

Session 1: The Reconfiguration of Global Trade and Value Chains: Trade Shocks, Trade Disruptions, and Trade Diversion

The panel discussed global trade reconfiguration, focusing on how geopolitical tensions, trade shocks, and economic shifts are transforming international trade. Key points include:

1. US tariffs and trade policies are creating significant disruptions in global value chains, particularly in Asia.
2. Countries such as Mongolia, India, and China are adapting to these changes by developing new economic strategies and exploring alternative trade partnerships.
3. Manufacturing and industrial policies are becoming more critical than traditional trade policies.
4. The global economic landscape is moving towards potential regionalization, with uncertainties about future trade relationships.
5. Financial systems are also in flux, with discussions about the potential decline of the US dollar-centered monetary system and the rise of alternative currencies like the Chinese renminbi.

The overall message was that the world is experiencing a fundamental transformation in trade, requiring countries to be flexible, innovative, and strategic in their economic approaches.

Panel discussion

Mr. Tigran Poghosyan, opened the session on the reconfiguration of global trade and value chains, focusing on trade shocks, disruptions, and diversion. He noted the fundamental transformation of global trade, particularly in Asia, where countries like Vietnam, Indonesia, and India have benefited from trade diversion. Mr. Poghosyan also served as the chair of the discussion, introducing the five distinguished speakers.

Mr. Jong Woo Kang discussed the impact of US tariffs on regional value chains, focusing on tariffs on steel, automobiles, and semiconductors. He highlighted the negative effects on countries like Korea, China, and Singapore, which are deeply integrated into global value chains connected to both the US and China. Mr. Woo Kang emphasized the need to consider both direct and indirect trade impacts, including how China's role affects Mongolia's trade. He also noted that new trade agreements with other partners could help offset the negative consequences of US tariffs.

Mr. Uuganbaatar Ninjbat addressed the economic impact of trade tensions on Mongolia, noting concerns about rising trade and budget deficits and the possible need for a supplementary budget. He pointed out the resilience of Mongolia's economy, largely due to its commodity exports, especially copper and coal. Mr. Uuganbaatar also highlighted the government's ambitious policy initiatives, emphasizing the need for better coordination

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between trade and industrial policies. Additionally, he stressed the importance of tackling the shadow economy in the mining sector and called for a more comprehensive and integrated economic policy.

Ms. Prachi Mishra discussed the challenges and opportunities facing the Indian economy, noting both cyclical slowdowns and structural issues. She pointed out the stagnation in manufacturing despite government support, contrasting with the strong performance of the services sector. Ms. Mishra emphasized the need for increased private investment to drive growth, especially amid declining net household financial savings. She also highlighted the potential for India to integrate into global supply chains and stressed the importance of industrial policies that promote labor-intensive manufacturing.

Mr. Andrei Rădulescu outlined a vision for Europe's economic transformation, emphasizing the need for speed, solidarity, and security. He addressed the impact of economic policy uncertainty in the US, including the depreciation of the US dollar and its global effects. Mr. Rădulescu stressed the importance of boosting investment in R&D, enhancing digital competitiveness, and pursuing regulatory reforms. He also highlighted the critical need for integrating capital and energy markets in Europe to support and accelerate the green transition.

Mr. Zhang Liqing explored the future of global trade and financial systems, warning of the potential fragmentation into competing economic blocs. He highlighted the challenges posed by US trade policies and the emergence of a multi-polar financial system. Mr. Zhang emphasized the growing role of China's currency internationalization and the need for further financial sector reforms. He also discussed the potential of stablecoins in shaping the future financial system and noted the challenges in developing the offshore yuan market.

Quotes from the session:

1. Tigran Poghosyan (Moderator):

"Trade shocks from geopolitical tensions have upended long-standing assumptions. Nowhere is this shift more visible than in Asia, long considered the factory of the world. Countries like Vietnam, Indonesia, and India have emerged as key beneficiaries of trade diversion, attracting investment and expanding their manufacturing activity."

2. Jong Woo Kang (ADB):

We need to pay attention not only to the country's trade engagement and agreements with us, but also to the trade deals between us and other countries that it trades with.

3. Uuganbaatar Ninjbat (Bank of Mongolia):

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"Politicians are quite impassioned, and it's one of the main assumptions that economic theory tends to ignore in our model making, in our policy designs."

3. Prachi Mishra (Ashoka University):

"Despite all the manufacturing support, the services sector in India is really going through a revolution."

4. Andrei Rădulescu (Institute for World Economy):

"Uncertainty is the only certainty."

5. Zhang Liqing (CUFE):

"We are most likely to stay with the highest tariff rates of the past 100 years."