There are two main categories of explanations for why the growth in trade as a share of GDP has paused, and in early 2015 even reversed a bit. One set of explanations is that global recession and slow recovery slowed down trade. Hoekman points out that the EU accounts for about one-third of all global trade, and China accounts for about 10% of global imports. The recent economic struggles of the EU and China's growth slowdown clearly play a role here, and several authors in the book argue that cyclical factors explain most or all of the slowdown of globalization (for examples, see the essays in this volume by by Emine Boz, Matthieu Bussière and Clément Marsilli. or the one by Patrice Ollivaud and Cyrille Schwellnus).The implication of this view is that when the global economy again picks up speed, the ratio of global trade to world output will start rising again. The other set of reasons is that something else, something "structural" as economist put it, is causing a slowdown in globalization. Of course, even if some structural factors have caused a slowdown in the growth of globalization, it's possible that other structural factors could again accelerate globalization in the future. In his overview essay, Hoekman identifies four structural factors drawn from various essays that might--although each is controversial in its own way--have contributed to the slowdown of globalization in recent years.

1. One possibility is that as the world economy expands, there is over time a shift in what is being traded "*After World War II, manufactured goods accounted for about 40% of world trade, with agricultural goods and raw materials comprising most of the rest. Today, more than 80% of world trade is in manufactured goods. This fact probably accounts for the sensitivity of trade to production seen during boom periods, as well as sharp downturns such as the sharp contraction in world trade in 2009 that continues to receive analysis.*" As trade in manufactured goods becomes such a large share of world trade, that transition from agricultural to manufacturing trade is completing itself, and no longer pushing up globalization as quickly.

2. It may be that the rapid growth of trade relative to world GDP from the 1980s up to about 2007 was part of a one-time transition, in which the economy of China in, but also the economies of eastern Europe and some other place around the world, became integrated into the world economy. Now that they are by-and-large integrated, the ratio of trade/world GDP would tend to flatten out.
3. A different transition is that the world economy has been moving toward "global value chains," in which production of goods is more fragmented across national lines. This change would affect global trade flows--as they are usually measured--in an augmented way. Say that Nation 1 imports $100 worth of goods, and uses those materials to make output worth $200. It exports that $200 to Nation 2, which uses those materials to make output equal to $300. It exports those goods to Nation 3, which uses them to make goods worth $400. Notice that in

this chain, each nation is adding only $100 in actual value to what it imported. However, the conventional trade statistics are based on the total value of what crosses national borders, not on value-added. As a result, crossing lots of borders will pump up standard measures of trade flows by even more than one would expect. Conversely, there is some preliminary and less-than-conclusive evidence that the move to global value chains has leveled off, or perhaps even reversed itself a bit, which would help globalization to level off.

4.

5.Government actions during the Great Recession and its aftermath may have discouraged trade. Explicit measures of trade protectionism have not risen by much, but a number of countries have increases their incentive and subsidies for domestic firms in a way that could discourage imports. In their essay "Crisis-era trade distortions cut LDC export growth by 5.5% per annum," Simon J. Evenett and Johannes Fritz write:

"[O]ur study breaks new ground by employing data on the trade potentially covered by trade-distorting domestic subsidies and export incentives.The impact on LDC exports of different classes of trade distortions was estimated and the total reduction in LDC export growth due to foreign trade distortions was computed for each of the years 2009-2013."

So much for the structural factors that may have been contributing to the slowdown of globalization. What about structural factors that could cause the trade/world GDP ratio to start rising again? Here are four candidates.

1.Trade in services could rise in a way that generates a new wave of globalization. *[I]n the future trade in services may expand significantly faster than trade in goods. Recent efforts by the OECD and the World Bank to collect information on the restrictiveness of trade policies for services show clearly that barriers to trade in services are often significant. In addition to explicit discrimination, differences in regulation across markets restrict trade. New vintage trade agreements such as the Canada-EU Comprehensive Economic and Trade Agreement or the Transatlantic Trade and Investment Partnership may result in a reduction in the average level of services trade costs. Unilateral actions by governments to enhance competition on services markets as an element of increasing productivity performance may also help foster greater trade in services. Services are more tradable than generally thought. But in practice, trade in services will often involve FDI [foreign direct investment] or the movement of service providers and/or buyers. These 'modes of supply' are not well measured. Indeed, sales of services by foreign affiliates are not regarded as trade in the national accounts, although they are regarded as trade by the WTO's General Agreement on Trade in Services (GATS). As countries such as China shift towards greater*

reliance on domestic absorption, this is likely to generate greater demand for services and greater trade in services, including via FDI.

2. Instead of international trade being dominated by large firms, as it is today, the rise of information and communications technologies together with improved international logistics operations could allow a dramatic rise of international trade by small firms. In their essay in this volume, Usman Ahmed, Brian Bieron and Hanne Melin, economists who work for eBay, write about the rise of what they call the "micro-multinationals."*Traditionally, SMEs [small and medium enterprises] have been limited by distance in terms of their ability to explore foreign markets, since most customers had to physically enter a business to transact. Reaching a customer in a different state, let alone in a different country, seemed like an impossible task for most SMEs. The internet has changed the calculus. eBay Marketplaces data demonstrate that 95% of US-based SMEs on the eBay platform sell to customers in foreign countries. In short, they export. This is in stark contrast to traditional businesses in the US, of which only about 4% engage in exporting*

3. A number of regions of the world economy have low levels of trade within the region, which offers substantial possibilities for expanding international trade. In this volume, the article by Ottavia Pesce, Stephen Karingi and Isabelle Gebretensaye focuses on the possibilities for expanding trade between countries in Africa, but parallel cases can be made for expanding trade in South America, south Asia, the Middle East, and elsewhere.
4. It may be that some of the structural factors that helped to drive globalization after the 1980s are not yet exhausted. For example, perhaps China will expand still further into global trade, or global value chains will continue to spread.