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# Trade Policy in a Fragmented World

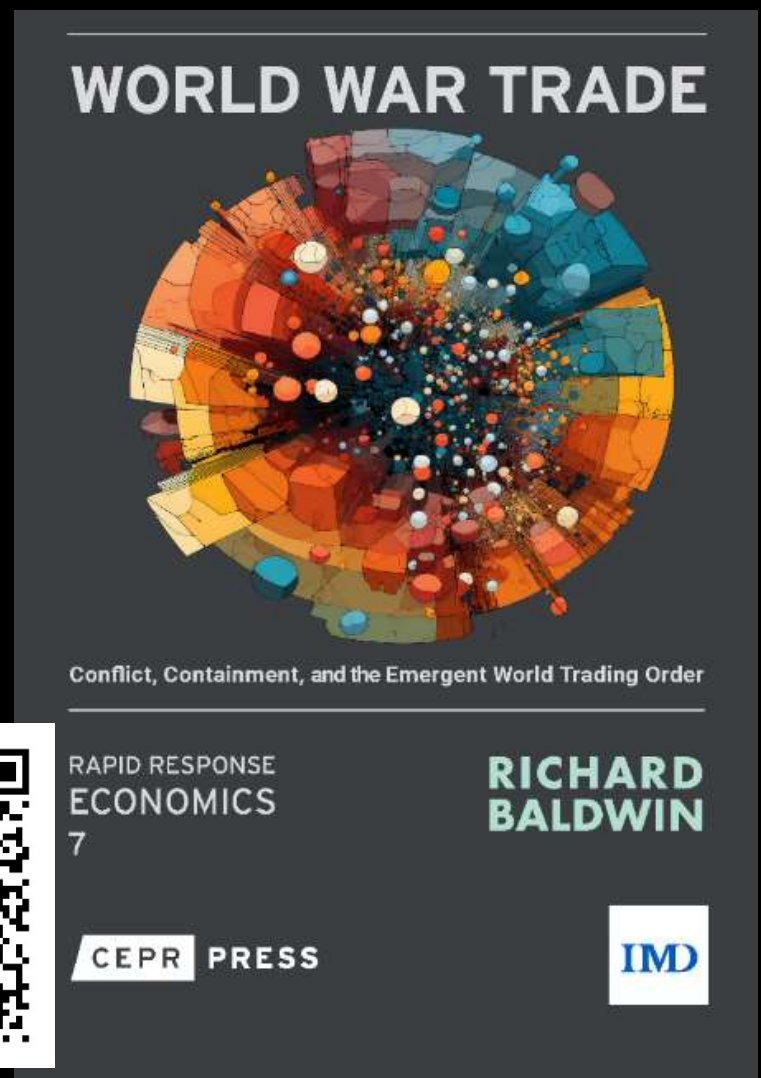
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ADB-WB Trade Forum 2026  
12 May 2026  
Bangkok

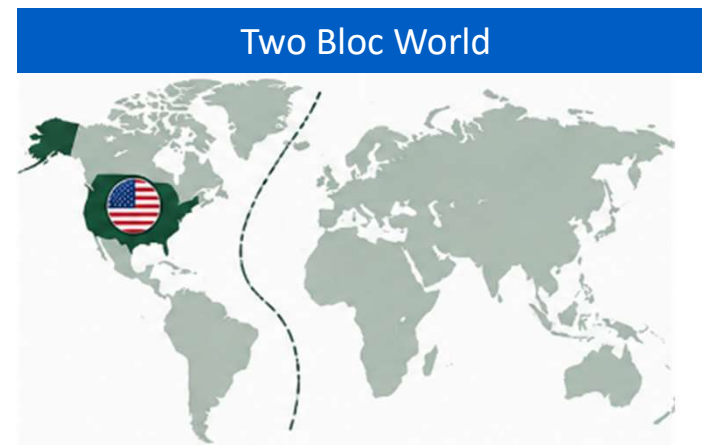
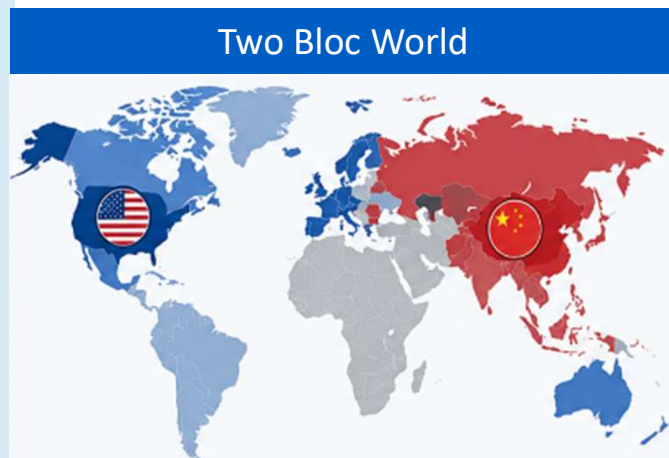
**IMD** / Real learning  
Real impact

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# Part I: Trade Policy in a Fragmented World



# What does fragmentation mean?



Nations whose imports fell since November 2024

All the others in the WTO data increased imports

United States of America

Canada

Brazil

Philippines

Malta

Venezuela

Iran

Dominican Republic

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# What is World War Trade?

- Largest importer → import tariffs on whole world.
- Largest exporter → export controls on whole world.

Now: Chokepoints weaponised: Strait of Hormuz proliferation?

# What is World War Trade?

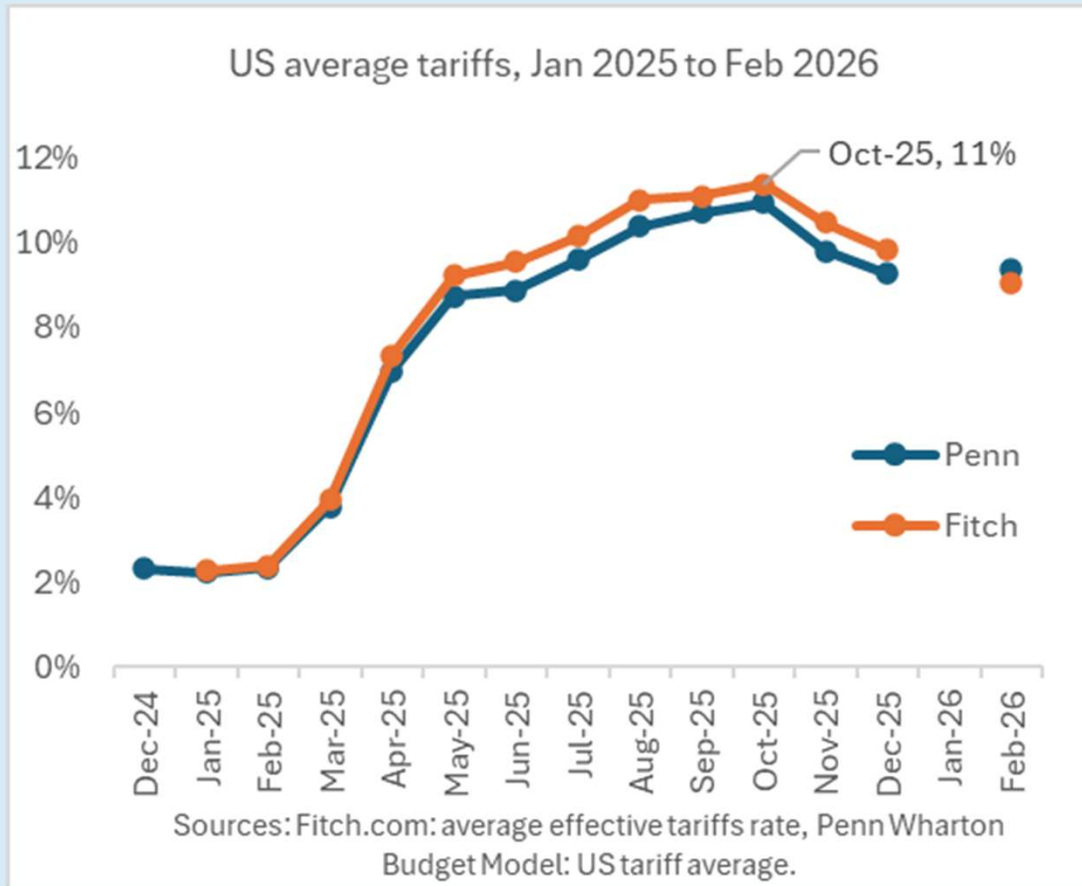
- Largest importer → imports
- Largest exporter → exports

Trade is weaponised  
as never before in  
peacetime.

Radical uncertainty.

Now: Chokepoints weaponised: Suez

## WWT: Contained but Sustained.



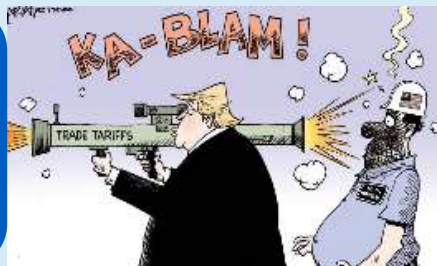
⇒ Profound trade policy uncertainty remains.

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Future world trading order is  
already emerging.

# Four Facts & a Conjecture.

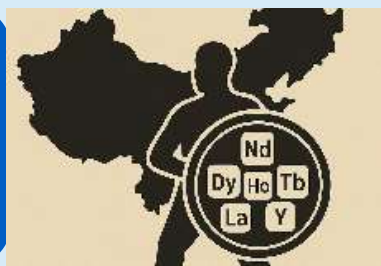
#1. US tariffs backfired;  
Domestic forces contained  
US tariffs.



#2. Jungle trade law  
followed only by USA.



#3. China export controls  
worked.



#4. Regional trade agreements  
spreading like wildfire.

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# Conjecture: Domino Theory of Regionalism Will Drive Continued Expansions & Accessions.

Trumpian shock  $\Rightarrow$  Outsiders want safer access & supply chain security.

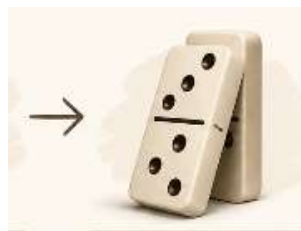
Mega-regionals are widening and deepening.

- a) EU adding big RTAs (India, Mercosur, etc.).
- b) CPTPP enlarging.
- c) ASEAN adding 'plus 1' agreements.
- d) UK, India, Canada, GCC, etc signing many new free trade agreements.

# Regionalism Trade Agreements on autopilot: Domino Theory of Regionalism

Trumpian tariffs shocks nations to seek new access.

New Free Trade Agreement signed (or joined).



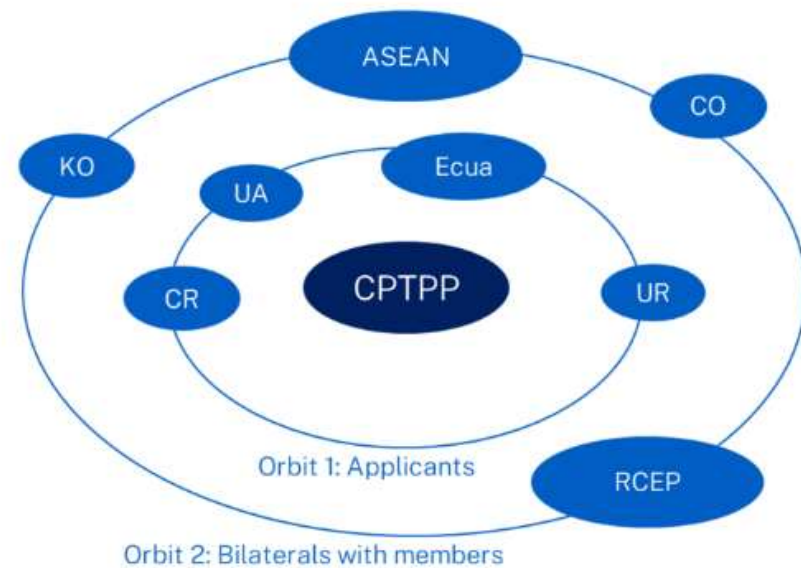
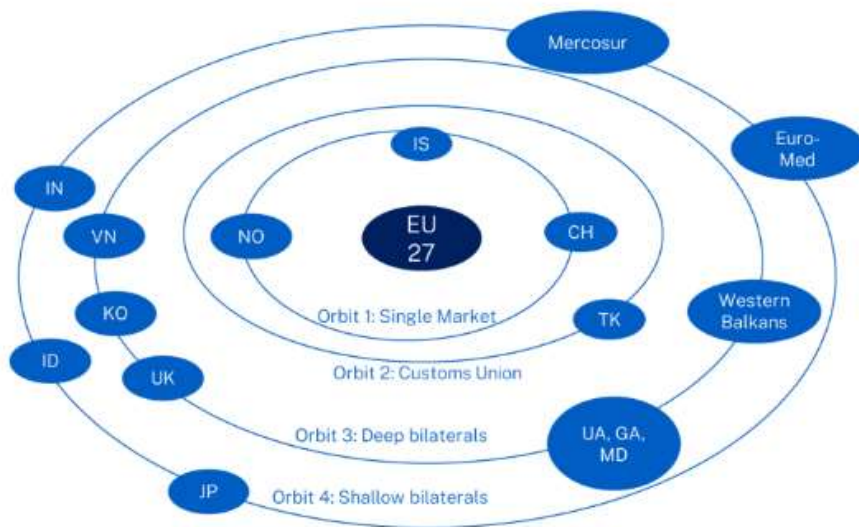
Costs of staying out rise;  
Gains of joining rise.

More FTAs signed.



# Conjecture: Regionalism Rescue Multilateralism via Domino Theory of Regionalism.

## A Solar System of Regional Trade Agreements.



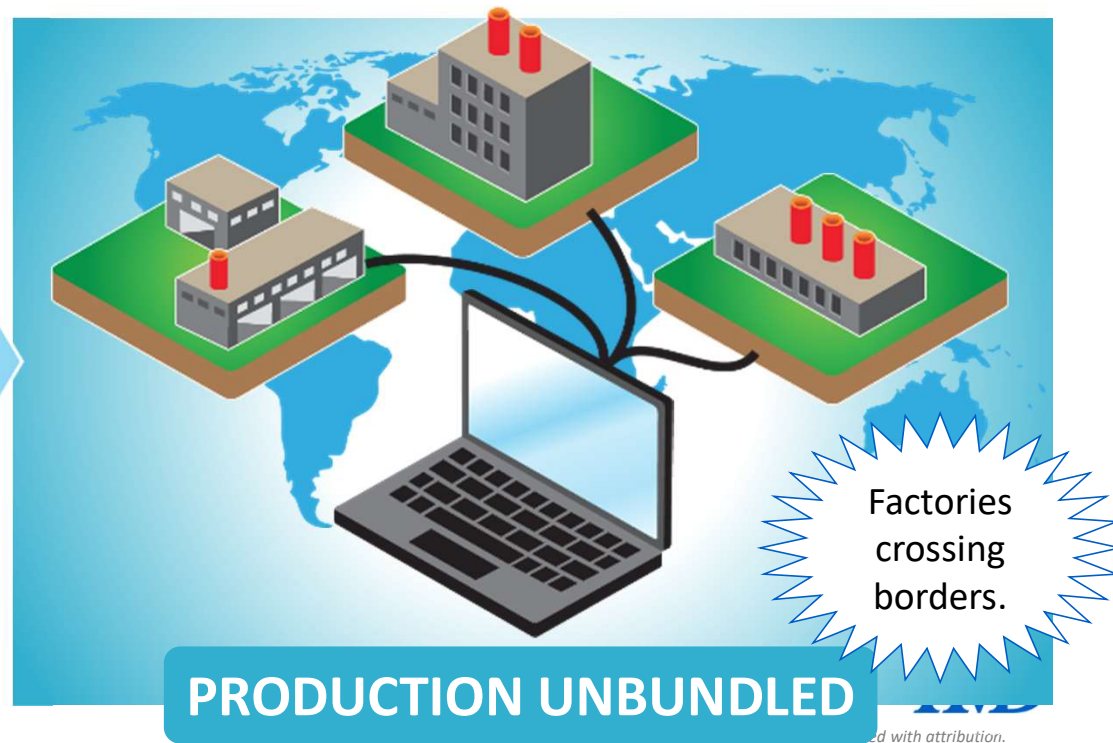
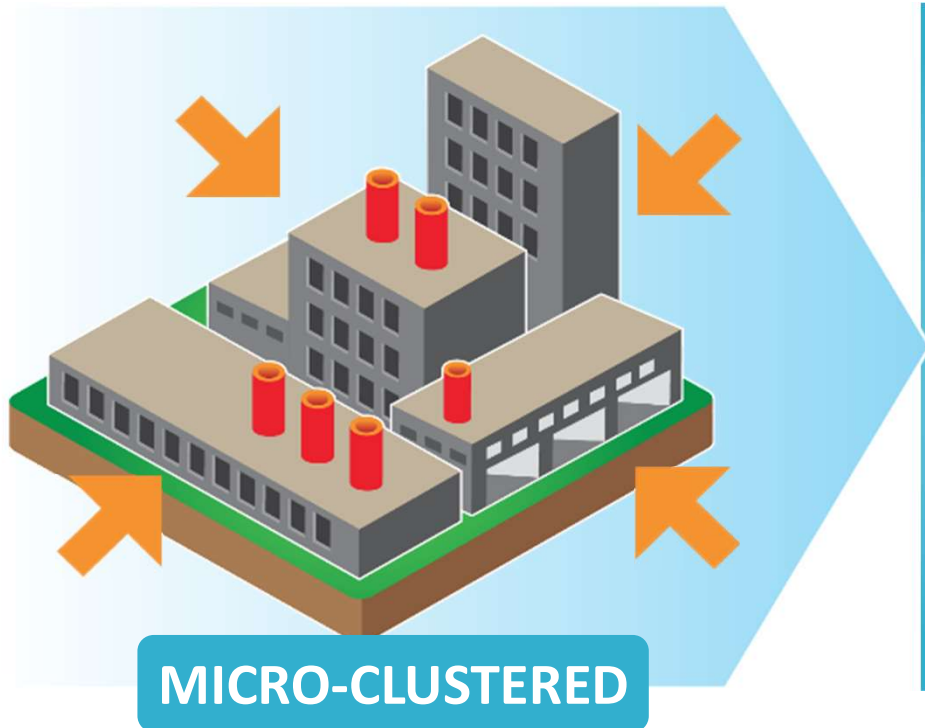
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# Part II: AI & trade.

Asia won the  
manufacturing offshoring  
game.

Can it win the office  
offshoring game.

ICT Revolution made offshoring feasible;  
Vast wage differences made it profitable.  
GVCs & industrial offshoring booms.



Digitech made international telework feasible;  
Vast wage differences make it profitable.  
International telework booms.



**MICRO-CLUSTERED**



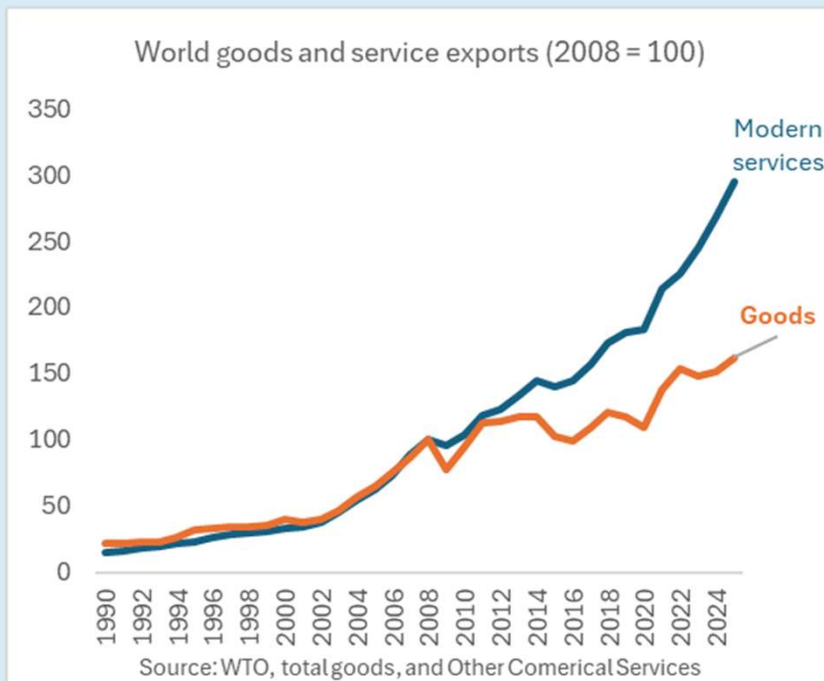
**INTERNATIONAL TELEWORK**

Offices  
crossing  
borders.

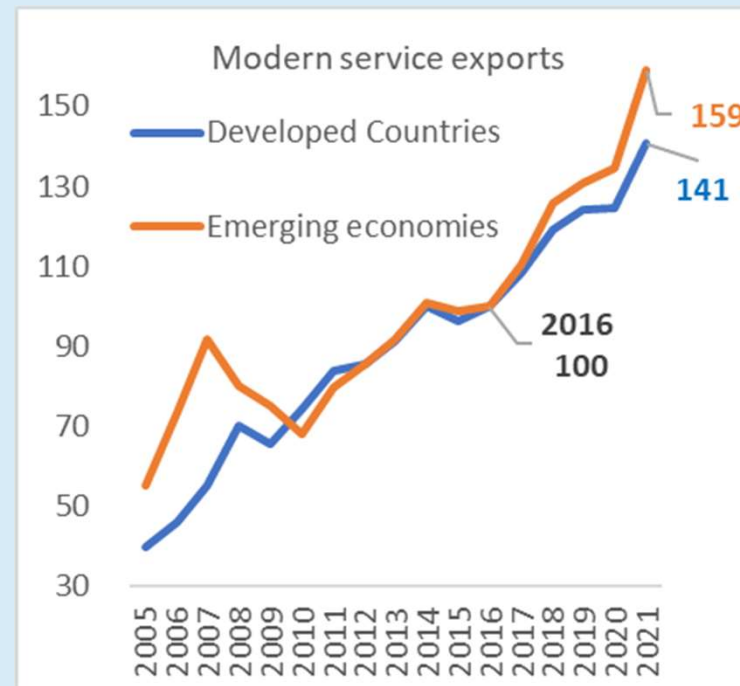
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# Three decisive facts:

#1. Goods exports peaked; exports did not.



#2. Emerging Economies service exports growing faster.



#3. Service export-led growth is spreading.

Large Language Models (ChatGPT, DeepSeek, etc.) radically lower cost of diffusing skills to Emerging Economies.

Think of LLMs as Matrix-like “Instant Skills Diffusion



# LLMs: “Trained on the Best; Given to the Rest.”



Expect a global tidal wave of talent.

“Bangalores galore”



End.  
Thank you for participating.

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## WORLD WAR TRADE



Conflict, Containment, and the Emergent World Trading Order

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**IMD**