

LEVERAGING TRADE FOR DEVELOPMENT AMIDST GLOBAL HEADWINDS

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WORLD BANK GROUP

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Key messages

1. Why trade matters:

- Trade drives growth, more and better jobs, and inclusive development

2. Key global trends reshaping trade:

- Climate transition, technological acceleration and services expansion, and rising uncertainty are redefining opportunities and risks

3. Navigating the global trade landscape:

- Countries must adapt strategically to sustain development gains and leverage emerging opportunities, while managing risk and reducing adjustment costs

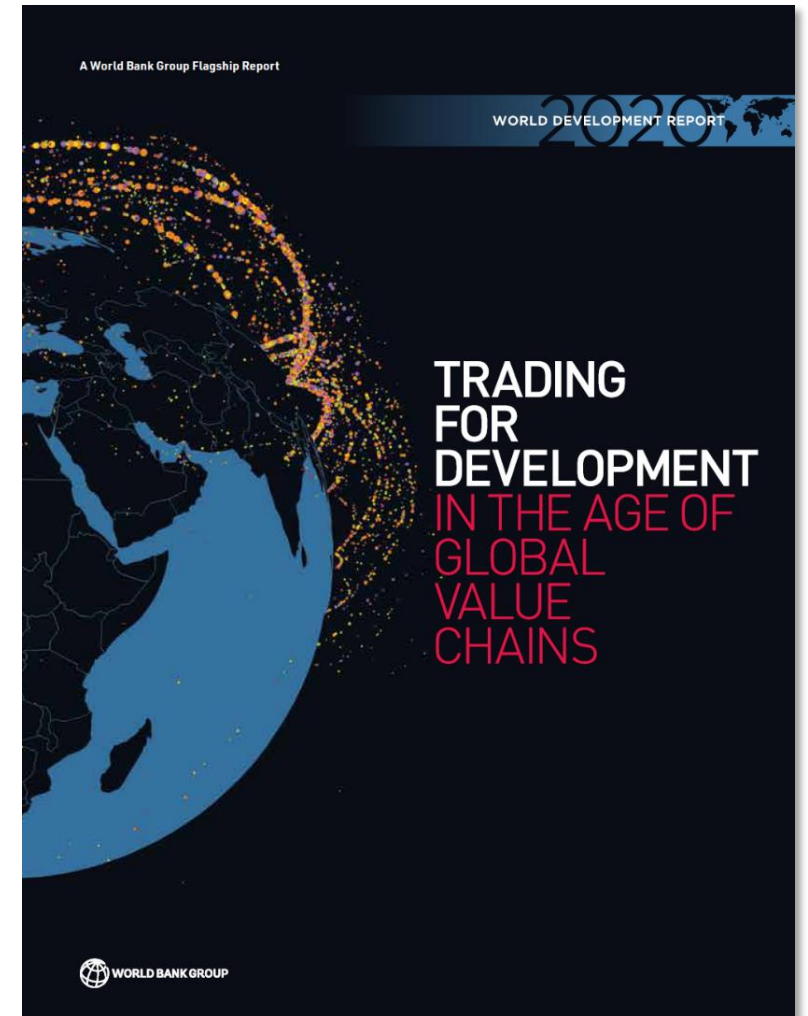
Trade can be a powerful driver of growth & development – but it matters *how* countries participate

Evidence shows that trade fosters productivity and growth, creates more and better jobs, supports the inclusion of women and youth, reduces informality, and helps reduce poverty.

In addition, GVC trade is often more impactful than traditional trade:

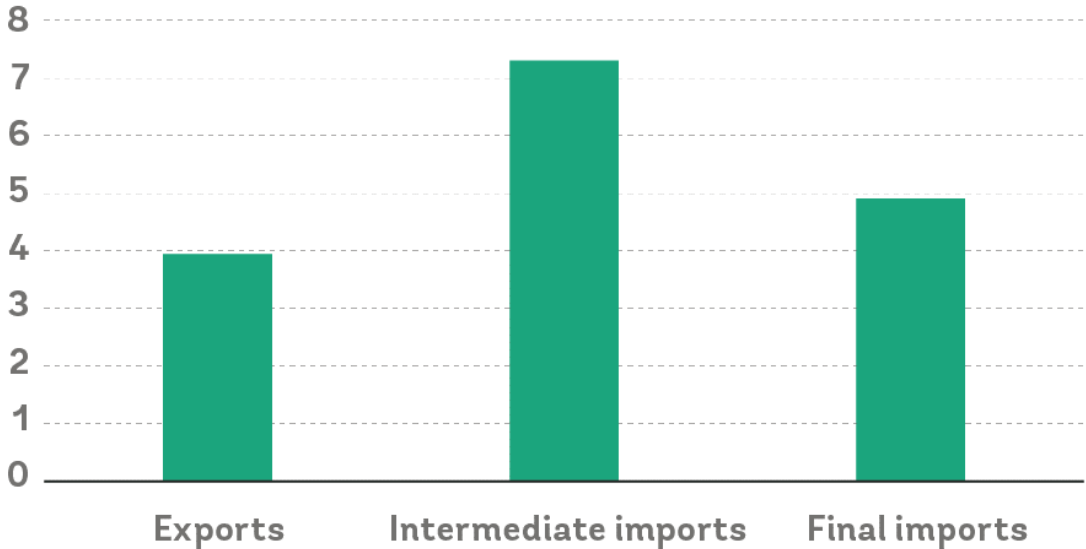
- **Specialization** enables countries to focus on specific, simpler tasks or components, lowering barriers and costs to participate in trade.
- **Firm-to-firm relationships** provide access to capital and inputs, and facilitate the diffusion of technology and knowledge.

***How* countries participate determines their development trajectories: fundamentals and policies matter**

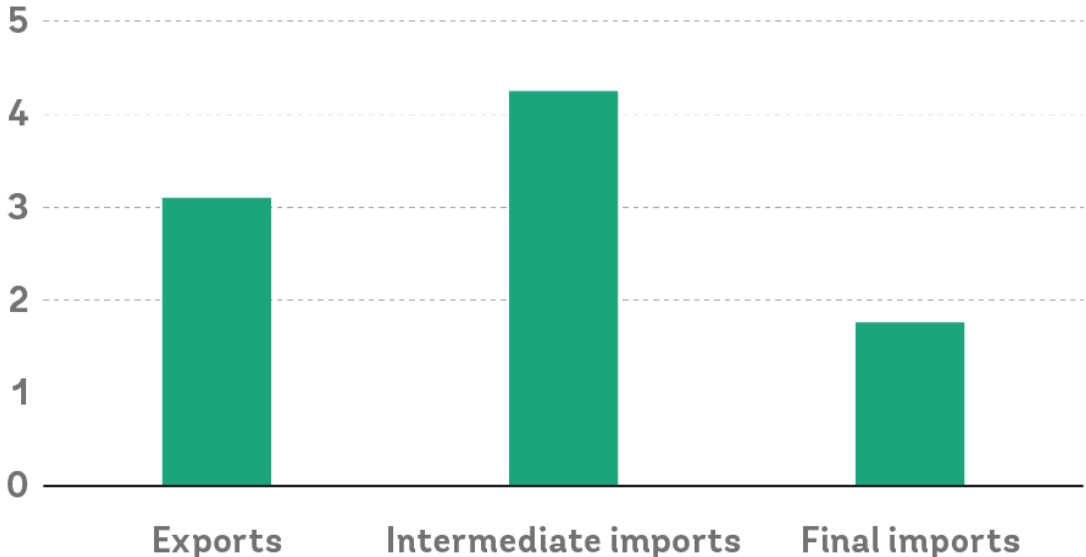


Labor earnings and employment rise with trade increases, especially for intermediate imports, but are weaker for LICs and after the GFC

% increase in labor earnings associated with a 10% increase in trade



% increase in employment associated with a 10% increase in trade

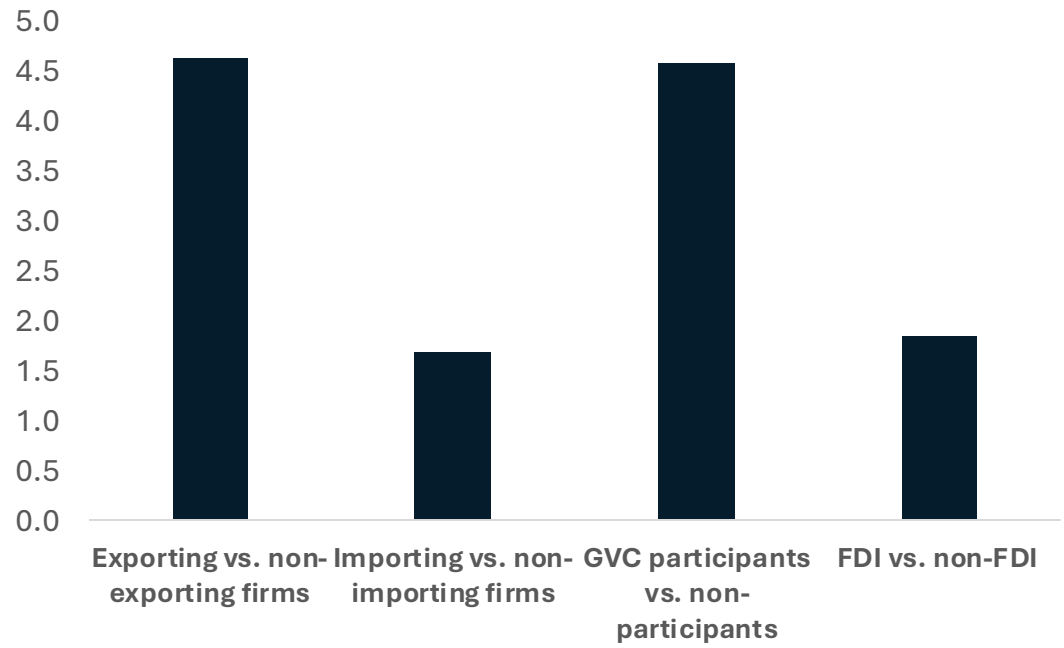


Source: Maliszewska and Winkler (2024), *Leveraging Trade for More and Better Jobs*, World Bank Group, drawing on Winkler, Kruse, Aguilar Luna and Maliszewska (2023).

Note: The figures report the estimated percentage change in labor earnings (employment, resp.) for a 10-percent change in trade volumes. Regressions include the corresponding (instrumented) trade indicator and fixed effects for country-sectors, country-time, and sector-time. Data are for 48 countries (23 high-income and 25 low- and middle-income countries in accordance with their World Bank income per capita classification for 1995) and 45 sectors over 1995–2018. All results are statistically significant at the 10-percent level and above the critical value for the Kleibergen-Paap test. LICs = low-income countries, GFC = global financial crisis.

While globally-integrated manufacturing firms employ more women, services firms show opposite trends – driven by sectoral and skill divides

Average female labor share premium (percentage points) in manufacturing, by global firm type



Average female labor share gap (percentage points) in services, by global firm type



Source: Aguilar Luna and Winkler (2025) drawing on Rocha and Winkler (2019).

Note: FDI= foreign direct investment; GVC= global value chain. The figures report the estimated difference in the share of female employment in terms of percentage points for the corresponding trade indicator. The underlying regressions include the trade indicator, firm output, productivity, technology intensity, and country, region, time, and sector fixed effects. Data in the manufacturing (services) sample are for 81 (104) low- and middle-income countries (in accordance with their World Bank income per capita classification of the respective survey year) and 16 (8) manufacturing (services) sectors during 2010–2024. All reported results are statistically significant at the 10-percent level.

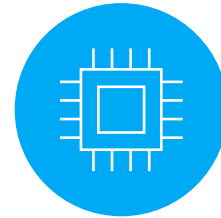
Global shifts present both opportunities and challenges that need to be navigated

Global shifts affecting the global trade and development nexus



Trade uncertainty

Growing risks of unpredictable trade policy shocks and possibly long-term geo-political trade fragmentation.



Technological progress affecting trade

Rapid technological progress in areas including robotics / automation, AI, the Internet-of-Things and cloud computing.



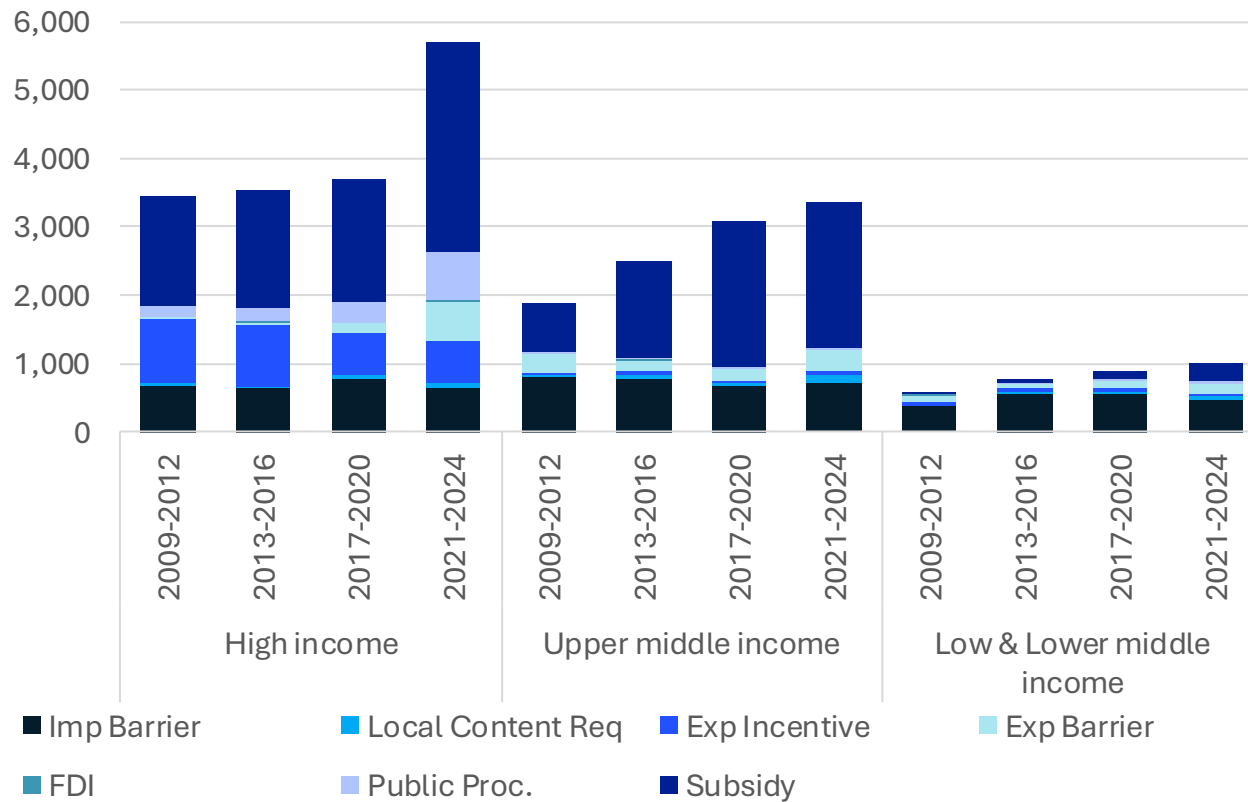
Trade impacts of climate change

Policy changes associated with net-zero transition (e.g., EU deforestation), and the rapid diffusion of price competitive low-carbon technologies.

Despite the strong increase in policy uncertainty, international trade has been resilient to policy upheavals

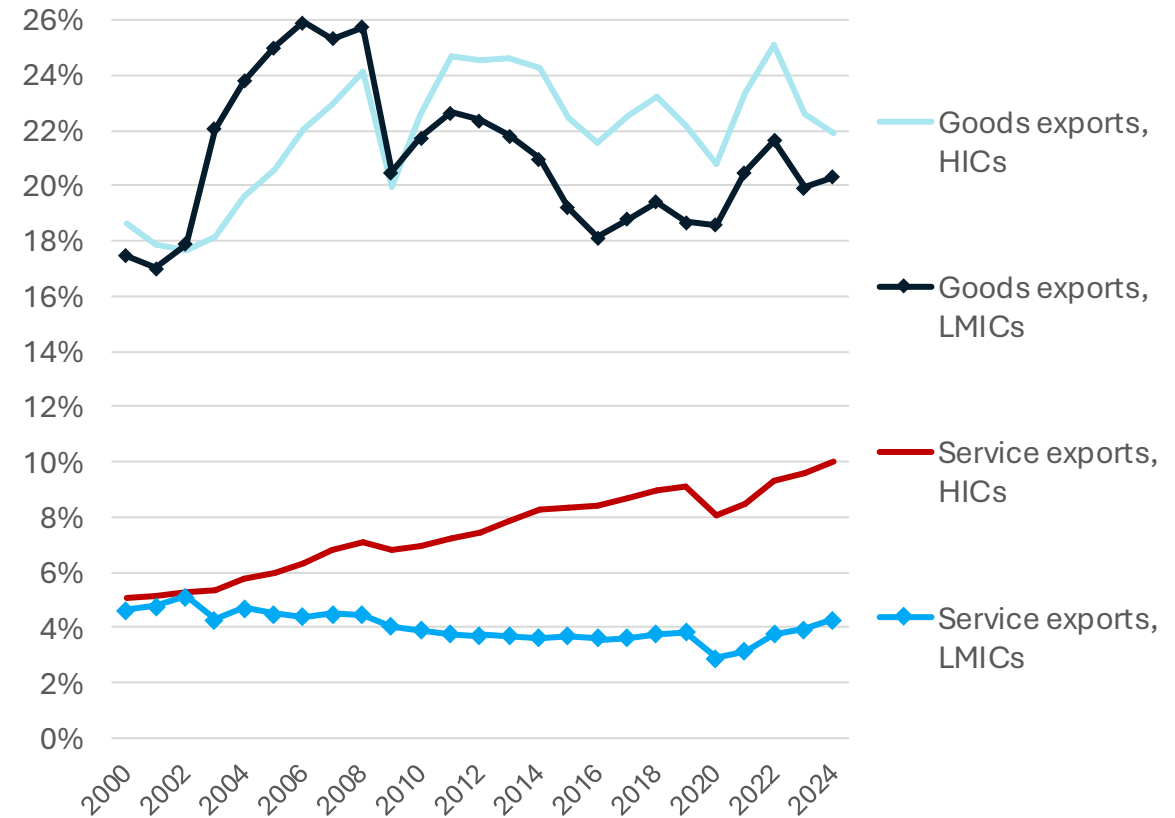


Number of new policy interventions



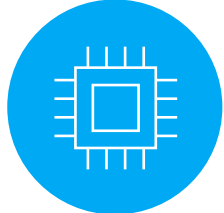
Source: WB Staff calculations based on Global Trade Alert.

Exports as % of GDP, by type and income level

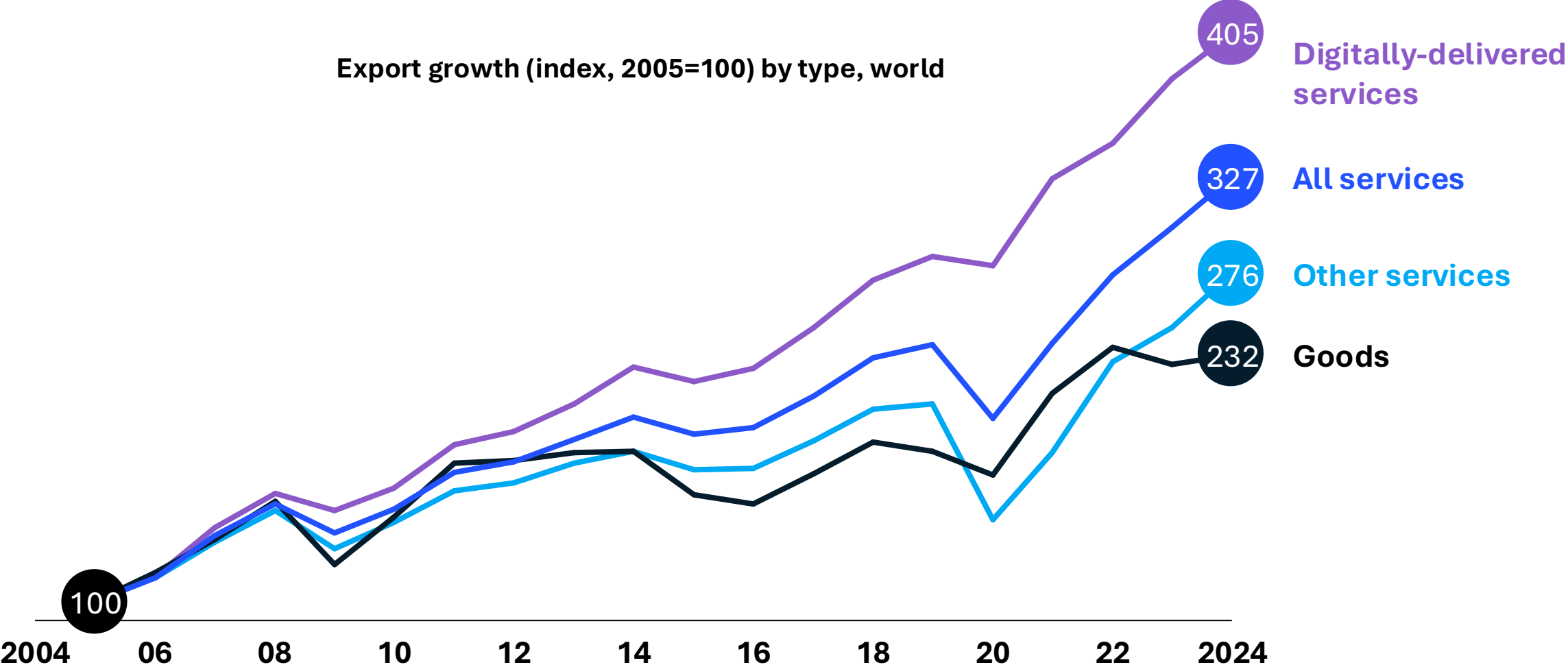


Source: WB Staff calculations based on World Development Indicators. Note: HICs = high-income countries, LMICs = low- and middle-income countries.

Globally, service exports are growing faster than goods, led by digitally-delivered services



Export growth (index, 2005=100) by type, world

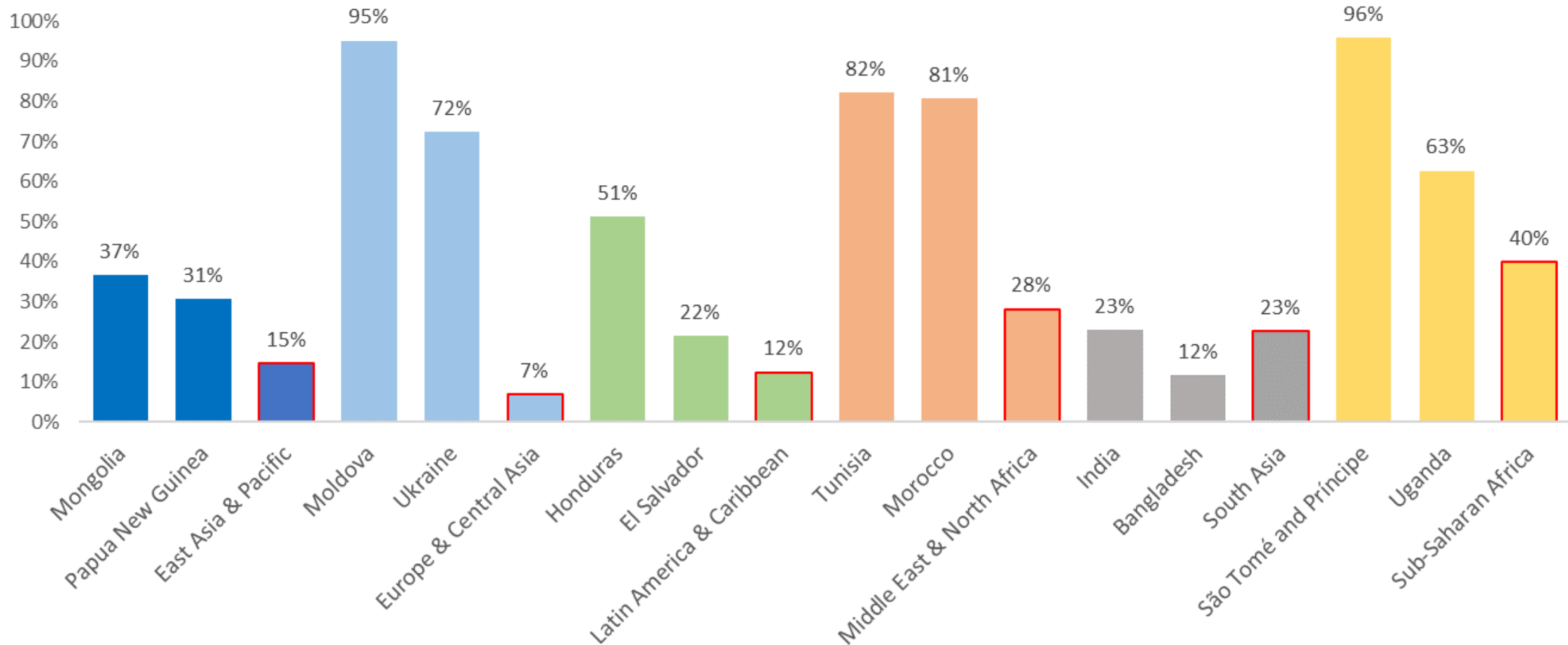


Source: World Bank staff calculation using WDI. Note: Digitally delivered services = Computer, communications & other services exports.

While sustainability standards are necessary, their rapid expansion risks limiting market access for firms that cannot prove they meet them

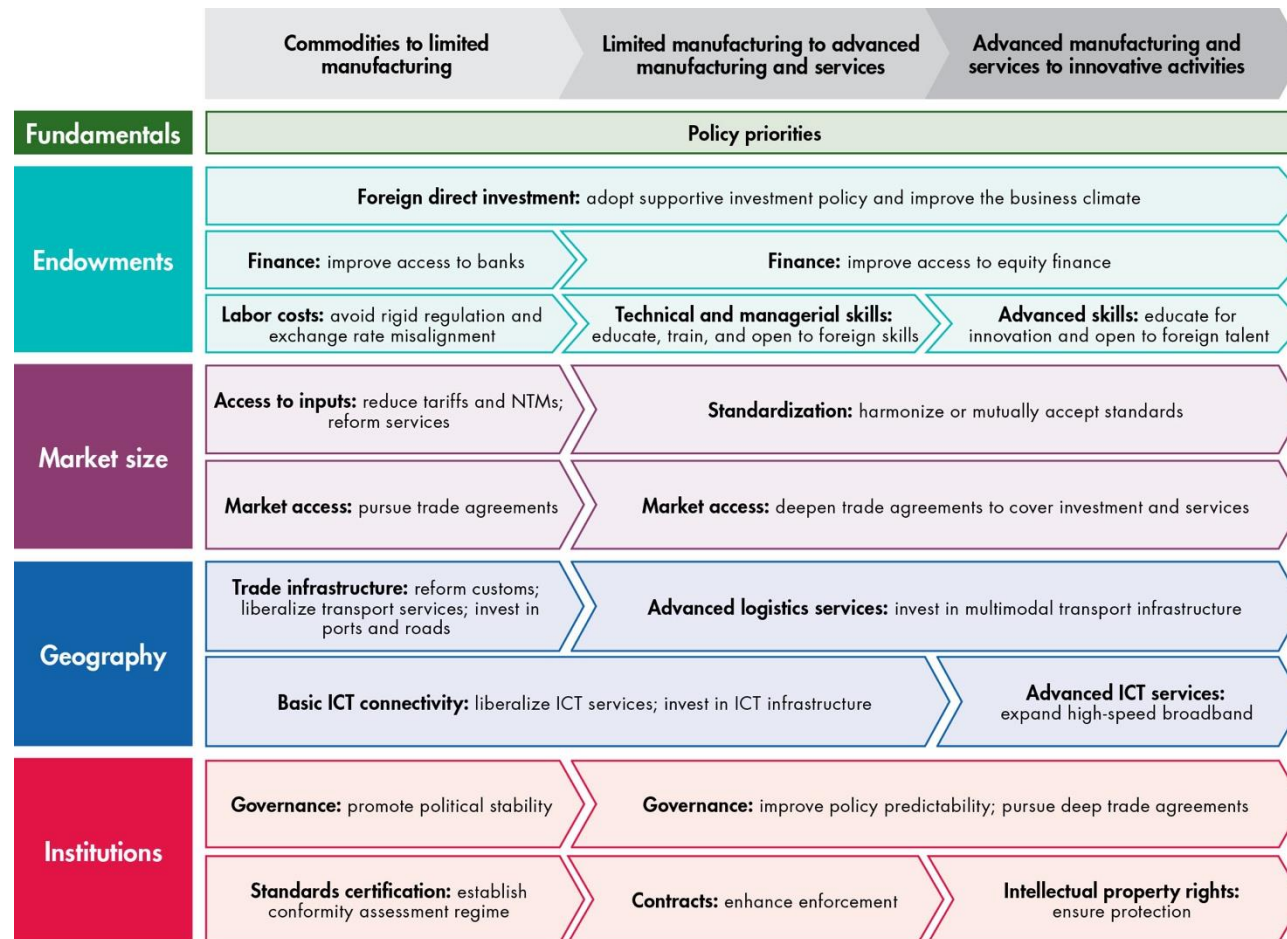


Share of EUDR products exports to the EU in total EUDR products exports: low and lower-medium income countries, by region (EUDR exports to the EU exceeding 1 USD million)



Source: World Bank staff calculation using UN Comtrade.

A rebalanced policy agenda that reinforces fundamentals, while elevating the role of international cooperation, rule harmonization, and cross-border public goods



- **The “right” policy mix can shape fundamentals:**
 - to upgrade a country’s trade participation
- **Strengthen international cooperation, rule harmonization, and cross-border public goods:**
 - to increase predictability and stability
 - to unlock gains in climate, technology, and services
- **Complementary policies beyond trade policy are necessary:**
 - to minimize adjustment costs in labor markets



Thank you!

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