THE TRANSFORMING ROLE OF DEVELOPING COUNTRIES IN GLOBAL TRADE

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Abstract:

The article analyzes the increasing demand and the formation of internal value chains in developing countries – changes that explain the shift in the intensity and direction of trade at the global level. The aim of the study is to analyze the new place of developing countries in global trade relations. First, some of the transformations in the positions of the countries of the Global South in the process of multilateral liberalization are considered, then the changing role of emerging economies in the world economy is analyzed, and finally a forecast on the changing global demand and trade patterns is presented.

Keywords: *international trade, global demand and supply patterns, multilateralism, development economics, Global North and Global South*

JEL classification: *F10; F13; F60*

Introduction

In the modern global system of international economic relations, certain changes and trends are observed, determined both by purely economic factors and by many other factors - social, political, security-related, etc. These trends affect both trade and the degree of fragmentation of production specialization and the demand for different types of skills, thereby enabling the extraction of greater profits, but also pose new challenges for trade policy.

The article analyzes one of these global trends – the growing demand and the formation of internal value chains in developing countries – changes that explain the increasing decline in the intensity of trade at the global level. This decline is not a sign that globalization is over, nor does it mean that the world economy is in danger. It reflects the ongoing evolution of the world economy and the relationships within it. Economies become increasingly self-sufficient as they grow – any country with a very large territory and population, as is the case with China, will naturally be less inclined to trade with other countries than a small country. The world is still full of trading opportunities for companies that keep an eye on how the markets are changing.

The purpose of the paper is to analyze the new place of developing countries in global trade relations. First, some of the transformations in the positions of the countries of the Global South in the process of multilateral liberalization are examined, then the changing role of developing economies in the world economy is analyzed, and finally, a forecast of changing global demand patterns and trade is presented. In the conclusion, some summaries and conclusions are drawn.

It is important to note that the study does not consider the major changes that have occurred as a result of the pandemic crisis in 2020, since, on the one hand, there is still insufficient data to determine their impact on international economic relations, and on the other on the other

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hand, they cannot be evaluated from the point of view of long-term structural changes in the world economy, but for now have a rather conjunctural character.

Developing countries and multilateral trade liberalization

From the point of view of the interests of the developed Western world, the WTO has succeeded: “There are no longer any major trade restrictions left to be removed. If in the 1990s the benefits of trade liberalization were huge (hundreds of billions of dollars) and liberalization brought 10% of economic growth in the world, its benefits are important and obvious, but they have already been realized" (Krugman, 2016). However, from the perspective of the billions of poor people in the developing world, the WTO is failing.

From the perspective of development economics, the WTO has been a "miserable failure". The WTO can be defined as successful from the standpoint of highly developed Western economies as well as individual "elites" in the developing world, but success only benefits those who already possess great wealth and power (Yates, 2015, p. 1). This is because the WTO is structured and organized in such a way that it does not actually promote true free trade. In fact, the question of whether the WTO "promotes trade" actually touches too little of the problem. What is important is the impact of its trade policies – trade may grow, but this can (and often from a practical point of view actually does) have a negative impact on developing countries. In the case of the WTO, the "global elites" benefit – the organization's policies protect and support their interests, facilitating the profitable accumulation of capital, while limiting the pressures from the Global South impeding this process. This is manifested above all in attempts to adopt trade policies that force the countries of the Global South to compete with each other and thus prevent them from uniting against Western economic hegemony.

The WTO should be seen not as a radical change, but as a continuation of the General Agreement on Tariffs and Trade (GATT) with a similar objective – to coordinate trade liberalization. The GATT itself was developed after World War II by Western powers with an express, limited purpose that preferentially benefited the US and Europe. Western countries contributed the most to the establishment of GATT, possessing so-called first-mover advantages (Wilkinson, 2009, p. 162) – a term referring to countries that join first and are thus given the opportunity to more easily influence the course and shape of negotiations for a given multilateral agreement. In relation to the joined former colonies, the so-called "grandfather guidance" principle (ibid, p. 163) is applied, i.e., their actions are determined by instructions from their former colonial metropolises. In the early years, very few trade-related advantages were created for the developing world because of the limited influence that the late entrant developing countries were able to exert on the negotiations. This unbalanced system continues to operate today in the form of the WTO, as evidenced by numerous actions and agreements that have a negative effect on the development of trade policies that would benefit the developing world.

In relation to WTO decision-making, there is clearly no equality of power in this regard, as "the trading system is still largely based on force rather than a rules-based system" (Heron, 2006, p 18). Although the WTO formally has a one-member-one-vote system, it has never been used (Kieli, 2005, p. 119) and, as in most international governance institutions, the interests of the powerful dominate. This clearly creates a problem – weaker countries are unable to influence how trade agreements are reached. In cases where developing countries are to be included in negotiations, decision-making is often described as being done under "coercion". Boas and McNeill (2003, p. 44) point to the Doha Round as an example of “overt power politics in which the rich oppress the poor”. Rather than addressing development issues, the Doha conference actually "reinforced the asymmetry of power in the WTO" (Las Das, 2003, p. 16), focusing on issues that benefit developed countries and limiting the "political space" (another term for sovereignty) of developing countries (Gallagher, 2007, p. 63). Based on the WTO's Doha proposals, with little benefit in return, the ability of these countries to use tariffs, limit liberalization, and extract benefits from the R&D of foreign firms operating within their borders would be reduced, increasing the asymmetry and increases the difficulties of developing a fair-trade policy (ibid, p. 82).

The very process by which negotiations are conducted acts as an obstacle to effective trade promotion in the developing world. WTO negotiations, successive 'rounds', occur as a series of 'repetitive games' in which developing countries are often forced to accept 'new concessions in exchange for corrective action' on previous decisions (Wilkinson, 2009, p. 159). Poorer countries often have less ability and skill in complex trade negotiations, and in this case, they stand to lose much more – their access to the markets of developed countries (Yates, 2015, p. 2). Such problems are compounded by the "single deal" - a negotiating tool where all participants must comply with all decisions taken - and this leads to an ever-growing asymmetry between developing and developed countries - an inequality that is deepening.

Together with other institutional arrangements, this shows that the benefits of the WTO are primarily for developed economies, which ensures the longevity of the organization (Wilkinson, 2009, p. 171). Hence, it can be concluded that the WTO was developed expressly with the unstated objectives of "managing Western trade rivalry" and "containing the South" (Bello, 2000, p. 18). This absolutist focusses on trade liberalization in such a way as to ensure privileged access of developed economies to developing markets does not lead to fair or equitable trade outcomes.

In addition to the fact that the WTO is institutionally structured in favor of strong economies, there is also the problem of the dominance of the theoretical discourse of neoclassical economics, which is committed to trade liberalization. As stated in its declared principles, the WTO maintains a commitment to “opening national markets to international trade” (WTO, 2020). Neoclassical theory finds expression in neoliberal economic policy and is based on the a priori assumption that, by affecting their various competitive advantages, free trade will enable nations to achieve economic growth. However, this "implicit belief in the goodwill of free trade" (Heron, 2003, p. 8) is fundamentally flawed in two main areas that are not taken into account in the functioning of the WTO.

First, the WTO often promotes trade liberalization exclusively for poor, developing countries, while maintaining protectionist policies for rich countries—examples include the Agreement on Agriculture, TRIPs, and the Trade Agreement on Investment Measures (TRIMS). TRIPs are developmentally problematic because it grants "exclusive rights" of use to holders (usually Western firms), which creates the possibility (often realized in practice) of exploitation. Although WTO policies contain provisions that allow intellectual property rights to be revoked in cases of anti-competitive practices or national emergencies, these rules are complex and open to interpretation by Western corporations with significant legal recourse (Kieli , 2004, p. 120). The disconnect between WTO rhetoric and reality means that WTO trade policy is often used to protect well-developed Western sectors, leading to the dependency of poor countries forced to buy foreign products rather than innovate domestically. In this way, the possibility of domestically produced goods being included in a trade policy that promotes development and industrialization is limited (Yates, 2015, p. 3).

Second, there is abundant empirical evidence that trade liberalization does not lead to sustainable growth and that developing countries that adopt a protectionist import substitution strategy actually progress faster than countries that liberalize their economies, for example South Korea (Lie, 1992, p. 296) and China (UNCTAD, 1998, p. 183). Incipient industries are stimulated and protectionist tariffs are introduced to prevent foreign competition, and only when these economies have achieved a good enough level in the relevant sector do they begin to advocate free trade vis-à-vis other nations. Such a strategy – to use a protectionist trade policy to develop and then create obstacles for other countries to do the same, forcing them to liberalize – has also been described as “throw away the ladder” (Chang, 2003, p. 21). This is the unofficial strategy of the WTO and other international organizations such as the World Bank and the International Monetary Fund and has been in place for many decades. It hinders independent attempts by developing countries and is further reinforced by the "productivity gap" between rich and poor countries. This gap is roughly fifteen times larger than in the 19th century (ibid, p. 30), and has continued to grow since the acceleration of trade liberalization with the help of international organizations advocating the implementation of neoliberal policies since the 1980s years of the twentieth century. Such divergence provides even stronger arguments in defense of protectionism for developing countries.

Another problem is the size of the economies – within the Global South, large economies (especially China and India) benefit from liberalization. The quota system forces companies based in China and India, which are subject to strict quotas, to outsource their production to countries such as Bangladesh, which are not subject to such strict quotas. Such liberalization means that Bangladesh, as well as many African countries, must compete directly with China and India (Heron, 2006, p. 11-12), thus intensifying South-South competition. This leads to division and stratification among the poor countries, which in different circumstances could form a united block against the economic hegemony of the developed Western economies.

The complex decision-making pattern, diverging interests of developing and developed countries and imbalances in the terms of participation and distribution of benefits arising from multilateral trade liberalization led to a dead end in the process of multilateral global liberalization. A vivid illustration of this standstill is the Doha Round negotiations that started in 2001 and are still unfinished. The international trade framework is being called into question, and uncertainty in trade relations is contributing to global economic uncertainty and is dampening economic growth. (Bobeva, 2020). All this contributes to the development and deepening of the trends discussed in the following parts of the study – the growing role of developing economies (especially large ones) in the world economy and politics, the increased division between the Global North and the Global South, the reorientation of trade flows and sources of growth.

The changing role of developing economies in the world economy

The lack of progress in the WTO creates a more "defensive" attitude towards national industrial or commercial interests. Protectionist measures are significantly more than the liberalizing ones, and since 2017 their number has grown significantly. With the growth of global value chains (GVCs), a number of countries are adding value in production along the chain before receiving goods for final consumption. Thus, many exported goods combine internal and external value added by importing intermediate goods. In 2010, the share of external added value in total exports reached 31% and since then has remained at approximately the same level (Damen and Igler, 2019). The rise of global supply chains over the past three decades has been associated with increased economic efficiency (Amiti and Konings, 2007, World Bank, 2020), but also with more risks and vulnerability.

As a result of the changes of recent decades, 70% of international trade involves services, raw materials, parts and components. This is the result of the functioning of global value chains, which extend their production to different countries and direct both investment flows and their production activities to areas with a supply of raw materials and labor resources (Panushev, 2020). In addition, with the growing importance of multinational corporations and global production chains, trade has become an increasingly contested issue – the public is increasingly questioning major bilateral trade agreements such as TTIP and CETA. For decades, the EU has been criticized for the lack of coherence between its individual policies and for their contradictory effects on developing countries (Byanov and Byanova, 2018).

The place of developing countries in global economy is also changing. More than half of global merchandise trade involves at least one developing country. Trade between developing economies (South-South trade) is also growing, from 7% of world trade in 2000 to 19% in 2018. However, not all developing countries are at the same level. Between 1990 and 2018, Asia doubled its share of world trade from 15 to 35%, with more than half of Asian trade being intra-continental (World Bank, 2020). With the conclusion of the African Free Trade Area Agreement, Africa is also attempting to create a serious incentive for intra -continental trade.

China and other emerging economies are becoming drivers of global demand growth, consuming more than they produce. China's share alone grew from 4% of global consumption in 2007 to 10% a decade later. Second, emerging economies are reaching a new level of industrial maturity. They build internal supply chains and export less of the intermediate inputs they need to sustain their production. China is making rapid progress in this regard as it modernizes numerous industries and increases its capacity in design, engineering and high-tech manufacturing. Finally, new technologies are transforming trade patterns by changing the economics of production, creating new goods, and reducing transaction costs.

Globally, in the last quarter of a century, more than one billion people have been lifted out of poverty. As their incomes rise, many of them pass the point where they can begin to make substantial purchases and thus join the "consumer class." Not only are millions of households able to spend more for the first time, but even more are moving into higher income segments, past the point where consumption sharply accelerates. A recent study estimates that the global middle class will grow to 3.2 billion people by 2016, and claims that the tipping point is almost reached where middle-class or wealthy households make up the majority of the population for the first time of the world (Kharas, 2017).

Today, the global demand map, once heavily dominated by advanced economies, is being redrawn, value chains are being reconfigured, and companies are deciding how to compete in the many large consumer markets scattered around the world. According to current projections, by 2050 developing markets will consume almost two-thirds of the world's manufactured goods, with the largest share being in automobiles, construction products and machinery. By 2030, developing countries are expected to account for more than half of all global consumption (Lund et al, 2019), continuing to expand their participation in global flows of goods, services, finance, people and data.

Emerging economies are projected to be the fastest growing in terms of demand in the coming years. By 2030, total global consumption is expected to reach USD 106 trillion, more than double the 2017 level, with 60% of this increase coming from the developing world (Mancini et al., 2017).

Despite the slowdown in growth, China is developing a huge middle class that is becoming a driver of global demand. China's working population is a key consumer demographic globally – current projections suggest that this stratum will account for 12 cents of every $1 in global urban consumption by 2030 (McKinsey Global Institute, 2016). The "post-90s" generation, which grew up with wealth unimaginable to China before the turn of the twentieth century, influenced by and having constant access to Western culture and new technologies, is likely to form more than 20% of the country's total consumption growth in 2030 (McKinsey & Company, 2017).

For about 30 years, China has taken the place of the second world economy, the second foreign investor in the world, the first exporter of goods on international markets and the country with the most significant foreign exchange reserve (Hristova-Balkanska, 2020), and the exit of Chinese companies to the global market has been regulated with specific guidelines and policies since 2003-2004 (Peneva, T., 2020).

Having reached the point where it has more millionaires than any other country in the world, China now accounts for roughly a third of the global luxury goods market, with annual spending of around USD 7.4 billion, and by 2025 it could take 44% of the total global market for such goods. In 2016, luxury purchases were made by some 7.6 million Chinese households – more than the total number of households in all of Malaysia or the Netherlands. On average, these households spend twice as much on luxury goods as French or Italian households (McKinsey Global Institute, 2017).

Consumers in China are making the country the world's largest online retail market. The best illustration of this is the explosive growth of Singles Day, a one-day e-commerce marathon that reached 30 billion USD in sales in 2018 and nearly 60 billion in 2020, far surpassing those of Black Friday and Cyber Monday in United States taken together. The country's consumption is also remarkable when viewed through the lens of specific product categories. In 2009, China became the world's largest car market, with consumption continuing to grow at double-digit rates every year. In 2016, 40% more cars were sold there than in all of Europe (although vehicle sales have since declined) (Wang et al ., 2017). The Chinese smartphone market is also the largest in the world with 444 million USD turnover in 2017 (Nakamura and Onishi, 2018). The rise of local smartphone brands such as " Vivo " and " Oppo ", sold mainly in the domestic market, is a testament to the growth in consumption in the country. Today, China accounts for 40% of the world's consumption of textiles and clothing, 28% in automotive and 38% in computers and electronics (Lund et al., 2019).

As a result of increased demand, more and more of what is made in China is now sold domestically. Across industrial value chains, China exported 17% of the gross output it produced in 2007. By 2017, exports had fallen to 9% of output, a share roughly equal to that of the US but far smaller, than in Germany (34%), South Korea (28%) or Japan (14%).

Consumption is also growing faster in the rest of the developing world as more countries urbanize, industrialize and integrate into global value chains. By 2030, developing countries (excluding China) are expected to account for 35% of global consumption. Demand is rising in almost all developing countries, with growth particularly fast in India, Indonesia, Thailand, Malaysia and the Philippines.

The tendency for developing countries to consume more than they produce is most evident in labor-intensive and highly innovative global value chains. Between 2007 and 2017, the share of their output that was exported fell by half (from 29 to 15%) in China and from 33 to 27% in other developing economies (excluding European). Developing countries in Europe are the only region that follows the opposite trend – they (including Bulgaria) are important suppliers for the countries of the western part of the continent.

Declining trade intensity in industries such as clothing reflects rising incomes and demand in countries that have absorbed most of the world's labor-intensive manufacturing. In 2002, for example, 35% of India's consumer goods exports were apparel. In 2017, however, that share fell to 17%—not because India is losing its share of the global market, but because Indian apparel manufacturers, like their counterparts in China, no longer have to ship as much of their products around the world to looking for buyers. They can sell more clothes to local consumers. Average spending on clothing and footwear in India rose from USD 40 per person in 2007 to USD 64 in 2017, with the market also expanding due to population growth (Lund et al., 2019).

As global demand shifts to the developing world, new opportunities are opening up for manufacturers in advanced economies. While in 1995 only 3% of exports from advanced economies went to China, by 2017 this share had grown to 12% (from USD 130 billion to USD 1.2 trillion). Over the same period, the share of advanced economies' exports to other developing countries rose from 20 to 29% (in absolute terms from USD 860 billion to USD 3 trillion). This trend is observed in both final consumption goods and intermediate goods.

In the automotive industry, for example, 38% of Japan, Germany and the US' auto parts and car exports go to China and the rest of the developing world. In knowledge-related services, including information technology, financial and business services, 45% of all exports from developed economies are destined for developing countries. China's imports of final consumption goods now match those of Germany and exceed those of Japan, the United Kingdom, France and Russia.

Over the past decade, rising exports to developing countries have helped advanced economies cushion the impact of the global financial crisis's slump in domestic demand, which continues to this day. In industries such as furniture and apparel, France, Germany and the US realize that while demand from their advanced economic trading partners has been declining over the 2007-2017 period, rising exports to the developing world are blunting this trend.

The Asia-Pacific region is already a top strategic priority for many Western brands. Recently, for example, the Danish brewing company Carlsberg recorded no revenue growth in Western Europe, but double-digit growth in Asian markets (mostly India) (Carlsberg Group, 2018). The cosmetics giant Estée Lauder reported a 2% increase in sales in the Americas and a significantly higher 11% increase in emerging markets (due in part to teaming up with local social media influencers and influencers such as Chinese actress Yang Mi) (Estee Lauder, 2017) In the first half of 2018, Hermès reported that the Asia-Pacific region excluding Japan brought in 38% of the company's revenue, a share that exceeded its revenue across Europe (Hermès, 2018).

After several decades of participation in global value chains, mainly as producers, today developing economies are also becoming important consumers. This creates export opportunities not only for developed countries – developing countries are increasingly trading with each other as well.

In many respects, however, China's trade policy has come under criticism. According to WTO data, China's average tariffs on imported goods are double the EU's average tariff rates and three times the US's, without changing significantly over the past decade (WTO, ITS and UNCTAD, 2018) . Other contentious issues are the limited access of foreign companies to some Chinese markets, subsidies for key domestic industries and restrictions on foreign data flows.

The riskiest for foreign companies are the transfer of technology and the protection and enforcement of intellectual property rights - these are also the main arguments of the US in the ongoing trade war with China. To be allowed to enter some industries, foreign firms need joint ventures with Chinese companies. Although this is an effective strategy for rapidly building new industries and capabilities, joint ventures can become mechanisms to facilitate the transfer of technology from foreign firms to their local partners through both direct and indirect channels. China is gradually easing restrictions on foreign investment in sectors such as finance, energy, automotive and ship and aircraft manufacturing. (Lee et al Chen, 2018), but market access remains a point of contention in relations with many of the country's trading partners.

Today, developing economies account for more than 40% of global merchandise trade and increasingly trade with each other. Now this so-called South-South trade amounts to 3.6 trillion USD and represents almost half of all exports from developing countries (for comparison in 2007 it amounted to 39%).

In many industries, companies see an advantage in locating production close to their customers and in building networks of suppliers located in close proximity to each other to improve coordination. Production networks expand in developing countries as domestic industries become more vertically integrated and multinational companies begin to build foreign affiliates to serve these rapidly growing markets. This is observed in many countries, including China, India and Indonesia.

The trend towards incorporating more and more domestic production into more segments of different industrial value chains is most pronounced in China, but also exists in other developing economies. The clearest illustration is the Textiles and Apparel industry, where the increasing focus on speed and time to market requires close coordination between suppliers at different stages of the value chain. In the developing world (excluding China), the share of traded intermediates relative to total industry output is shrinking, from 18% at its peak in 2002 to 13% in 2017 (Lund et al., 2019). Instead of fragmenting production across multiple distant countries, production networks span multiple stages and are consolidated in individual countries such as Vietnam, Bangladesh, Malaysia, India and Indonesia. Even Ethiopia, a newer player in the textile industry, is beginning to expand its own cotton production to serve its apparel manufacturers.

Other developing economies are developing wider food and beverage supply chains. For example, in Senegal, millet was initially grown and used by individual households for their own consumption, and until the beginning of the 21st century, only millet flour was processed. The country now aims to refine and expand processing to be able to offer other commercial products, such as ready-to-eat millet meals (Alliance for a Green Revolution in Africa, 2018).

The expansion of the value chain into new segments is progressing differently in different parts of the developing world. In developing Asia (excluding China), strong economic growth is creating stable consumer markets supporting more independent industries focused on domestic consumption. The region relies less on imported intermediate inputs than other developing countries (9.5 and 18.7% of manufactured goods in 2017, respectively). In the "global innovation" category (automotive, chemicals, machinery, computers and electronics) during the period 2007 - 2017, domestic intermediate production grew by 6% per year, and the share of traded intermediate inputs into these products decreased by about 5 percentage points. In global value chains offering knowledge-related services, the region reported similar 5-year output growth, while the share of traded intermediate inputs supporting this output shrank by 11 percentage points over the decade. Many industries in these countries are becoming less dependent on foreign suppliers for certain raw materials.

At the same time, in Europe, industries in less developed countries are becoming more deeply integrated into the supply chains of larger developed and nearby economies. In the Czech Republic, Slovakia, Romania, Poland and Bulgaria, for example, many companies are joining the production networks of Western European car manufacturers (especially German ones). Between 2007 and 2017, output in global innovation industries in the region rose by 2% per year, and the share of traded intermediates increased by two percentage points. This trend applies more broadly to other types of value chains.

In industries producing global innovations, multinational companies sometimes create momentum that helps developing countries move from one stage of production (usually simpler) to others, as companies seek to keep more phases of the respective production together (on one place). For example, in India's automotive industry, imported intermediate inputs declined from 14% of gross output in 2007 to 10.1% in 2017, as the presence of multinational automakers spurred the proliferation of more local specialty suppliers. In 2017, Ford exported 180,000 cars from India, and Hyundai another 153,000. Like China, India produces and consumes more than it produces, reducing the intensity of both final and intermediate trade goods.

Increasing industrial maturity in many developing economies, combined with ever-increasing demand, is changing global trade patterns. These changes are likely to become more pronounced in the coming years. It is in this connection in the next part, based on a prognostic model developed for the OECD in Johansson and Olaberría, 2014, summarized their results regarding long-term trade development.

How will the world economy develop in the future?

Over the next 40 years, world GDP is expected to grow by an average of about 3% per year, with rates of decline in many countries. By 2030, world growth will be supported by the increasing participation of China and India with high, albeit declining, growth. After 2030, rapid development in Africa is expected to accelerate global growth. Trends in OECD countries are for GDP growth to be around 2% per year until 2060. Developing economies will continue to outpace the OECD on this indicator, but in the near future the gap will narrow as incomes in developing countries reach levels in OECD. As a result, over the next 40 years, there will be changes in the share of individual countries and regions in world GDP. Faster growth rates in developing countries suggest that by 2060 the combined GDP of non-OECD economies will account for around 60% of global GDP. up from around 40% in 2012.

Growth in trade (gross exports of goods and services) is expected to continue to outpace GDP growth over the next 40 years, with world trade increasing by about 3.5% per year (compared to 6.9% in the period 1990- 2007). The elasticity of trade relative to GDP is projected to be weaker than in the period before the global financial crisis. The lower elasticity partly reflects the fact that in the future the countries contributing to world growth will rely less on export -led growth than in recent years. This in part suggests that the intensity of fragmentation of global value chains will slow down, as there are physical limits to the possibilities of fragmenting production and different tasks (Fontagné and Fouré, 2013).

From the point of view of geographical distribution, there will also be major transformations in trade patterns caused by the uneven development of incomes around the world, as well as by changes in the composition of the consumer basket and in relative productivity. In the coming decades, China and India are projected to gain market shares in world trade, although after 2030 the high rate at which China's trade share is rising will decline due to a slowdown in GDP growth. Similarly, Africa, Indonesia and other Asian economies are expected to increase their trade shares significantly, especially after 2030, registering rapid growth resulting in an increase in the size of economies combined with low production costs. This growth in the trade shares of developing economies will mostly be at the expense of weaker trade performance in the Eurozone – it is assumed that by 2060 its share in exports will decrease to approximately 12%. At the same time, due to relatively more favorable growth forecasts compared to the Eurozone, the decline in the share of some OECD economies (e.g., USA and Canada) is expected to be milder.

The changing geographic distribution of trade is also reflected in changes in the relative importance of different groups of trading partners. About half of total bilateral trade now takes place within the OECD, but by 2060, bilateral trade between its members is projected to almost halve. On the other hand, trades between non-OECD economies will more than double, reaching approximately one-third of world trade. During the forecast period, trade between Asian countries will grow from about 6 to 16%. At the same time, products from countries external to the organization will increasingly be imported into the OECD, while the share of the latter in world imports will remain more or less unchanged. Ultimately, it is predicted that over the next 40 years, the geographic center of trade will shift from developed to developing economies.

In the coming decades, the relative importance of different countries and regions in specific markets will also change significantly. This is mainly due to differences in growth, changes in relative productivity and production costs, and the shift of consumption in developing economies to services. In particular, expectations are that China, India, other Asian economies and Africa will become dominant players in manufacturing, while most OECD countries will lose ground. For example, Japan, South Korea and the US will lose their comparative advantage in electronics to China and other Asian countries, which by 2060 are likely to account for 70% of global electronics exports.

The share of developing economies (e.g., China, India and African countries) in the world market will rise significantly even in trade in services. The reason is that these countries will move towards more innovative activities because, combined with the larger size of their economies, they also become richer. Services trade shares of China and India will increase mostly at the expense of the Eurozone, the US, Japan and the UK. One explanation for this is that some service sectors are generally characterized by low levels of productivity. Therefore, for these sectors, access to cheap labor is relatively important, and although labor costs in developing economies are rising, they are still lower than in most developed economies.

Despite the reduction of tariff and non-tariff barriers to trade in recent decades, especially for industrial products, there are still significant obstacles at the global level. Regulatory barriers to trade in services, agricultural subsidies and transaction costs for certain goods remain high. Removing trade barriers can lead to growth in GDP and welfare, but at the same time has side effects on income distribution. Wage inequality within countries is likely to widen, even if the average income gap between countries is shrinking.

Trade liberalization can occur at the global or regional level. As noted, multilateral negotiations between a large number of countries are inherently difficult, while regional trade agreements between a limited group of relatively similar countries enable the negotiation of rules and commitments that go beyond the capabilities of a broader forum. However, regional integration may cause trade discrimination and welfare losses in some countries. To the extent that it generates a diversion of production from efficient non- participating producers to inefficient but participating producers, it may lead to efficiency losses. In some cases, regional integration also promotes regionalism, potentially hindering trade liberalization at the global level.

Conclusions

In the modern global system of international economic relations, certain changes and trends are observed, determined both by purely economic factors and by many other factors – social, political, security-related, etc. In some cases, these trends are multi-directional or interrelated; in others they have very serious economic effects.

The complex decision-making pattern, the divergent interests of developing and developed countries, and the imbalances in terms of participation and the distribution of benefits resulting from multilateral trade liberalization led to a standstill in the WTO.

Trade itself is also changing. The lack of progress in the WTO creates a more "defensive" attitude towards national industrial or commercial interests. The protectionist measures are more than the liberalizing ones, and since 2017 their number has grown significantly.

With the emergence of global value chains, a number of countries add value in production along the chain before receiving goods for final consumption. Thus, many exported goods combine internal and external value added by importing intermediate goods. The place of developing countries in the world economy is also changing. More than half of global merchandise trade involves at least one developing country.

It is the group of developing economies that are beginning to become significant regional and even global market players that pose the greatest challenge to the global trading system. Once freed from their dependence on richer (mostly Western) countries, they can challenge their economic dominance while still benefiting to some extent from their status as developing countries. From such a perspective, the logical connection between the failure of the WTO, the rise of developing economies and the debate about whether the world trading system in its current form is fit for the future is more clearly visible.

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