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9.3 Economization of diplomacy and modernization of global trade policy within geopolitically unstable environment

We have entered the world where extreme uncertainty is dominating and we are dealing with new diplomacy boundaries. The velocity and scale of changes are unique, this is a fact and it should not be resisted, it would only be in vain. We must accept a new reality and adapt to it prioritizing flexibility and sustainability. The uncertainty has turned into a rule. Events that were not supposed to ever happen, are happening one after another. This way, "black swans" (exceptional events) will turn into a majority. These theses started the speech of Josep Borrell, the Chief of European Diplomacy and the High Representative of the Union for Foreign Affairs and Security Policy at EU Ambassadors Annual Conference in Brussels on October 10, 2022 [502]. He highlighted that the old world does not exist anymore and pointed out four factors of the global crisis. *Firstly, Ukraine.* The full-scale war in Ukraine continues and the country efficiently and successfully resists the enemy; also, open nuclear threats of Putin and mass mobilization in the Russian Federation. *Secondly, China*. Deep US-China competition and tension escalation in Taiwan. *Thirdly, global food and energy crises*. Josep Borrell stated that they had been predicted but not as acute as they are now and he also provided some examples and forecast that the food crisis would aggravate the situation in many parts of the world. Somali and Horn of Africa are examples of how a climate change along with a war can cause a humanitarian crisis of such a scale which Europe cannot even think of. He said that the world is entering a perfect storm. Firstly, prices are rising. Secondly, central banks are increasing interest rates. The United States is the first to do so and others have to do the same, otherwise their currency will be devalued; therefore, they all hurry to raise interest rates as there is no other way since the capital will leave states. *And fourthly, security situation*. Dangerous megatrends and security issues in the European neighbourhood that are not limited to Ukraine only. For instance, the exacerbation in Northern Africa was not a surprise but how Russia is becoming its major cause is rather unexpected. It is rapidly spreading from CAR to Mali to Burkina Faso. Also, the problems in Afghanistan have stayed, they have not changed since last year. Many simultaneous crises create tendencies that are moving this world.

Josep Borrell identified three features of the modern world. First, the world has entered a chaos multipolarity. There is a competition between the USA and China and it is “structure-forming”. The world is moving around this competition whether we like it or not. Nowadays, there is an authoritarianism trend in the world. The second feature says that we have a competitive world where everything is turned to a weapon. Power engineering, investments, information, migration torrents, data, etc. are all weapons. There is a global war going on for access to strategic spheres: cyberspace, sea or outer space. The third feature of this world is increasing nationalism, revisionism and identity policy. Putin doesn’t really want to restore communism but he is using the resource of radical nationalism and imperialism.

In conditions of geopolitical instability, an absolutely new quality of relations of international economic relation stakeholders is appearing, diplomacy economization and modernization of states’ trade policies and customs territories are taking place. According to Stephen Roach, ex-Chairman and Chief Economist of Morgan Stanley Asia and Senior Researcher at Yale University, the world economy globalization which started after the Cold War, is moving backwards today [465]. In his opinion, the decrease of global trade growth pace is intensified by production chain failures, e.g., the pandemic, issues caused by the US-China trade war as well as attempts to create cross-border economic relations according to geo-strategic alliances (so-called friend-shoring). Similarly, Russian full-scale invasion of Ukraine has had a considerable impact on geo-political instability. Within the context, the new unlimited partnership between China and Russia looks particularly dangerous. Since China is about to cross the red line by facilitating Russian military actions in Ukraine, the USA has recently decided to impose sanctions against five more Chinese companies by adding them to its so-called “structure list” [466, 506].

Increasing geostrategic contradictions intensify the deglobalization process. Friend-shoring policy basically transforms calculations of the efficiency (within

Ricardo's definition) of international trade to assessment of benefits of strategic alliances with countries sharing the same safety opinions. Thus, among many globalization indicators including financial, information and labour torrents, international exchange of goods and services is mostly connected to economy growth pace. According to Stephen Roach, mostly due to this problem, the global trade pace decrease, which started after the Global Financial Crisis of 2008-2009 and aggravated during the COVID-19 pandemic, indicates deep financial changes in the globalization process. Global export share in the global GDP has grown from 19% in 1990 to its peak at 31% in 2008. Over the following 13 years (2009-2021), the average share of global export in the global GDP was equal to only 28.7%. If global export growth pace had been on a trajectory of 6.4% per year (this is the average figure between rapid pace at 9.4% in 1990-2008 and reduced pace at 3.3% after 2008), then export share in the global GDP would have increased to 46% by 2021 surpassing the current figure of 29%. All these are essential for the world connected by production chains. Global production chain share accounted for 70% of cumulative growth of the global trade in 1993-2013.

Under the conditions of global geopolitical instability caused among others by the Russian full-scale invasion of Ukraine which drastically effected the ability of the latter to fully produce and export a number of product groups, in order to create critical reserves of national food security, countries and particular customs areas resorted to implementing numerous non-tariff measures to regulate agricultural products trade including full ban of such products export. A lot of countries have already experienced serious economic consequences of the Russian full-scale invasion of Ukraine. These two countries are major exporters of agricultural products and fossil fuels, therefore, hitches in supply of these goods and resulting price hikes are being observed all over the world. Since the countries of the Black Sea region are significant exporters of fertilizers, deficit and price hikes may lead to a decrease of yield in many world regions. This, in its turn, may lead to food prices peaking again [467].

New nature of international economic relations is caused by the absence of coordinated rules of the game on the global market where countries' governments are compelled to actively create law and organization framework for already globalized economy functioning where their role is not less but is transformed and adapted to new conditions. As it is widely considered, economic diplomacy development peculiarities and decisive economization of foreign political activity were founded in the late 19th century by the USA and they have become a role model for many other states. Before World War I, the importance of economic diplomacy had been doubted. However, during World War II allied countries intensively held diplomatic negotiations concerning post-war economic order. In current conditions, at least for the last hundred years, this tool for supporting economic interests of a country has been used by the Americans [468]. For instance, it is enough to mention well-known "dollar diplomacy" of President William Taft which combined sheer political and economic methods and interests in the US neighbouring countries – Latin America (and then in China and other Far East countries) in such a way that it is hard to tell whether political aims were reached by using economic levers or, to the contrary, political pressure was used to reach economic benefits. William Taft himself said that his administration diplomacy had to find proper answer to ideas of commercial relations and "dollar had to substitute balls". The facts of US foreign political activity in economy during the presidency of Franklin D. Roosevelt (1933-1945) are also well-known. And after the war, the United States made the economic issues the first thing on the agenda of international relations again; in particular, the author of Marshal Plan[36] in economy, which mostly defined the face of post-war Europe, was the chief of US diplomatic corps.

The experience that Europe underwent nearly eight decades ago is being repeated, unfortunately. In 1947 it seemed that World War II was the last continental war that used all kinds of possible conventional types of weapons. As the time passed, countries seemed to have learned not to clang arms disputing for territory, resources or historical heritage preferring principles of global market and diplomacy. However, completely the opposite happened as in the East of Europe a dictatorship possessing

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[36] The Plan was inspired by US Army Chief of Staff General George Marshall, ex-adviser to President Franklin Roosevelt on strategy appointed in early 1947 by the Secretary of State under President Harry Truman. The official name of the Plan was *European Recovery Program*, however, in history it is known under the name of its initiator.

revenge ambitions, inclined to nuclear blackmailing and physical annihilation of political opponents has been ripening. Thus, the experience in restoration of European post-war economy by implementing systematic investment basis know as Marshal Plan is necessary today, too. There is only one difference – today, donor partners started discussing the economic agenda not after the victory like 75 years ago, but along with the start of the Russian full-scale invasion of Ukraine [469].

The war in Ukraine is a tragedy for every Ukrainian. At the same time, its consequences, particularly economic ones, have a global manifestation. The situation is complicated by the fact that the war struck the economic system which had not been restored after the recession caused by the COVID-19 pandemic. The people of Ukraine bear the major burden of ruination; however, people from all over the world may feel the losses caused by reduction in trade and production due to the increase of prices for provisions and energy sources and the availability decrease of goods exported from Ukraine which has already triggered a considerable humanitarian crisis. The most vulnerable countries are those with low-income level per capita as their population usually spends greater part of its income on food as compared to developed countries. From a macro economical perspective, higher food and energy sources prices will lead to a decrease of actual income and global import demand. At the same time, in the near future trade expenditures will continue growing due to sanctions, export limitations, logistics failures and high cost of energy sources. Consequently, in the economic sphere the war will be reflected in the global trade rather than in global GDP in 2022. Apart from Ukraine and Russia, the decrease in GDP will be observed mostly in European countries considering their close geographic proximity to the region and their dependance on Russian energy resources. This, in its turn, may destabilize their political systems.

Lengthy economic relations were broken not only by the war but by sanctions imposed after the Russian attack started. It is forecast that global trade growth rates will decrease to 2.2% in 2022. However, long-term effects may be graver. In particular, there is a risk of further aggravation of fluctuation processes, limiting competition and reduction in innovation implementation within the global economic system which may lead to a decrease of the world GDP by 5% in long-term perspective [470].

Although Ukrainian share in general volume of the global trade and production is relatively small, its integration in international agricultural markets is quite strong. Domestic agrarian sector is a powerful exporter of agricultural produce including major food products. In 2018-2020 Ukrainian export of sunflower seeds, corn and wheat accounted for 38%, 10.6% and 7.2% accordingly within the global market (Ukraine took the first, the fourth and the fifth place in the exporter rating accordingly). Destabilization risks are especially high on the global wheat market which is caused by two primary reasons. Firstly, the total share of Russian and Ukrainian wheat export is equal to approximately a quarter of the global volume. Secondly, on February 15, Russia introduced a new grains export quota to countries that are not members of Eurasian Economic Union (EAEU). Therefore, Ukrainian wheat production and export failures have further exacerbated quite a complicated situation in the sector. Countries that are currently most vulnerable to the described crisis phenomena are Gambia, Lebanon, the Republic of Moldova, Djibouty, Libya and Tunis whose general wheat import from Ukraine reached over 40 %. Because of great dependence on the import of domestic products, they may encounter challenges of rapid transition to alternative export sources which will likely lead to delivery deficit in short-term perspective. Failures in supplying these products have caused a dramatic price hike. Particularly, wheat cost has risen by over 40% since the war started (herewith, futures prices have increased by over 60%). Prices for foods such as rice and corn have acquired a similar tendency due to production hitches and being wheat substitute goods. Simultaneously, interference of a state into trade policy leads to aggravation of the situation. Export limitations further shorten global supply as measures to liberalize import and subsidies increase demand. Higher food prices mostly effect net importers, specifically countries with low or medium-income level in Africa, southwards from the Sahara Desert (Botswana, Zimbabwe) and in Near East (Algeria, Tunis) intensifying the poverty and food crisis issue in the world [471].

As it is demonstrated by the retrospective experience of the United States of America, US foreign policy economization started significantly intensifying after some forced period of its militarization as the Cold War finished. A major role in it was played by the initiative of US Deputy Secretary Lawrence Eagleburger (known as *Eagleburger's Bill of Rights*) which was released in November 1989. The point of the initiative was to recognize US economy support as an urgent national interest of the state. In order to increase the role of the State Department in promoting interests of American companies abroad and to level competitive advantages that other countries' companies received from their governments, Lawrence Eagleburger suggested recognizing the right of American economic entities to have their position considered when forming the foreign policy; to be assisted in establishing equal and non-discrimination conditions in international trade; to receive qualified help from experts in all foreign diplomatic establishments; to receive professional counseling and analysis of the conditions of local political and diplomatic environment; to be assisted in establishing contacts with key state and private centres on making decisions; for all American firms interested in participating in international bidding to receive equal support; to receive help in solving investment and business disputes, and in case of expropriation, to be assisted in receiving prompt and full compensation. Therefore, it may be stated that the course of the US Presidential Administration to economize its foreign activity is a logical extension of the steps taken by the State Department over the last 20 years. At the same time, representatives of the ruling democratic party as well as of the opposing republican party unanimously support intensified protection of interests of American business abroad [468].

According to Oleksandr Sharov, the novelty of modern economic diplomacy is also explained by receding from so-called old "Westphalian sovereignty" in which governments and states (sovereigns) were recognized as diplomatic relation subjects. "And currently, in addition to national states there are also subnational (e.g., federal lands of Germany), supernational (e.g., the EU, NAFTA) and non-state actors (e.g., public organizations and private enterprises) which all take part in developing international relations" [472]. That is why "today managing international economic relations is connected to civic and commercial deals rather than belongs to a state only. Major acting parties of these new interest groups are often business managers, civic society members and representatives of non-state organizations" [468]. The circumstances where economic processes are acquiring global character are erasing the line between domestic and foreign policy and placing one under the other. The new situation dramatically limits opportunities for overwhelming majority of national governments to interfere with regulating these processes. Mechanisms of actual managing of economy increasingly find themselves in the hands of supernational societies, international and national non-political organizations as well as a few governments of economically powerful countries, specifically, the USA, but also Japan, China, etc.

A major feature of economic diplomacy in the early 21st century is its comparatively open character. Leadership in defining urgent issues in agricultural development, market strategies and issues of global and regional development is counted on. Evidently, the most active countries are heavily industrialized ones which possess enormous financial, organizational, intellectual, scientific, technical and other resources. The majority of these countries rely on strong economic base and pursue global interests. Therefore, methods of economic diplomacy are gaining particular significance. And in order to create a foundation for their efficient use, economic interests of a country must be concentrated as distinctive political goals, since should there be no real prioritizing when considering economic needs while making political foreign economy decisions, it is hard to hope for serious diplomatic cooperation within the current conditions, the conditions of economic globalization which among others involve either substantial initiative financial investment or action coordination and partnership with a more competitive side. It must also be considered that even economic interests of allied countries may and constantly come into conflict reflecting acute competition at the global market. P. Chevalier, ex-Minister of Foreign Trade of Belgium, giving a speech at Annual Diplomatic Conference in Brussels in 1999 stated so: "Don't forget that trade is a war. In the world of trade, everything is used to invade or create new markets" [473].

A particularly complicated situation demands that states' governments, business, science and civil society suggest adequate responds and decisions which are relevant to these challenges. Social enquiry and citizens and business' expectations of advanced economy development within the conditions of geopolitical instability define further actions of governments. It also concerns Ukraine, Verkhovna Rada of Ukraine possesses a store of political, institutional and legal tools to develop economic diplomacy. An objective to "economize" Ukrainian diplomacy for providing foreign political promotion of economic interests of Ukraine and specifically Ukrainian export on the global markets is currently particularly urgent [474].

Economic diplomacy is a complex of methods, tools and practical actions used to solve problems of foreign economy and policy of a country including positioning the country on the global arena. Forms and methods of economic diplomacy of a country considering specifics of political regime of the country, an existing system of political relations and nature of issues to be solved have direct impact on this process [475]. In modern scientific economic literature, there is a wide range of definitions of economic diplomacy. To our mind, it is most fully reflected in researches of Yu. Zhou and M. Okano-Heijmans [476-479].

Yu. Zhou considers economic diplomacy to be a tool using diplomatic methods and measures to reach economic aims of a country as well as economic methods and measures for political goals. At the same time, M. Okano-Heijmans defines it as using political measures as influence measures in international relations in order to increase national economic welfare and using economic tools to increase political stability of a nation. This opinion is also shared by N. Tatarenko and N. Hrushchynska who consider national safety protection to be one of major aims of economic diplomacy of a country [480-482].

Currently, a great number of researches identify economic diplomacy with trade or commercial one. The definition of L. Dawson is most supported, specifically by I. Bezverkha, V. Vergun, M. Malskyi, V. Nyzhnyk, Sh. Reuvers and H. Ruel; it is interpreted as follows: economic diplomacy is an official activity of chiefs of state, governments, trade and negotiation missions, special bodies on foreign relations issues, international economy and trade to fulfill aims and tasks of trade policy, protecting domestic market from crisis effects of global economy, too tough foreign competition, drastic import increase and other unfavorable conditions for development of a national economy as well as right and economic interests protection of a state, domestic enterprises and other industrial subjects abroad [483-485].

Therefore, we share the opinion that economic diplomacy is considerably broader in its scope and strategic focus on national interests and it can also go beyond economic goals whereas the major task of commercial diplomacy is to maximize business opportunities of national companies of a state via elimination of various barriers in trade in order to promote export and engage investment. Adding up to K. Run's approach, notions of "economic diplomacy" and "commercial diplomacy" may be relatively differentiated since economic diplomacy possesses all the following components whereas commercial diplomacy has only the first four of them [486-487]:

I. Export promotion, commercialization of national intellectual resources:
II. Regional trade agreements (FTA, customs unions, agreements with partial sphere of action), preferential trade agreements (Generalized system of preferences, etc.);
III. WTO-plus, WTO-extra, multilateral negotiations;
IV. Promoting and engaging investment;
V. Joint committees, business councils, groups of leading figures;
VI. Country brand, tourism promotion;
VII. Official developing assistance, technology transfer, access to international markets;
VIII. World bank, IMF, UNCTAD, UNCITRAL, ITC.

Thus, we can see that economic diplomacy is closely connected to trade policy where two opposite processes - globalization and regionalization - happen simultaneously.

As of 2019, average duty rate introduced by world countries was equal to 9%. This index is 19% lower than the similar one (11.1%) fixed in 1996, a year after the WTO had been established. The index looks even smaller compared to a considerably higher tariff level acting between contracting parties of General Agreement on Tariffs and Trade (GATT) shortly after World War II. One estimation is that average duty rate in 1947 among industrial countries before the first post-war tariff decrease fluctuated at 20-30% [488]. Other estimation data states that average duty rate used by key GATT parties was equal to 22% [489].

Such considerable concessions became one of featuring displays of alteration of countries' trade policies that had been formed under the influence of global trade system formation and further development. Therefore, in order to continue protecting their national economic processes efficiently, states' governments must promptly react to modern challenges of the system where there is a rather distinctly observed number of tendencies which we will characterize below.

Currently, trade liberalization remains the key goal and trend in the global trade policy. Trade liberalization policy implies eliminating barriers for free goods and services exchange among countries [490]. Trade liberalization provides abolitions or reductions which may be characterized as simultaneous minimizing of tariff and non-tariff trade barriers (quotas, tariff quotas, sanitary and phytosanitary measures (SPM), technical barriers to trade (TBT), requirements to goods origin, licensing procedures, protective measures, etc.). Today, it is generally believed that over the last fifteen years the World Trade Organization itself has been the pillar which defines rules and monitors the course of cross-border trade processes liberalization.

At the same time, it is impossible not to consider the fact that trade inequality among global trade system parties has been deepened over the years. It happens due to asymmetry of trade regimes of GATT signatory countries and new WTO parties which entered the organization after 1995. Particularly, trade regimes of parties of so-called VRAMs (Very Recently Acceded Members) group are characterized by asymmetry. As a rule, such WTO members have bound tariff rates for 99-100% of their tariff lines. Similar market opening has taken place in service industries of such members. Thus, Moldova committed to provide free access in 147 out of 155 service subsectors, Kyrghyzia – in 140, Ukraine – in 134, Montenegro – in 130, Georgia – in 125, etc.

Not all developed parties that currently are global economic leaders have such an open access to goods and services markets. Therefore, 22 WTO members, in particular Albania, Armenia, Cabo Verde, China, Ecuador, North Macedonia, Georgia, Jordan, Kazakhstan, the Kyrgyz Republic, Moldova, Mongolia, Oman, Panama, the Russian Federation, Saudi Arabia, Seychelles, Chinese Taipei, Tajikistan, Tonga, Ukraine and Vietnam have started Article XII Members group, that is the article of the Agreement on the WTO Establishment which regulates joining process for new members. These group members seek a decrease in obligation gap and therefore equal and fairer trade system functioning conditions.

If in mercantilism epoch, for almost three centuries, the key trade policy tools aimed at regulating trade volumes were mostly tariff protectionist measures, in the early 19th century a notion of *industrial protectionism* appeared in scientific works. Its idea is most fully represented in works of prominent domestic scientist D. Mendeleev who defined protectionism as promoting development of domestic industry which is manifested not only in implementing customs tariff policy measures but presupposes domestic competition boosting and labour liberalization in all spheres of a country's economic life [491]. The major goal of implementing such measures is stimulating industrial production development and export increase rather than reduction of import volumes and access of foreign producers to domestic markets.

Schemes of carrying out international trade are distinctly influenced by intervention of a government which defines a trade policy of a country. Indeed, there are particular concerns that a slow increase of trade volumes which is accompanied by populism and nationalism sentiments rise may turn into protectionism behaviour which will have considerable consequences for international trade and economic integration [492]. However, currently, there is not enough evidence that trade policies of countries are decisively retreating from openness and foreseeability principles. Using protectionism policy – at least in its traditional conception – is neither substantially different from a regular one, nor widely spread to considerably favour trade weakening. At the same time, it's hard to deny that over the past years a significant progress in trade liberalization process has not been observed, particularly in tariff liberalization within negotiations on WTO round of Doha Development Agenda issues. Nevertheless, there are hopes that Trade Facilitation Agreement (TFA) implementation by all WTO members may significantly decrease non-tariff trade expenditures which in its turn will be positively reflected in price reduction for imported products.

Recently, neo-protectionism measures have spread, particularly limitations of international trade additionally implemented by countries to traditional forms of undesirable import or export volumes reduction. Volume and methods of using neo-protectionism tools will mostly be regulated by national legislation norms which greatly complicates opposing them for an exporter. The most wide-spread measures of neo-protectionism are "voluntary" export reduction, preferential policy in public procurement, requirements to local components, export crediting and insurance, currency rate maneuvering, etc. [493].

Apart from using the new tools of regulating international trade volumes, unusual justification of using such measures is becoming an extra component of trade policies. It must be stated that paragraph 1 (b) (iii) of Article XXI of 1994 General Agreement on Tariffs and Trade (GATT 1994 [471]) directly provisions the right of WTO members to retreat from their commitments for national security reasons, in particular: "Nothing in this Agreement shall not be construed…

(b) to prevent any contracting party from taking any action which it considers necessary for the protection of its essential security interests…

(iii) taken in time of war or other emergency in international relations".

At the same time, up until 2017 no WTO member used the above-mentioned exception as justification of violation of its obligations. In particular, among WTO members there has existed an unspoken rule not to use national security issues as an excuse for solely protectionism measures so as not to "open Pandora's box" to abuse this exception and thus endanger functioning of the whole organization.

Nevertheless, "Pandora's box" was opened with case "Ukraine versus Russia – Transit Limitation Measures" (DS512). This dispute has become the first in WTO history within which the issue of implementing limiting measures for national security motifs was considered [494]. Despite the ambiguity of the process, today it is becoming clear that such justification will be numerously used by WTO members which, in its turn, will only complicate already flawed procedure on dispute settling within the organization which is currently in a state of crisis due to USA hampering electing new members of Appellate Body.

Along with appearance of new tools in trade policy, the level of global trade environment transparency is increasing. Within the WTO, creating a transparent and foreseeable environment is reached due to members' notifying. Notifying is a commitment to transparency which demands reporting on implemented trade measures from members to the relevant WTO body provided that such measures can influence other members [495]. As a rule, a new law or any other regulation, passed or to be passed by a government, concerning regulating trade flow from abroad becomes a notification subject.

Transparency policy as a key component of trade policy of international trade members has also undergone changes as trade system has been developing (Table 1).

Table 1

Transparency policy generations

Generations	Principles	WTO example
1. Right to know	Access to the majority of state processes and files in order to inform and protect the public from arbitrary actions of the government	To allow governments and economic activity subjects to know of trade policy measures in the country and abroad
2. Purpose-oriented transparency or monitoring and supervision	To provide access to clearly defined and structured actual information from private or state sources in order to reach specific political goals	Government actions are aimed at being coordinated with implicit norms and clear commitments within the trade system
3. Transparency in cooperation or reporting and engagement	Using new technology in order to unite information from the first and second generation's policies with new user-oriented policy	To unite results of the 1st and 2nd generations in a user-friendly form so that the public could easily understand more about what countries and firms do

Source: [473].

Clear evidence of the increase of the global trade system transparency level is annual number increase of notifications submitted by WTO members (Fig. 1). Thus, during 2019 WTO members submitted 1,119 notifications concerning implementation of sanitary and phyto-sanitary measures and 2,074 notifications about technical trade barriers.

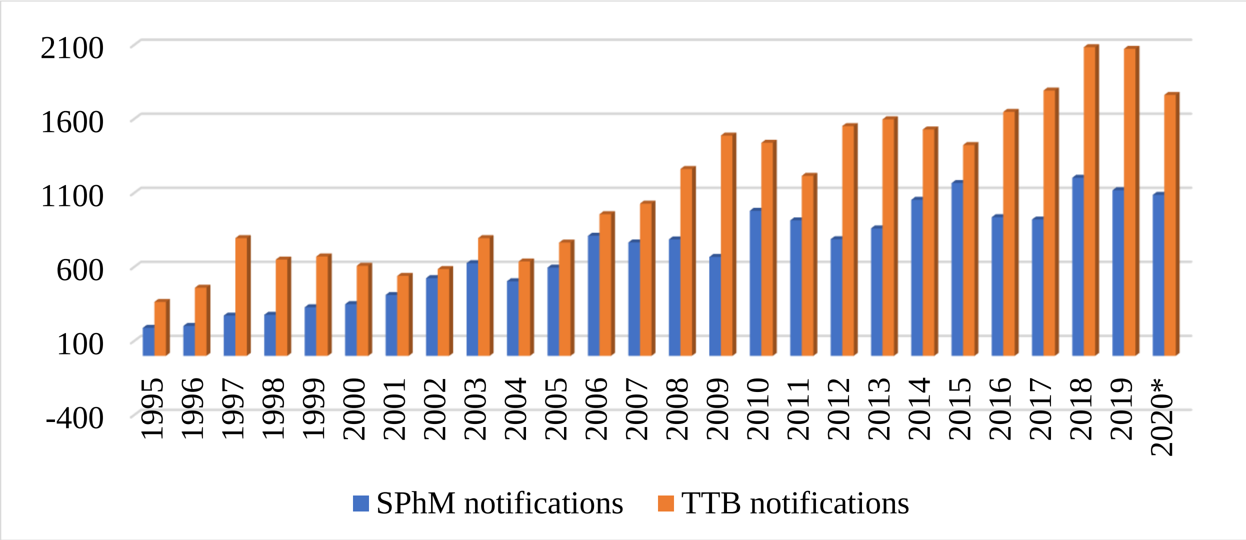

Figure. 1. Number of notifications concerning SPhM and TTB, 1995-2020*

** Data on 2020 as of 01.11.2020.*

Source: made by the authors based on [497] and [498].

The preference to sign regional trade agreements (RTA), whose number has been soaring over the past 15 years, has become one of key changes in trade policies directions (Fig. 2).

Similarly, the approach to negotiating such agreements has changed over the time. Before North American Free Trade Agreement (NAFTA), later substituted by its updated version USMCA, was signed, regional trade agreements had been signed according to trade goals of General Agreement on Tariffs and Trade (GATT) which had been regulating the global trade for decades after World War II. The world sought to avoid such trade wars that escalated the Great Depression, e.g., Smoot-Hawley Tariff Act in the USA, and aspired to retreat from protectionism policy of the epoch. Trade negotiations are never easy but GATT considerably simplified them. Due to this Agreement, trade boosted wealth increase encouraging positive negotiation outcomes for all parties [499].

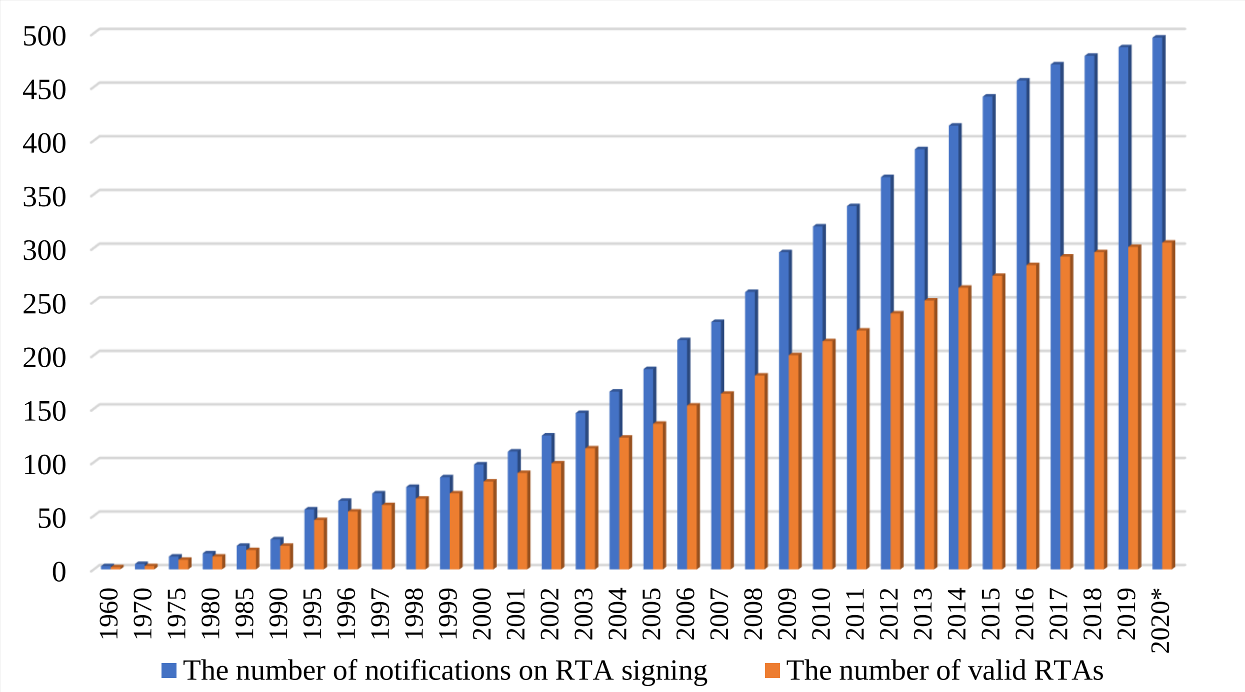

Figure. 2. The number of regional trade agreements and notifications announcing them, 1960-2020*

** Data on 2020 as of 01.11.2020.*

Source: made by the authors based on [499].

However, the situation has changed since 1995. As the number of RTAs grows, there has appeared a "spaghetti bowl" effect – a number of countries being a member of different trade unities simultaneously. As a result, numerous trade rules and various administrative procedures which complicate trade legislation and trade policy appear. Heterogeneity of trade policy rules distorts competition conditions on the global market which leads to violating the fundamental GATT/WTO principle – the principle of non-discrimination [500].

Moreover, the occurrence of new generation mega-agreements, e.g., Comprehensive and Progressive Trans Pacific Partnership (CPTPP) and Transatlantic Trade and Investment Partnership (TTIP), plays a central role in creating new typical rules that influence the location and development of global value chains and forming the content of future regional agreements.

Thus, as of November 2020, 306 regional trade agreements have been signed in the world. At the same time, to counterbalance it, over the last 15 years only two multilateral agreements have been signed within the WTO, they are Trade Facilitation

Agreement and Agreement on Abolition of Export Subsidies for Agricultural Goods. Low effectiveness of negotiations within the round of Doha Development Agenda along with dynamic growth of the number of regional trade agreements testifies a change in trade policy directions of global trade system members.

Therefore, over the last 20 years trade policies of the world countries have undergone considerable positive changes towards transparency, predictability and aiming at protecting national commodity producers without implementing hidden protectionism measures. The necessity to face challenges connected with globalization and digitalization of the trade environment promotes using new neo-protectionism tools in trade policy as well as their justification mechanisms. However, currently it is too early to say that trade liberalization course has changed. At the same time, there is an observed shift from a priority to follow generally accepted multilateral trade regulating rules to a priority of regional and more flexible norms registered in corresponding agreements with a limited number of parties.

Analyzing the current situation of international trade and global trade policy, major tendencies must be pointed out [503-505]. WTO members made MC12 (12th Ministerial Conference) a resounding success. The scale and scope of the so-called "Geneva Package" (2022) of agreements has not been seen at the WTO since the mid-1990s. In December 2021, 67 members accounting for over 90% of global services trade reached an agreement setting out common parameters for services domestic regulation. That deal will save businesses as much as $150 billion a year in reduced trade costs. MC12 is proof that the WTO can deliver results. Members have shown they are capable of reaching multilateral compromises and finding solutions to contemporary challenges – provided they have the political will to do so. The results achieved at MC12 will enhance the role trade has been playing in helping people cope with the multiple problems we currently confront – economic, environmental, and of course, the COVID-19 pandemic and the more recent food security crisis.

The deal on fisheries subsidies – concluded after nearly 21 years of negotiations – is only the second new agreement WTO members have reached since 1995, and the very first WTO agreement to put environmental sustainability at its core. By banning subsidies that contribute to illegal, unreported and unregulated fishing, as well as fishing in the high seas and in overfished stocks, the pact represents a major step forward in protecting ocean health and biodiversity. Importantly, it also means that WTO members have delivered on the mandate given to them in Sustainable Development Goal 14.6 [505, 507].

Amid the pandemic, cross-border supply chains – often blamed for supply shortages early on – have in fact been a source of supply resilience. Trade has been central to manufacturing and distributing vaccines, personal protective equipment and other essential goods. Between the first half of 2019 and the first half of 2021, the value of global trade in medical goods grew by 30%, compared to the 12% growth in total global merchandise trade over that period. A hard-won compromise on the proposed waiver of intellectual property protections related to COVID-19 countermeasures, together with pledges to keep cross-border trade in medical supplies and components open and transparent [503-504].

At the macro level, the 9.8% expansion in global merchandise trade volumes in 2021 – nearly double the expansion in global output – made external demand a key driver of growth for many countries. However, producers and logistics infrastructure have struggled to meet demand, leading to snarled supply chains, overwhelmed ports and high freight costs.

The war in Ukraine has darkened the global economic and trade outlook, adding to continuing COVID-19-related disruptions, notably in China. WTO economists this past spring recently lowered projections for merchandise trade volume growth in 2022 to 3.0%, compared with the 4.7% they were forecasting last October.

Global food trade had held up well through the pandemic, but it has been disrupted by the war. While Ukraine and Russia together account for barely 2% of global GDP, they are major suppliers of food and energy to international markets. Prices for both, already high by historical standards, have soared since the war began in late February. Hundreds of millions of people in poor economies are at risk of hunger and deprivation. Cooperation on trade will be critical to manage and mitigate food security impacts from the war as well as from weather related reductions in crop yields.

Despite the enduring impasse over the Appellate Body, members looked to the WTO to resolve disputes, filing nine cases in 2021, compared with five in 2020. Parties in four disputes agreed to an alternative mechanism for appeals of final panel reports.

The COVID-19 pandemic has had devastating consequences across the world. Millions of people have lost their lives, and large sections of the world's population, particularly in developing and least developed countries, remain unvaccinated. The worst economic downturn since the 1930s has disrupted livelihoods and businesses everywhere. Extreme poverty and hunger are on the rise, and employment is well below the pre-crisis trend.

Global trade has been more resilient during the COVID-19 pandemic than during the 2008-2009 global financial crisis (Fig. 3).

Figure 3. Global Trade Sustainability in 2008-2021

Source: [503], based on WTO trade data (https://data.wto.org)

Note: The figure displays the evolution of non-seasonally adjusted quarterly world trade volume for countries that reported both merchandise and commercial services trade flows.

In 2020, the value of world merchandise exports declined by 8% while services trade contracted by 21%. The most severe impacts of the pandemic were felt in the second quarter of the year, when services trade dropped by a record 30% as travel and transport were severely affected, while goods trade fell by 23%, both in value terms. Trade began to recover as of mid-2020, but the effects of COVID-19 have varied significantly across countries and regions. In volume terms, which strip out the effects of fluctuating prices, Asia's merchandise trade was down by only 0.5% in 2020, compared to the global decline of 5.3%. Asia's resilience was due to the relative success of many countries at containing the virus's spread in early 2020, together with the region's role as a leading global supplier of consumer goods and medical products. In the first quarter of 2021, merchandise export volumes were up in Asia and Europe. They were down slightly in South and Central America and North America, and more substantially in Africa and the Middle East. Across manufacturing sectors, the automotive sector suffered the most, with world exports dropping by 16% in 2020. Meanwhile global exports of textiles grew by 16%, driven by an increase in the production of personal protective equipment (PPE). Exports of medical products, including medicines, medical equipment and PPE, rose by more than 16%, underscoring how trade has been a lifeline for access to critical goods through the pandemic, after the initial disruptions. Global value chains were severely disrupted during the first half of 2020. World exports of intermediate goods decreased by 10% year-on-year. Trade was more resilient in value chains for high-tech goods and pharmaceutical/medical products. Trade in intermediate goods across countries started to recover in the third quarter of 2020. As of the first quarter of 2021, global trade in commercial services remained 9% lower than in the same period in 2020. The travel sector was the most affected, as border closures, quarantine requirements, lockdowns, and other restrictions caused global travel exports to decline by 62% in 2020. In contrast, demand for computer services was buoyant, reflecting the shift to remote work and the growth in digital platforms. Exports from least-developed countries (LDCs) were severely affected by the first wave of the pandemic in 2020. They suffered in particular from the drop in fuel prices (-60% between January and April 2020) and the impact of restrictions on the travel industry. These two sectors represent the largest source of LDCs' export earnings. LDCs' fuel exports have started to slowly stabilize since early 2021 but services trade continues to be weighed down by persisting weakness in the travel and transport sectors. Leading indicators confirm positive signs of recovery in goods trade during the second quarter of 2021, but purchasing managers' indices suggest weaker growth in services trade. As of May 2021, the number of international flights was just over half their pre-pandemic level. A full recovery for international travel, and for global trade in general, depends on rapid, equitable access to COVID-19 vaccines around the world. Indeed, with much of the world still unvaccinated, the emergence of new coronavirus variants is one of the leading threats to the economic and trade recovery. The COVID-19 pandemic has accelerated digital transformation, including with regard to the international exchange of goods and services. This trend increases potential trading opportunities for micro, small and medium-sized enterprises (MSMEs) and women, provided they can overcome supply side barriers. It also emphasizes the need to tackle the digital divide. From a statistical standpoint, there is a strong need to improve the measurement of digital trade.

According to the latest WTO forecast [504, 505], the recovery of the world economic production is expected. However, service trade stays depressed. The global situation and predictions have got incredibly complicated due to Russian full-scale invasion of Ukraine which triggered as it has been mentioned the global food and energy crises.

Therefore, there may be drawn a conclusion about the dynamization of the diplomacy economization process and further necessity to modernize the global trade policy within the context of unstable geopolitical environment in order to secure economic resilience. Although “economic resilience” has become a popular term to capture the broad and diverse factors and strategies needed to reduce business interruptions and economic losses caused by shocks, it lacks a common definition. The “economic resilience” is defined as the ability of a system, including households, firms, and governments, to prevent and prepare for, cope with and recover from shocks [504, 505].

Identification of three main messages: first, today’s hyper-connected global economy, characterized by deep trade links, has made the world more vulnerable to shocks, but also more resilient to them when they strike; second, policies which aim to increase economic resilience by unwinding trade integration – for example, by re-shoring production and promoting self-sufficiency – can often have the opposite effect, effectively reducing economic resilience; and third, strengthening economic resilience will require more global cooperation [504, 508].

Trade can increase countries' vulnerabilities and exposure to hazards, as well as facilitating the transmission of those hazards, through economic, financial, transport and digital linkages. At the same time, trade, as a key driver of productivity and economic growth, helps countries to generate the resources they need to prevent risks and prepare for, cope with and recover from shocks. Trade also plays a key role in diversifying access to global goods and services; for example, it enables countries to cope with shocks by switching suppliers when crises disrupt established supply relationships, whether domestic or foreign. Firms that participate in trade, especially exports, have a greater likelihood of surviving economic downturns, due to their higher productivity, on average, than firms in non-exporting sectors, as well as their tendency to have access to more diversified markets. The creation of the multilateral trading system, WTO rules and norms helped members keep international markets mostly open despite protectionist pressures and severe economic and political disruptions.

The main tasks are finding solutions to longstanding development issues and addressing fact-based concerns about the full spectrum of subsidies. It also means leveraging the full power of trade and the WTO to accelerate a just, rapid, and cost-effective low-carbon transition; to articulate new rules for digital trade; and to expand opportunities for women-owned businesses and micro, small, and medium-sized enterprises to be included in regional and global value chains.