International Fragmentation of Production and Global Value Chains

Share of Exported and Imported Intermediate Inputs Over Total Exports and Imports Respectively, by Country, 2011



Trade in tasks: the case of the iPhone

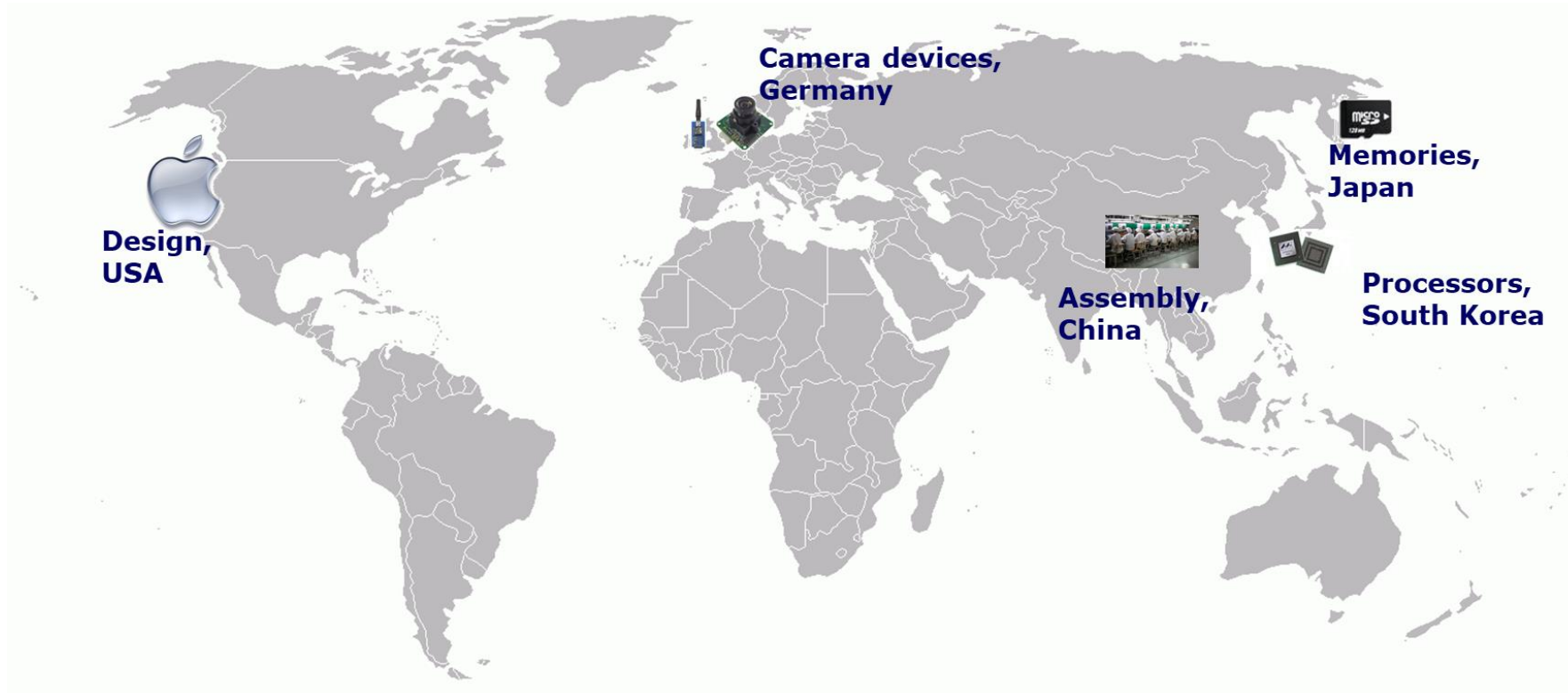




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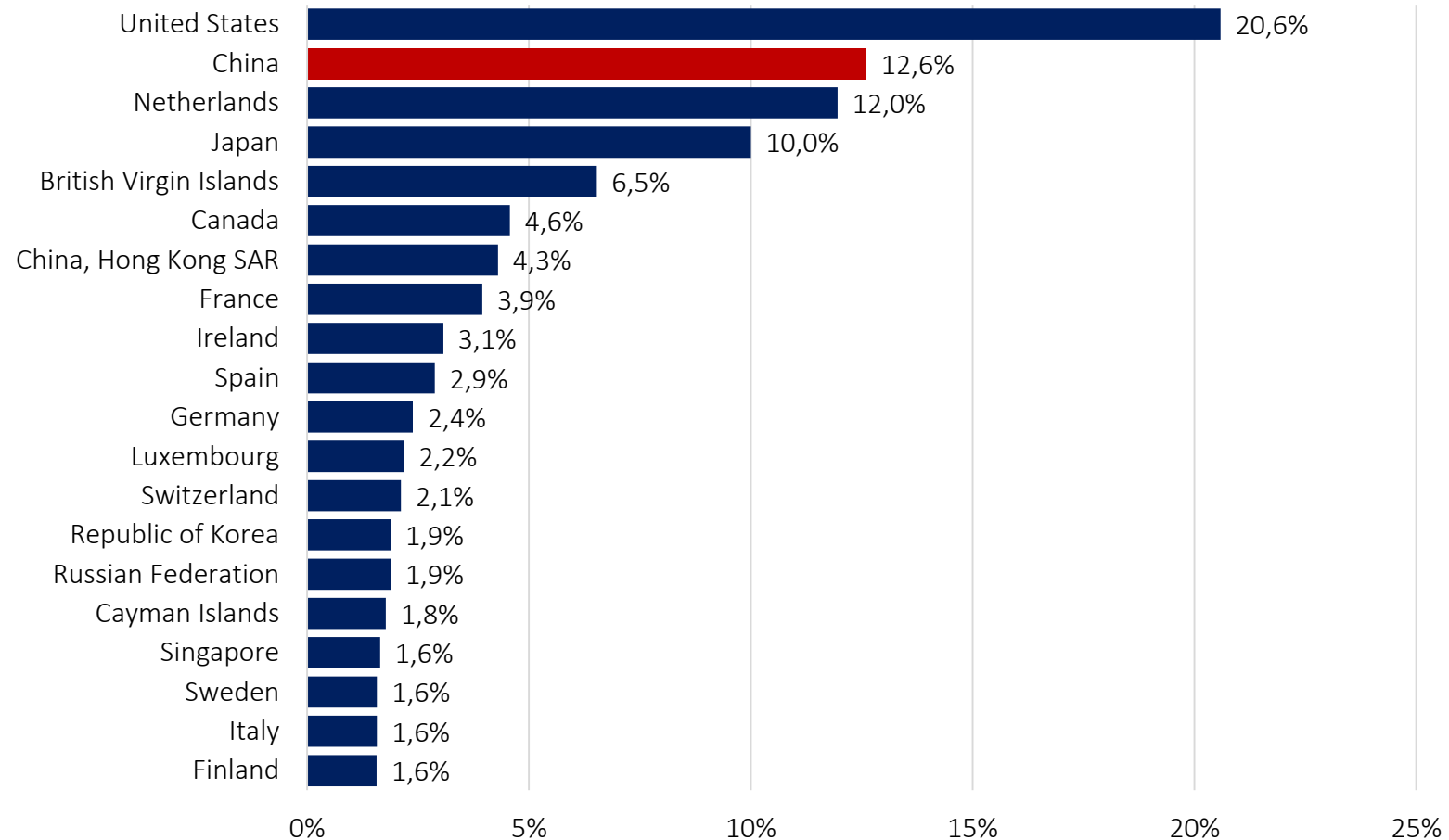
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China's proposed Belt & Road initiative



One Belt, One Road Strategy in Action

Ranking of the countries with the highest share of outward FDI, 2016



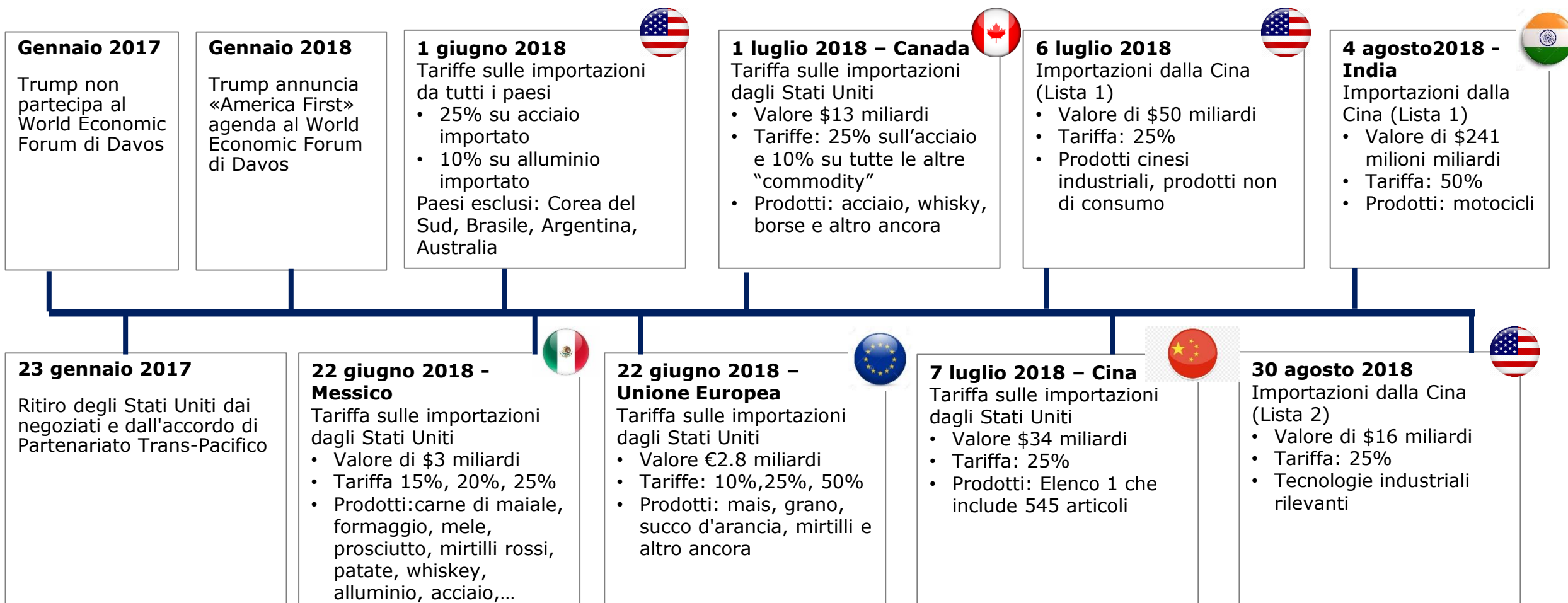
Source: UNCTAD

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Guerra commerciale o schermaglie commerciali: una cronologia delle azioni dell'amministrazione Trump



Commercial Skirmishes or Commercial War? From NAFTA to USMCA

- On August 27, 2018 the United States reached an agreement with Mexico meant to establish new commercial rules originally making up the North America free Trade Agreement (NAFTA)
- There are two articles of the Agreement that will likely strongly affect production and trade of automobiles:
 - 75% of the value of parts and components assembled in US cars and vehicles must come from within North America (local content requirement rule);
 - Between 40 and 45 percent of the value incorporated in a vehicle must originate in plants where workers are receiving a gross wage of at least \$ 16/h.
- What about Canada? Negotiations are ongoing.... And Mr. Trump has not made it a secret that Canada may be excluded from the Agreement.

In the way of a conclusion

- The last 70 years have been characterized by the progressive liberalization of world trade in the framework of the multilateralism desired by the USA
- With the Trump Presidency, a process of deep revision of US trade policy has begun, increasingly characterized by decreasing degrees of multilateralism and the use of tariffs and trade restrictions country by country
- The global distribution of the production chains makes the protectionist attack to a country an element of concern for all its suppliers. It follows that the depressive effect of the duties on the economy will not be limited to the target country alone
- We believe that the USMCA represents an important novelty in the way commercial policy will be implemented in the years to come, and the way it will affect the global character of supply chains: from globalization to regionalization
- We highlight these global risks and opportunities in the current macroeconomic scenario:
 - The growth in world demand for goods and services will remain weak, and we believe that it will be in particular that coming from the United States
 - To diversify the end markets in a radical way, paying close attention to the emerging countries of South-East Asia, both as importers, both as production places
 - Investing in product innovation, as all manufacturers will try to differentiate their product (upwards) in order to 'circumvent' the tariff barriers

Suggested Readings

The comparative advantage and international specialization of countries

- Krugman, P. R., Obstfeld, M., and Melitz, M. J. (2014). International Economics: Theory and Policy.
- 10° Edition. Pearson International Edition [edizione italiana: Krugman, P. R., Obstfeld, M., and Melitz, M. J.
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International competitiveness of Italian firms

- Boeri, T., Faini, R., Ichino, A., Pisauro, G. and Scarpa, C. (2005). Oltre il Declino. Il Mulino.
- (suggested chapter: 1).
- Gallino, L. (2003). La Scomparsa dell'Italia Industriale. Einaudi.
- Saltari, E. and Travaglini, G. (2006). Le Radici del Declino Economico: Occupazione e Produttività in Italia nell'Ultimo Decennio. Utet.
- Giunta, A. and Rossi, S. (2017). Che cosa sa fare l'Italia. Laterza.

World production and new commerciali policies

- WTO (2017). Global Value Chain development report. Measuring and analyzing the impact of GVCs on economic development. Available at: https://www.wto.org/english/res_e/booksp_e/gvcs_report_2017.pdf .
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