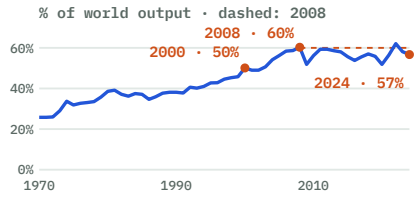
Is globalization going backwards?

World trade as a share of world output climbed for forty years and has run level since 2008: a plateau, not a collapse; tariffs, sanctions and export controls make trade more expensive; reshoring buys a safer supply at a price; how to read a trade headline. Source of the line: the World Bank.

1 The line

trade ÷ output

- **World trade share** = (exports + imports of goods and services) ÷ world output (**GDP**, all a country produces in a year) × 100 · data: **World Bank** (international lender, Washington)
- `26%` 1970 → `38%` 1990 → `50%` 2000 (first year at half) → `60%` **2008** → `62%` 2022 (record) → `57%` **2024**
- Forty years: trade grew much faster than output · since 2008: **plateau** = a line that stops climbing and runs level



2 Points & shocks

dips, not a turn

- **Point** = change in a share: `new − old` · 60% → 57% = **−3 points** (not −3%, not −30)
- **2009** banking crisis (began in the US, spread worldwide): 60 → 52 = **−8** → 59% by 2011
- **2020** pandemic, factories and ports shut: 56 → 52 = **−4** · **WTO** (World Trade Organization, Geneva, 1995): **volume** of goods traded (how many goods, not their dollar value) **−5.3%** → 62% by 2022
- Practice: "−4 points in 2023, trade is collapsing" → 62 → 58 after the **record**; 2009 fell twice as much; 58% ≈ 2008's 60% ⇒ still the plateau

3 Trade as a weapon

tariff · sanction · control

- **Tariff** = tax paid when goods cross the border → buyer pays `price + tariff` · **6 July 2018**: US 25% on ≈ **$34 billion** of goods from China; China the same back · $40 part + 25% → **$50**
- **Sanction** = penalty on **one country**, limiting trade or money, to pressure it · **Feb 2022**: ≈ **$300 billion** of Russia's central bank **reserves** (its foreign money, Lesson 6) blocked
- **Export control** = rule forbidding the sale of **a kind of good** abroad, for security · **7 Oct 2022**: US controls on advanced computer chips and chip-making tools to China
- Practice: bike $80 + 25% = **$100** > home $90 → the shop buys at home · (90 − 80) × 500 = **+$5,000** a year · tariff collected: **$0**



4 Reshoring

the price of safety

- **Reshoring** = production back home · **friend-shoring** = production to allies → usually a higher cost per item
- Sandals: Palmera $10, Coralia $12 → `$2 × 1,000 pairs` = **$2,000** a year · like insurance: paid every year, whether or not the ships stop
- **Supply chain** = all the firms and places a product's parts pass through · one supplier → its port closes → no chips → no cars, though every other part is ready
- Practice: half of 6,000 chips from a home supplier at +$2 → `3,000 × $2` = **$6,000** a year

5 Sort the moves

cost · tool

Makes trade cheaper	Makes trade more expensive
deep-water port · one standard container size · two neighbors drop tariffs (Lesson 9)	25% tariff on steel · sanction (ban on trade) · export control on chips

Sanction → one country	Export control → a kind of good	Reshoring / friend-shoring → a firm moves
oil ban · frozen reserves	chip-making machines · license for night-vision cameras	battery factory home · phone assembly to an ally

- Pushes both ways at once → the line stays roughly level

6 Read a headline

five questions

- Ask: **who gains** · **who loses** · **which chart** · **which number** · **which trade-off**
- Chips ban → chip sellers lose customers · frozen reserves → cannot defend the currency · tariff → buyers pay first, home producers gain
- `OPEN TRADE` each place makes what it makes best → cheaper goods, more choice · `RESILIENCE & SECURITY` resilience = supplies keep flowing when one breaks · one supplier can cut you off → pay extra to keep production close · weighing them: a choice for voters, not for a chart

Watch out: a change in a share is in **points** (60 → 57 = −3), not percent · a fall after a **record** ≠ a collapse: compare with the level before · share of output ≠ volume of goods · a tariff high enough to send buyers home **collects nothing**