

A New Era of Multilateralism, Sustainable Trade and Trade in Services to Drive Global Trade – DMCC’s ‘Future Of Trade’ Report Finds

- *After a record year for trade in 2021, global trade growth is expected to remain robust in 2022, albeit with some slowdown in pace*
- *A new multilateralism is expected to take hold, with increasing bilateral, regional and multiparty trade deals*
- *The UAE signing 27 Comprehensive Economic Partnership Agreements is representative of the new era of multilateralism*
- *Developments in virtual assets, including central bank digital currencies, stand to reshape global finance, trade and investment*
- *Full report can be accessed and downloaded here: www.futureoftrade.com*

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Global trade, which hit a record high of USD 28.5 trillion in 2021, is expected to grow steadily in 2022 and the coming years as a new era of multilateralism – underpinned by regionalisation, trade in services, innovation and sustainable trade – counters the impact of the slowing global economy, according to DMCC’s latest [Future of Trade](#) 2022 report titled ‘A New Era of Multilateralism’.

While trade growth may be somewhat slower in 2022 compared to 2021, overall, there is reason for optimism, notwithstanding well-flagged issues such as the fallout from the war in Ukraine and from the pandemic. Pent-up demand from the COVID-19 shock is already driving trade in goods; a rebound in trade in services is set to follow.

Ahmed Bin Sulayem, Executive Chairman and Chief Executive Officer, DMCC, said: *“After a record year for trade in 2021, we expect global trade growth to remain resilient in 2022, albeit with some slowdown in pace. Beyond the immediate support from a rebound in pent-up demand from the COVID-19 shock, there are also more long-term changes underway that should support cross-border trade in the years ahead – these include increased regionalism, strength in services trade, innovation, and climate politics.*

“There is a joint imperative for the future of trade and the building of more crisis-resilient economies – financing the shortfalls in infrastructure and in trade finance. Tackling both in a way that is environmentally sustainable will be crucial. So too will be closing the digital divide between countries and sectors to bring the benefits of global trade to all.”

A new era of multilateralism

Geopolitics, as ever, will shape the trade landscape in the 2020s, building on new developments in regionalism, bilateral trade, and global investment flows. Nationalist – as opposed to protectionist – trade policies are likely to continue to dominate. A new multilateralism is likely to take hold. Old forms of multilateralism are likely to fade, while new forms, such as increased regionalism, will drive cross-border trade in new sectors, including predominantly in digitalisation and sustainability.

Bilateral, regional, and multiparty trade deals are increasing. In the UAE, the government is aiming to sign 27 bilateral Comprehensive Economic Partnership Agreements with key trading partners, including eight this year, as it looks to boost trade and foreign direct investment. Elsewhere, China and Taiwan’s stated bids to join the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, in



addition to the United Kingdom's ongoing accession process, offer opportunities for trade and bilateral investment.

Under the new trade paradigm, cross-border investment and trade will become increasingly market-seeking rather than efficiency-seeking. The intersection between trade liberalisation and digital transformation will continue to be a defining juncture, and the build-up of compatible and connective networks will be critical.

Developments in virtual assets, including central bank digital currencies, stand to reshape global finance, trade, and investment. Innovative technologies continue to drive productivity gains, sustainable development, and growth accelerations around the globe. Trade and technology will continue to seek synergies in 2022 and beyond.

Feryal Ahmadi, Chief Operating Officer, DMCC, said: *“Robust global trade will help build resilience, sustainability, and economic growth in 2022 and beyond by providing countries with goods and services. Global value-chain restructuring will continue to be a source of trade normalisation and of reinvigorating recovery in global growth and cross-border trade, facilitating economic diversification and allowing countries to be less dependent on a limited number of importers, exporters, and sectors.”*

The [Future of Trade](#) 2022 report puts forward a number of key recommendations to business and government:

Policy recommendations for businesses:

- Increased information sharing through telecommunications (including through both traditional and new technologies). This would help anticipate, buffer, and manage unexpected shocks (including geopolitical tensions and natural disasters).
- Streamlining and digitalising trade facilitation processes. Faster and increasingly automated customs procedures and processes should be adopted to help offset the persistent increase in trade costs.
- Broaden and diversify inter-business credit. This would mitigate against risks. Firms and financial intermediaries should coordinate to tackle exposures within supply chains through enhanced inter-company credit.
- In coordination with the government, there should be an increased strategic emphasis on economic diversification to support resilience and sustainable initiatives against oil-price shocks and climate-related uncertainty in production.

Policy recommendations for governments:

- Continue to prioritise filling trade financing gaps, including through export credit agencies, the expansion of working capital programmes, and new facilities to support SME exporters.
- Trade promotion should be a key policy priority. Thinner trade relationships should be prioritised with a view to the fact that, as bilateral trade flows increase, the associated bilateral trade flows associated with the country pair tend to fall.
- Government-guaranteed bank loans should be used to purchase trade receivables and inject cash into supply chains. Additionally, these guaranteed loans could be securitised and financed by a central-bank facility.
- Increase logistics performance. Reduce trade costs through greater efficiency of customs and border clearance, improved quality of trade and transport infrastructure, and ease of arranging competitively priced shipments.

Three tectonic shifts

According to the research, the new era of multilateralism will be shaped by three tectonic shifts in the global economy.

Firstly, there will be a natural migration towards lifting barriers as countries become increasingly sensitive to the costs of protectionism, which many countries saw de facto when the pandemic froze global trade.

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Secondly, inflation will continue to climb, and central bank policy-tightening will become more pronounced to combat the rise in prices. This makes borrowing more expensive worldwide, lowering import demand and deteriorating export competitiveness.

Finally, global trade will be impacted by the climate crisis in terms of both the economic shocks and opportunities it will bring. While government intervention may be needed to limit potential economic losses, we should see increased demand growth for sustainable goods in both developed and developing economies, creating new opportunities for sustainable trade.

Report launch

During the launch event, which was held at Asia House in London, United Kingdom, global trade experts joined a panel discussion to share their views on the report. Speakers included Pascal Lamy, former Director-General, World Trade Organization (WTO), and panelists from Standard Chartered Bank, Oliver Wyman, Hitachi and Pernod Ricard.

The Future of Trade is DMCC's biennial flagship research on the changing nature of global trade. It examines the impact of technology, global economic trends, and geopolitics on the future of trade, with a focus on trade growth, supply chains, trade finance, infrastructure, and sustainability. With updated scenarios for how trade will develop in the 2020s, the report is relevant for any reader involved in trade, trade policy, international investment, and the operation of businesses with global value chains.

To read the full report by DMCC, please visit: www.futureoftrade.com.

About DMCC

Headquartered in Dubai, DMCC is the world's most interconnected Free Zone, and the leading trade and enterprise hub for commodities. Whether developing vibrant neighbourhoods with world-class property like Jumeirah Lakes Towers and the much-anticipated Uptown Dubai, or delivering high performance business services, DMCC provides everything its dynamic community needs to live, work and thrive. Made for Trade, DMCC is proud to sustain and grow Dubai's position as the place to be for global trade today and long into the future.

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