



Trade and Prospects for Development

Digital Development Dialogue (3D)
22.01.2026 Seminar Summary

This seminar aimed to discuss the effects of increasing geopolitical tensions on the global trading system and how developing countries can use trade for development in this new environment. In the first presentation, [Robert W. Staiger \(Dartmouth College\)](#) addressed the structural challenges that geopolitical competition poses to multilateral trading system within a [theoretical framework](#). During the second presentation, [Deborah Winkler \(World Bank\)](#) discussed the role of global trade for development drawing on [empirical findings](#), including the implications of emerging trends.

Robert W. Staiger emphasized that the fundamental assumption of the traditional trade agreement literature is a world focused on absolute welfare gains for countries. In this approach, the primary function of the WTO is to ensure that countries internalize the externalities they impose on each other through unilateral trade policies and to enable cooperation based on mutual benefit. According to Staiger, today's geopolitical competition would go beyond this framework. In parallel with the literature on international relations, countries care not only about their own welfare but also about their relative power and success compared to their rivals in today's world.

The fundamental conclusion of his theoretical model is that geopolitical competition does not eliminate trade cooperation, but it fundamentally changes the underlying problem for which WTO rules were designed. The emergence of competition does not change the *“internationally efficient policy set”* between countries; rather, it transforms the points of contention in the negotiation process. In other words, the problem is no longer the emergence of cooperation itself, but the management of transitions between different equilibria in the post-geopolitical competition era.

Staiger emphasizes that this transition creates significant tensions with existing WTO principles. In particular, the principles of reciprocity and most-favored-nation (MFN) treatment make the necessary policy adjustments in this new environment difficult. Maintaining cooperation under conditions of geopolitical competition may require some countries to accept welfare losses or to make asymmetric policy changes. This situation contradicts the classic logic of *“mutual gains from negotiations.”* Therefore, Staiger emphasized that instead of abandoning the WTO, it should develop managed and controlled flexibilities while preserving its fundamental principles.

Deborah Winkler highlighted why trade remains a central tool for development. Based on findings from the World Development Report 2020 and more recent research, she highlighted the positive effects of trade on productivity growth, job creation, income growth, and poverty reduction. Global value chain (GVC) participation, in particular, offers significant opportunities for development by allowing countries to integrate into specific stages without controlling the entire production process.

[Empirical findings](#) show that increases in trade have positive effects on labor income and employment, with this effect being particularly strong through intermediate imports. However, Winkler also emphasized that this positive relationship is weaker in low-income countries and that the effects have diminished since the global financial crisis. These findings demonstrate that the gains from trade are not automatic and that domestic policies play a decisive role.

The presentation also addressed the social inclusiveness dimension of trade. In particular, globally-integrated manufacturing firms in developing countries exhibit higher female employment labor shares than firms that are not integrated, whereas female labor shares in globally-integrated services firms are smaller relative to other firms. This difference was explained by the sectoral skill divide and the sex-based segregation of labor in services firms that engage in international trade. Therefore, the inclusive effects of trade are strongly linked to sectoral structure and to complementary policies that help women access opportunities through trade.

Winkler highlighted three key trends reshaping the global trade environment: **increasing policy uncertainty, the rise of digital technologies, and climate policies**. Although trade policy interventions have increased, particularly in high-income countries, global trade volumes have remained resilient overall. In particular, digitally delivered trade in services stands out as one of the fastest-growing areas for both developed and developing countries. On the other hand, climate policies create opportunities for green transformation even as they pose market access risks--particularly for small producers--through sustainability standards.

Overall, the seminar revealed that trade retains its importance for development despite geopolitical uncertainties, but that in the current global environment, it has become a more complex and policy-intensive process. Considering Staiger's emphasis on the need for flexibility at the institutional level and Winkler's emphasis on complementary policies at the country level, it was concluded that trade for development can only be sustainable with predictable rules, international cooperation, and strong domestic policies.

A list of suggested readings recommended by the speakers is provided below.

- [World Development Report 2020 | Trading for Development in the Age of Global Value Chains \(2020\)](#)
- [Women and Trade: The Role of Trade in Promoting Women's Inequality | World Bank & World Trade Organization \(2020\)](#)
- [Leveraging Trade for More and Better Jobs | World Bank Prosperity Insight Series \(2024\)](#)
- [Mattoo, Aaditya and Ruta, Michele and Staiger, Robert, Geopolitics and the World Trading System \(2024\). NBER Working Paper No. w33293](#)
- [International Activity and Female Labor Participation | World Bank Policy Research Working Paper \(2025\)](#)
- [World Bank Development Report 2025: Standards for Development \(2025\)](#)

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