

1И/718288К(039)

UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

**UNCTAD**



# TRADE AND DEVELOPMENT REPORT 2018

POWER, PLATFORMS AND  
THE FREE TRADE DELUSION



UNITED NATIONS

## Contents

<i>Foreword</i> .....	<i>iii</i>
<i>Explanatory notes</i> .....	<i>x</i>
<i>Abbreviations</i> .....	<i>xi</i>
<i>OVERVIEW</i> .....	<i>I–XIV</i>

---

### *Chapter I*

<b>CURRENT TRENDS AND CHALLENGES IN THE GLOBAL ECONOMY</b> .....	<b>1</b>
<b>A. Making sense of global economic trends</b> .....	<b>1</b>
1. The Panglossian disconnect.....	1
2. Asset market surges.....	2
3. Asset markets and income inequality.....	3
4. Volatile capital flows .....	5
5. The global explosion of debt.....	5
<b>B. Emerging policy challenges</b> .....	<b>7</b>
1. The oil price hike.....	8
2. United States protectionism and potential trade wars .....	8
<b>C. Global trade patterns</b> .....	<b>9</b>
1. Signals from global trade.....	9
2. Commercial services trade.....	10
3. Commodity price trends .....	11
<b>D. The drivers of growth</b> .....	<b>13</b>
<b>E. Regional growth trends</b> .....	<b>15</b>
1. Developed countries .....	15
2. Transition economies.....	17
3. Latin America.....	18
4. West Asia .....	19
5. Developing Africa.....	20
6. Developing Asia .....	21
7. Growth in an environment of instability.....	22
<b>Notes</b> .....	<b>24</b>
<b>References</b> .....	<b>25</b>
<b>Appendix I.A: A “trade war” scenario.</b> .....	<b>27</b>

### *Chapter II*

<b>THE SHIFTING CONTOURS OF TRADE UNDER HYPERGLOBALIZATION</b> .....	<b>35</b>
<b>A. Introduction</b> .....	<b>35</b>
<b>B. Trade dynamics after the Second World War</b> .....	<b>36</b>
1. The rise and fall of the Golden Age: 1950–1986.....	36
2. Hyperglobalization: 1986–present.....	40
<b>C. Trade-charged structural change: Diverging paths among developing regions</b> .....	<b>45</b>

<b>D. Trade and inequality under hyperglobalization .....</b>	<b>50</b>
1. GVCs, jobs offshoring, processing trade and income polarization in manufacturing.....	51
2. Concentration in export markets, intangible barriers to competition and corporate rents: A look at the top 2,000 TNCs.....	53
<b>E. Unequalizing trade: Macroeconomic risks and development policy challenges.....</b>	<b>59</b>
<b>Notes .....</b>	<b>61</b>
<b>References .....</b>	<b>64</b>

*Chapter III*

**ECONOMIC DEVELOPMENT IN A DIGITAL WORLD:  
PROSPECTS, PITFALLS AND POLICY OPTIONS .....** 69

<b>A. Introduction .....</b>	<b>69</b>
<b>B. Digital technologies in value chains: Potential opportunities for income generation and upgrading .....</b>	<b>70</b>
1. The distribution of value added and upgrading in traditional value chains.....	70
2. Digitalization: Potential impacts on the manufacturing process .....	72
<b>C. Adapting economic policies to a digital world .....</b>	<b>80</b>
1. Facilitating integration into a digital economy and ensuring an equitable sharing of its benefits.....	81
2. Trade and investment rules in the digital era.....	90
3. South–South and triangular cooperation for a digital world .....	92
<b>D. The way forward for developing countries .....</b>	<b>94</b>
<b>Notes .....</b>	<b>97</b>
<b>References .....</b>	<b>99</b>

*Chapter IV*

**BRIDGING GAPS OR WIDENING DIVIDES: INFRASTRUCTURE DEVELOPMENT  
AND STRUCTURAL TRANSFORMATION .....** 103

<b>A. Introduction .....</b>	<b>103</b>
<b>B. Infrastructure matters: Conceptual issues and historical lessons .....</b>	<b>106</b>
1. Types of infrastructure.....	107
2. Infrastructure and the virtuous circle of growth.....	109
3. Historical experiences.....	112
<b>C. Infrastructure in developing countries .....</b>	<b>115</b>
1. Needs and gaps .....	115
2. The financing gap narrative .....	118
<b>D. A framework for considering the role of infrastructure in development .....</b>	<b>122</b>
1. Some basic considerations.....	122
2. The role of planning in infrastructure development .....	123
3. Experiences with national development plans: Country evidence .....	125
<b>E. Conclusion .....</b>	<b>126</b>
<b>Notes .....</b>	<b>127</b>
<b>References .....</b>	<b>128</b>

## ***List of figures***

### *Figure*

1.1	G20 real GDP growth rates, first quarter 2009–first quarter 2018 .....	1
1.2	Stock market, selected developed economies, January 1990–March 2018.....	3
1.3	Stock market, selected developed and emerging Asian economies, January 1990–March 2018...	3
1.4	Change in stock market indices, selected economies, 2009–2018.....	3
1.5	United States residential property prices, first quarter 2005–fourth quarter 2017 .....	4
1.6	Euro area residential property prices, first quarter 2005–fourth quarter 2017 .....	4
1.7	Residential property prices, selected European economies, first quarter 2005–fourth quarter 2017.....	4
1.8	Stock market appreciation and nominal wages increase, selected economies, 2009–2015 .....	4
1.9	Net private capital flow by region, first quarter 2007–fourth quarter 2017.....	5
1.10	World trade volume trends, January 2008–April 2018.....	10
1.11	Monthly commodity price indices by commodity group, January 2002–May 2018 .....	12
1.12	United States private-sector nominal average hourly earnings, 2007–2018 .....	16
1A.1	Labour income share and consumption in countries involved in the trade war, 2003–2023 .....	29
1A.2	External income and transfers, and the current account in countries involved in the trade war, 2015–2023 .....	31
1A.3	Growth of GDP and investment, 2015–2023 .....	33
1A.4	World gross product and trade volume growth rates, 1990–2023.....	34
2.1	World trade, global output and related elasticities, selected country groups and periods, 1870–2016.....	37
2.2	Share in global merchandise exports, 1948–2017.....	37
2.3	Developing economies' share of trade by weight, 1970–2016.....	37
2.B1.1	Income of the United States on direct investment abroad, selected countries, first quarter 2000 to first quarter 2018.....	39
2.4	Total gross exports, selected country groups and China, 1948–2016 .....	41
2.B2.1	Trade and investment bilateral connections based on international agreements, 1960–2015.....	42
2.B2.2	WTO-plus and WTO-extra policy areas included in trade agreements.....	43
2.5	Global network of merchandise trade, selected years, 1986–2016 .....	44
2.6	Share of BRICS versus RIBS in world economy, 1990–2016 .....	45
2.7	World trade in value added by sectors, selected country groups, 1995–2011 .....	46
2.8	Export structure by technological levels, selected developing regions, 1990–2016.....	48
2.9	Export structure by technological levels and selected partners, selected developing regions, 1990–2016 .....	49
2.10	Average shares of top 1 per cent, 5 per cent and 25 per cent exporters in country total export, 1997–2014.....	53
2.11	Export market entrant survival rate in 2010 .....	54
2.12	Payments and receipts related to the use of foreign IPR, selected country groups, 1995–2015 .....	55
2.13	Top 2,000 TNCs revenues and world trade, 1995–2015 .....	56

*Figure*

2.14	Top 2,000 TNCs profit and the global labour income share, 1995–2015.....	57
2.B3.1	Shares in top 2,000 TNCs profits, selected countries and country groups, 1995–2015.....	58
3.1	Stylized manufacturing value chain smile curve.....	72
3.2	Selected ICT services as a share of total intermediate consumption in manufacturing, selected economies, 2000–2014.....	74
3.3	Domestic value added shares in manufactured products finalized in an economy, selected economies, 2000 and 2014 .....	77
3.4	Types of digital platforms.....	78
3.5	Geographic location of big tech companies, selected companies .....	79
3.6	Share of “big tech companies” in top 100 non-financial corporations.....	80
3.7	Shares of top 1 per cent companies from technology, software and IT-services sector, 1996–2015.....	80
3.8	Active mobile-broadband subscriptions, 2007–2017.....	82
3.9	Mobile-broadband prices, 2013 and 2016.....	82
3.10	Individuals using the Internet, 2005–2017 .....	82
4.1	Multilateral development banks: Finance for infrastructure as proportion of total banks’ finance .....	105
4.2	Number of electrical outages in a typical month.....	111
4.3	Current infrastructure investment, selected subregions and economies.....	116
4.4	Paved road density.....	117
4.5	Logistics performance index, 2016 .....	117
4.6	Energy access, 2016 .....	117
4.7	Telephone access and use, 2016 .....	118
4.8	Safely managed water supply access, 2015.....	118
4.9	Sanitation facilities access, 2015.....	118
4.10	Trends in public investment, 1980–2015 .....	120
4.11	Infrastructure planning: Country evidence.....	125

## ***List of tables and boxes***

### ***Table***

1.1	Completed and pending mergers and acquisitions deals worldwide, 2016–2018 .....	6
1.2	World primary commodity prices, 2008–2018.....	11
1.3	Drivers of demand in different countries, 2017–2018.....	14
1.4	World output growth, 1991–2018.....	17
1A.1	Outcomes for countries/other groups .....	32
1A.2	World variables.....	34
2.1	Value added shares in gross exports of developing economies, level and changes, 1995–2014.....	47
2.2	Shares in exported value added in manufacturing GVCs, 2000–2014.....	51
2.3	Top 2,000 TNCs – key indicators, 1996–2015.....	56
3.1	Digital technologies.....	71
4.1	The role of infrastructure in industrialization of the Republic of Korea.....	114
4.2	Infrastructure investment needs at the global level, annual 2015/16–2030 .....	115

### ***Box***

1.1	Global scenarios: From toiling to troubling .....	23
2.1	Measurement challenges in mapping international “trade”.....	38
2.2	Using laws not wisely but too well: The international legal framework in the era of GVCs.....	42
2.3	“There’s no place like home”: The geographical location of headquarters of the top TNCs.....	58
3.1	The Data Revolution Policy of Rwanda.....	90
4.1	What do empirical studies tell us?.....	104
4.2	Balanced versus unbalanced growth .....	110