



LONG-TERM TRADE AND SPECIALISATION PATTERNS

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What will global trade and specialisation look like in 2060?

- Why does it matter to think about scenarios for trade?
 - For example, to **estimate** the future needs in terms of **Transportation** and start developing the policies and infrastructure that will be able to support the trends in trade.
 - **Estimate** related **CO2 emissions** and health impact through 2060.
- How to build these scenarios?
 - Look at recent drivers of trade and specialisation trends and specialisation
 - Extrapolate them into the future using well-established economic modelling methodologies.

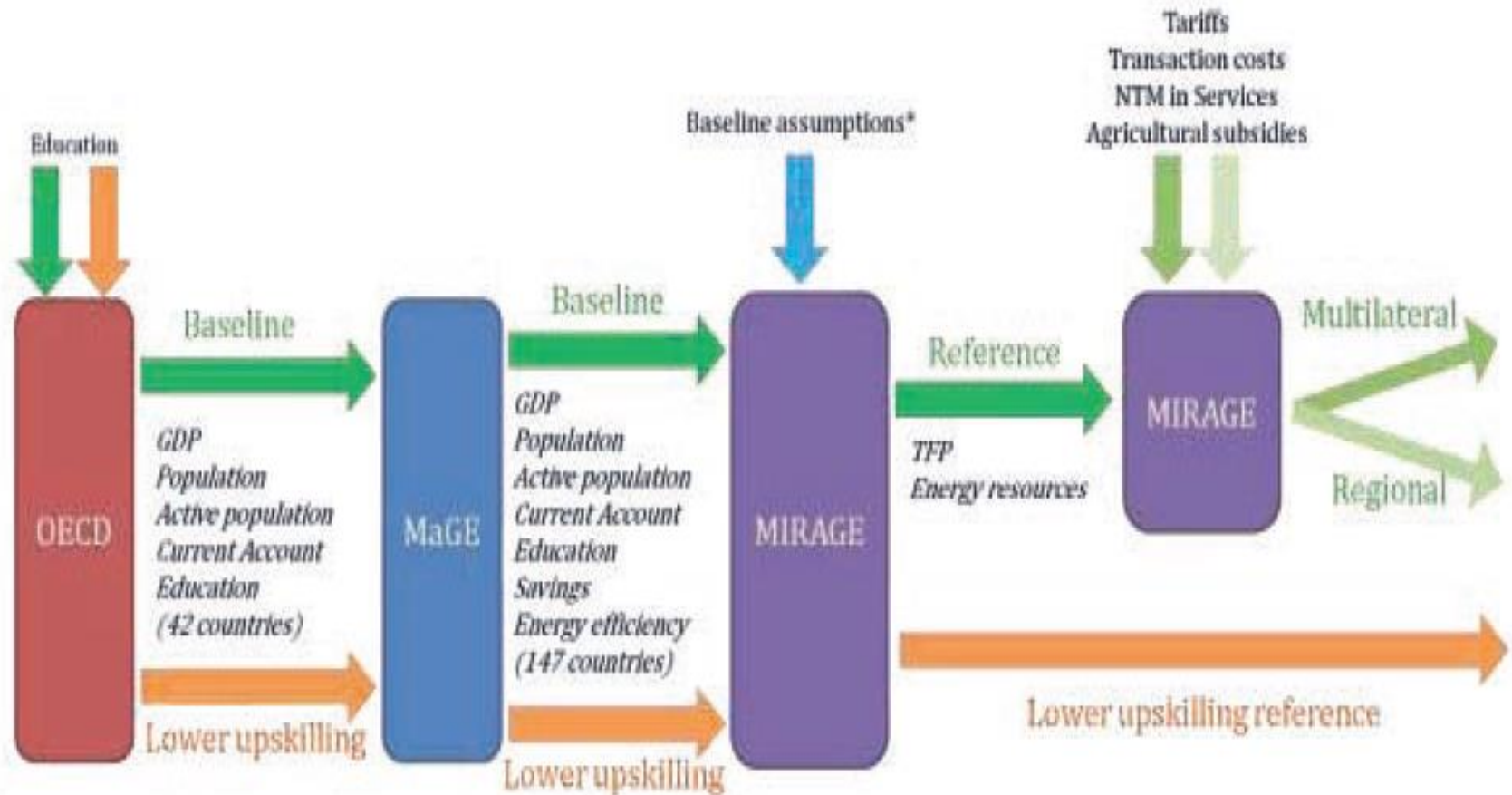


Main factors driving trade and specialization

- Gravity forces:
 - Size of the economies.
 - Distance (restrictions to trade, **transportation technology**, etc.).
- Evolution of factors of production:
 - Physical and human capital accumulation.
 - Changes in total factor productivity.
- Policies
 - Trade policies (Tariffs and NTB, FTA and RTA).
 - Other (Financial policies, PMR, EPL, institutions, etc.).
- Increasing role of global value chains.
- Geopolitical forces



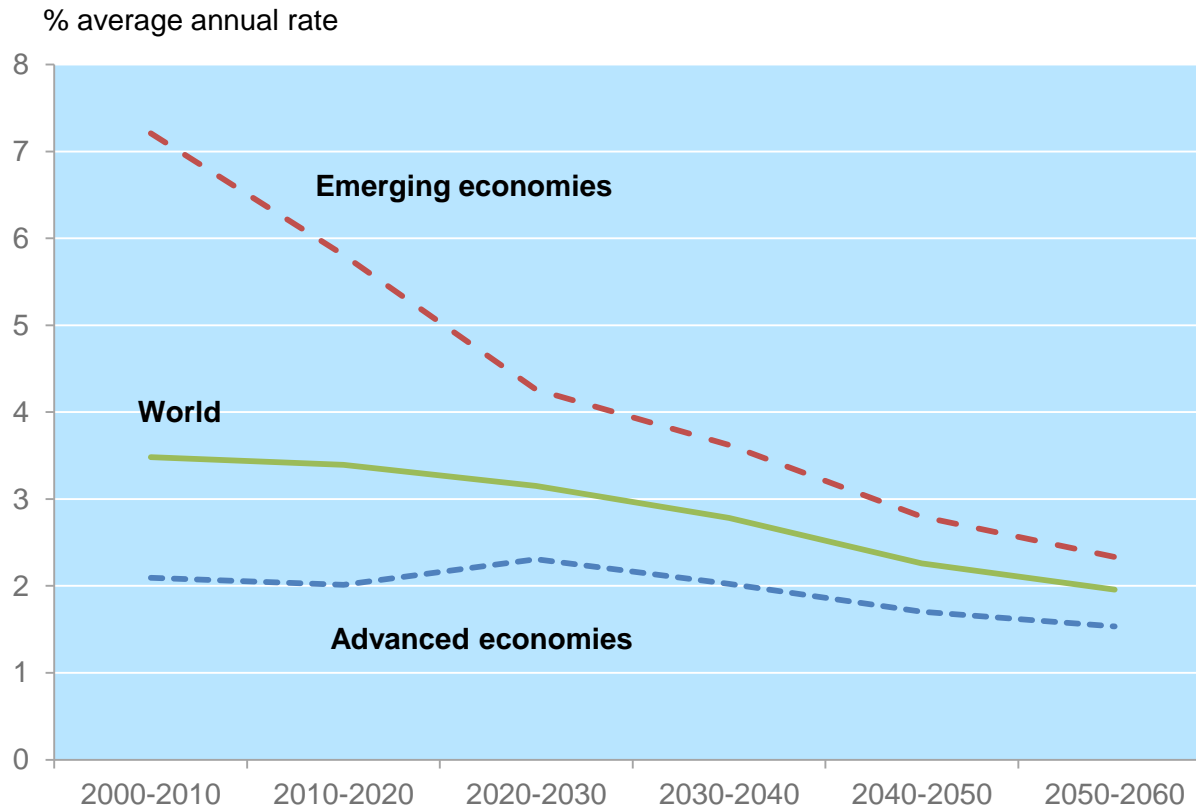
Building the Trade and specialisation scenarios





Growth in emerging economies will continue to outpace growth in advanced economies

GDP growth

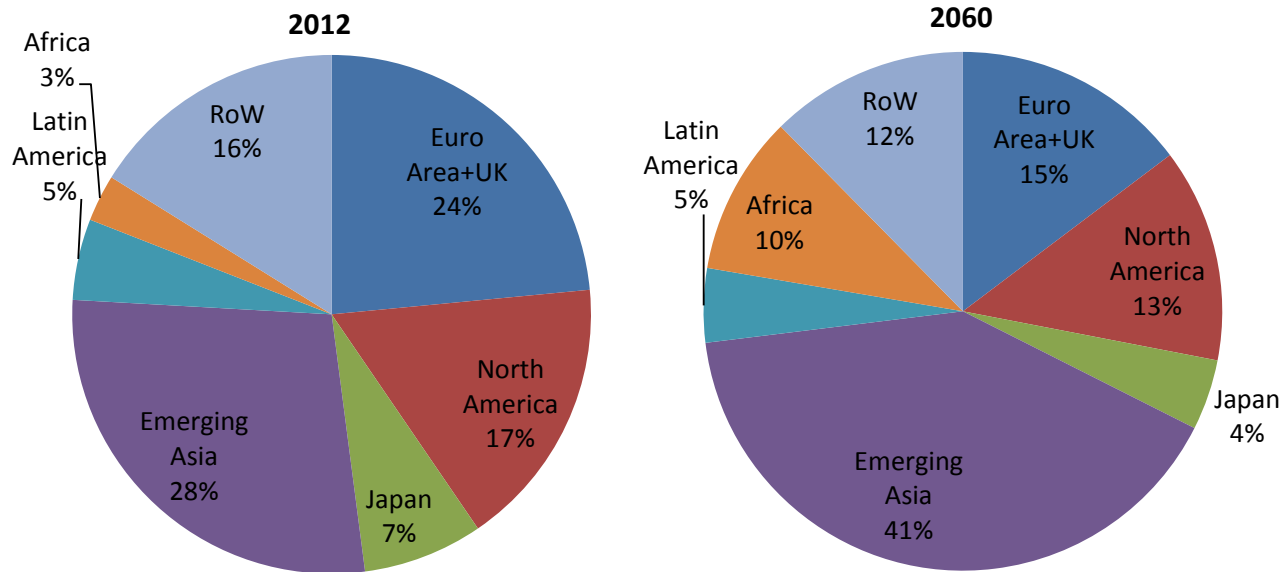




'Shift' in the gravity of trade towards emerging economies

- **World trade will increase by around 350%**, but will grow faster in EMEs.
- Trade will shift towards Emerging Asia (China, India, Indonesia, other Asian countries etc.) and Africa, with trade within the OECD area declining from 50% of global trade in 2012 to 25% by 2060.

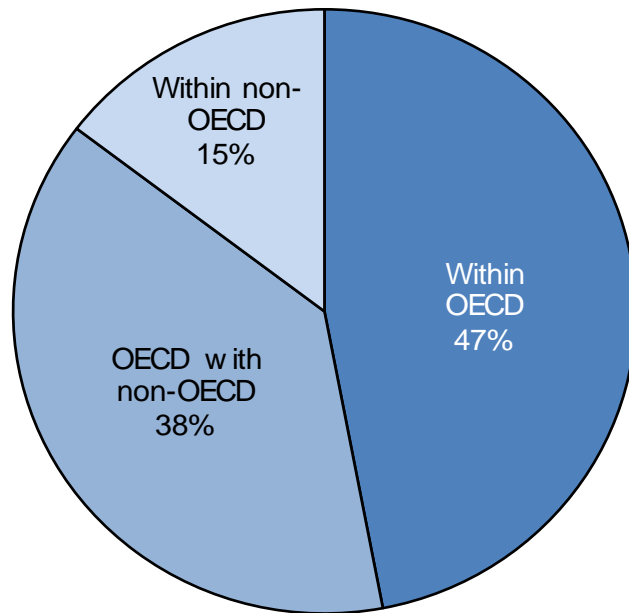
Gross exports as a share of world exports, %



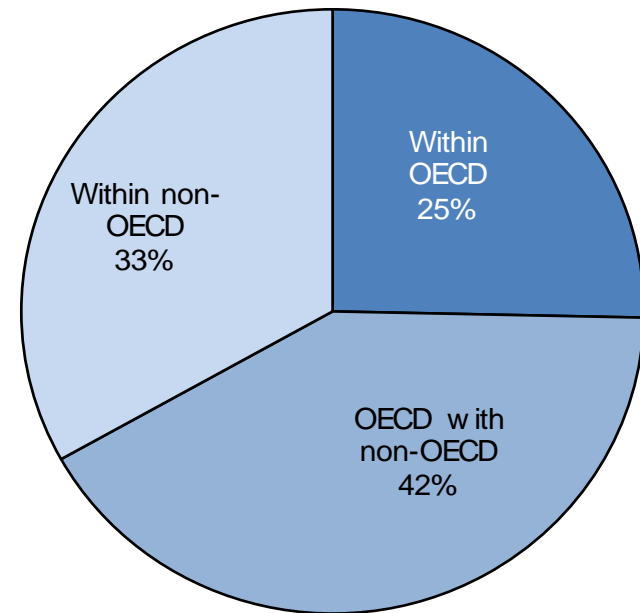


A growing share of trade will be between emerging economies

2012



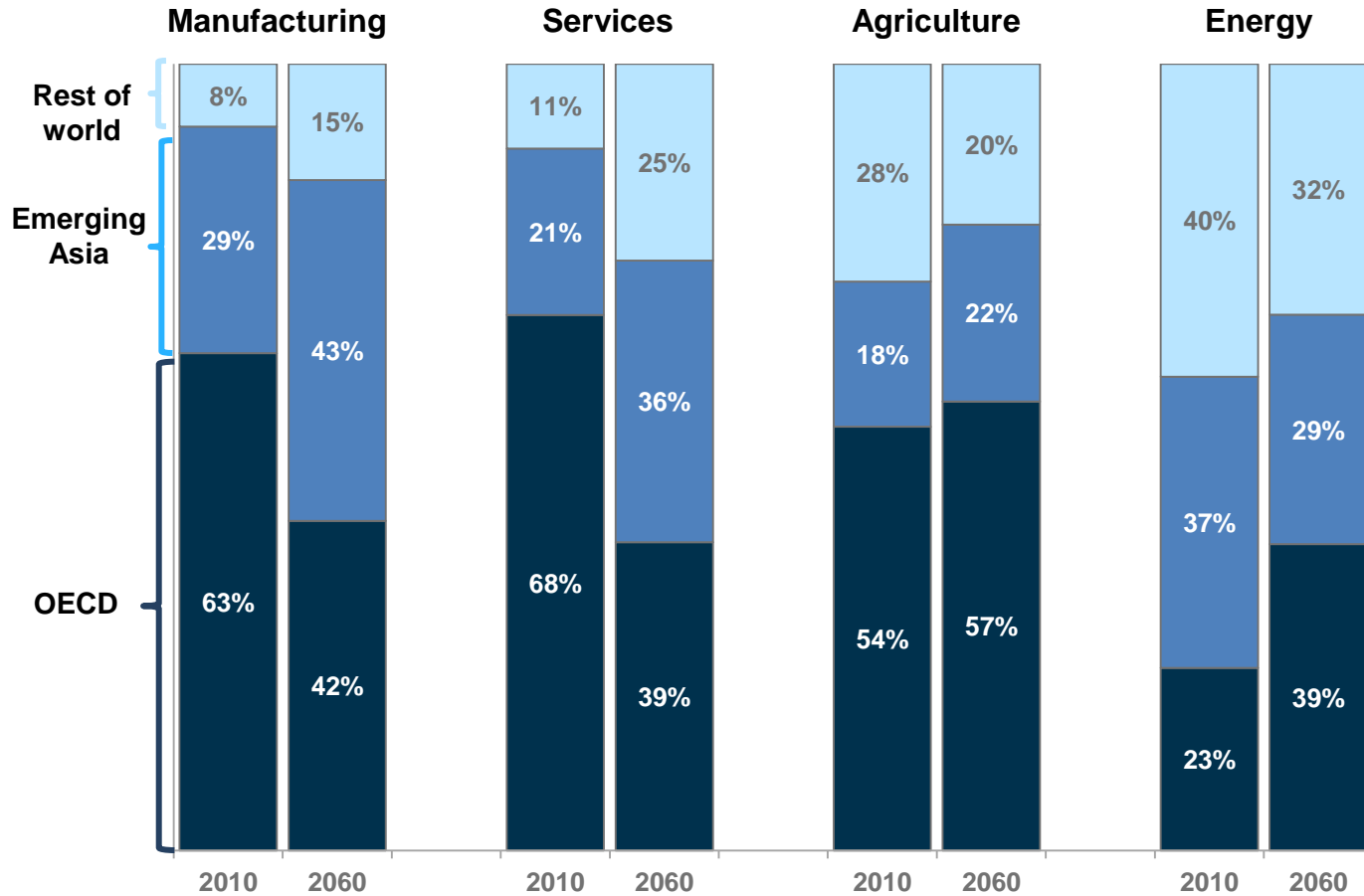
2060





There will be major shifts in export specialisation

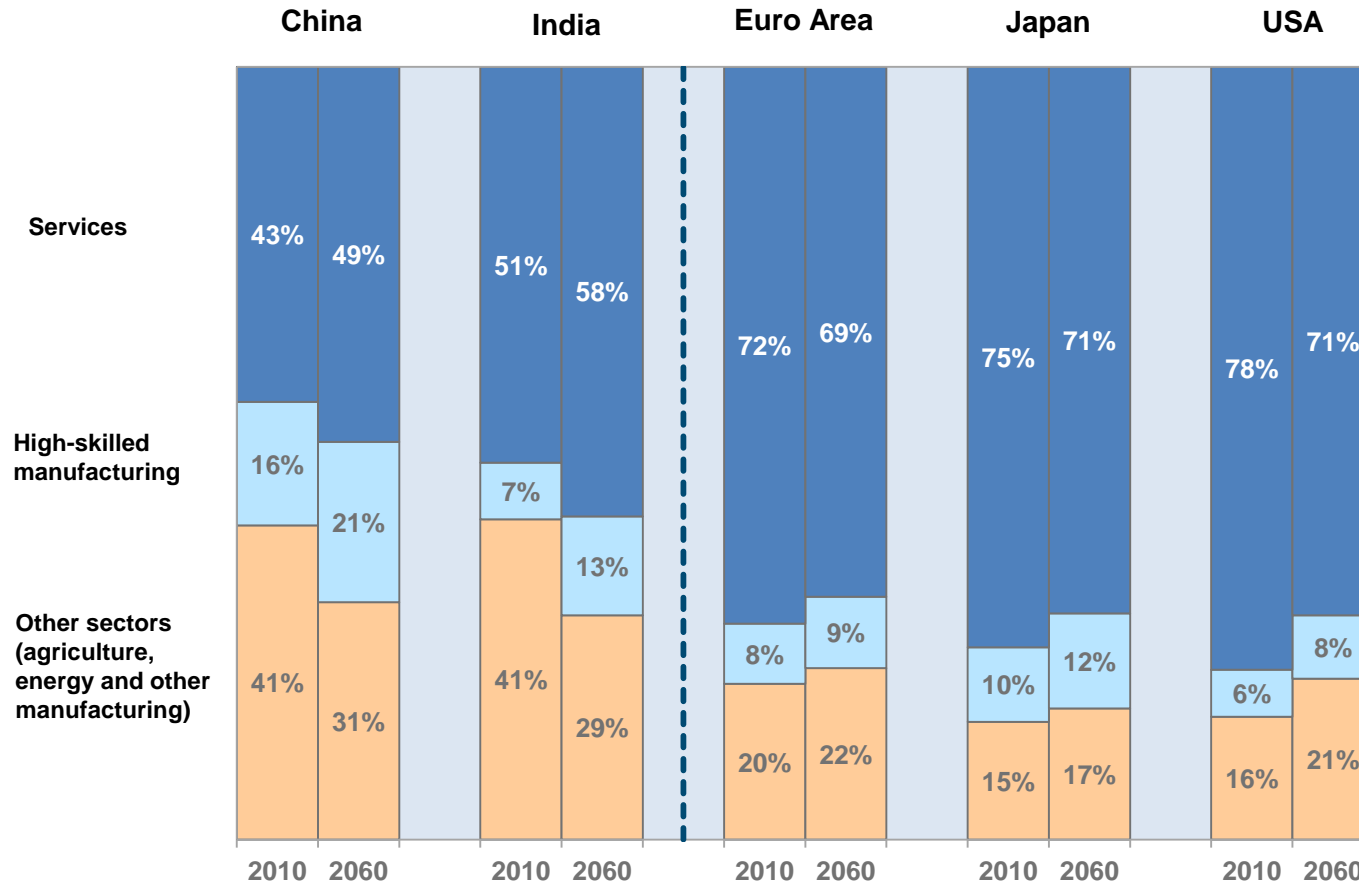
Shares of global exports by sector





Emerging economies will move into higher value-add activities

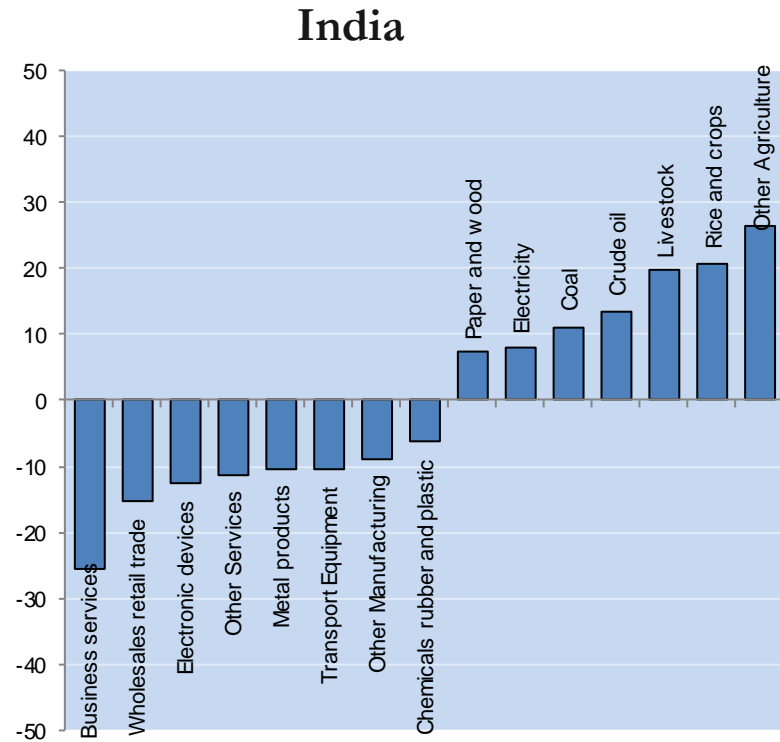
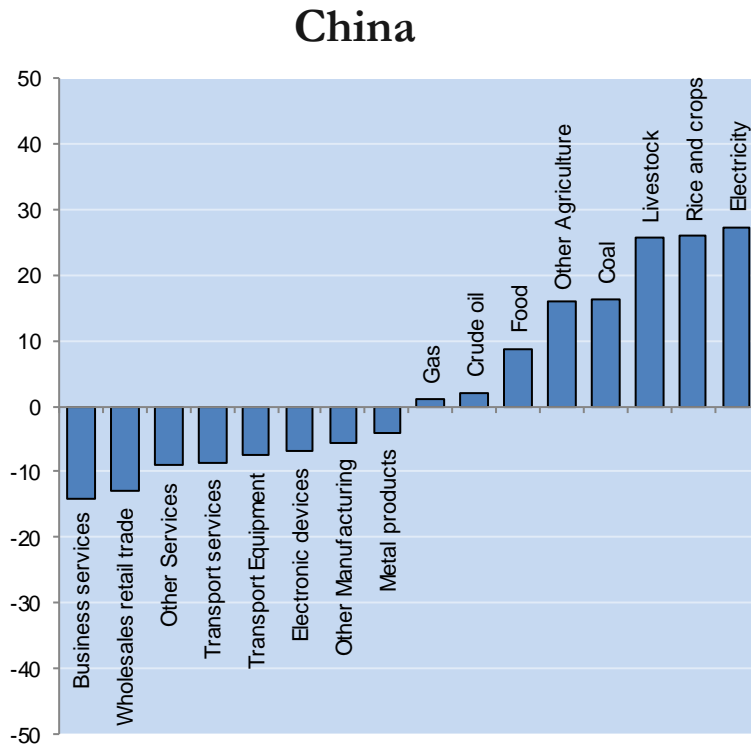
Value-added shares by sector





What is China and India have slower up-skilling that slows down their restructuring towards higher skilled activities?

% change in volume of industrial exports as compared with the baseline in 2060



Slower up-skilling (as compared with the baseline) in China and India would reduce exports of higher-skill activities such as business services and electronics.



Further trade liberalisation can increase global trade and growth

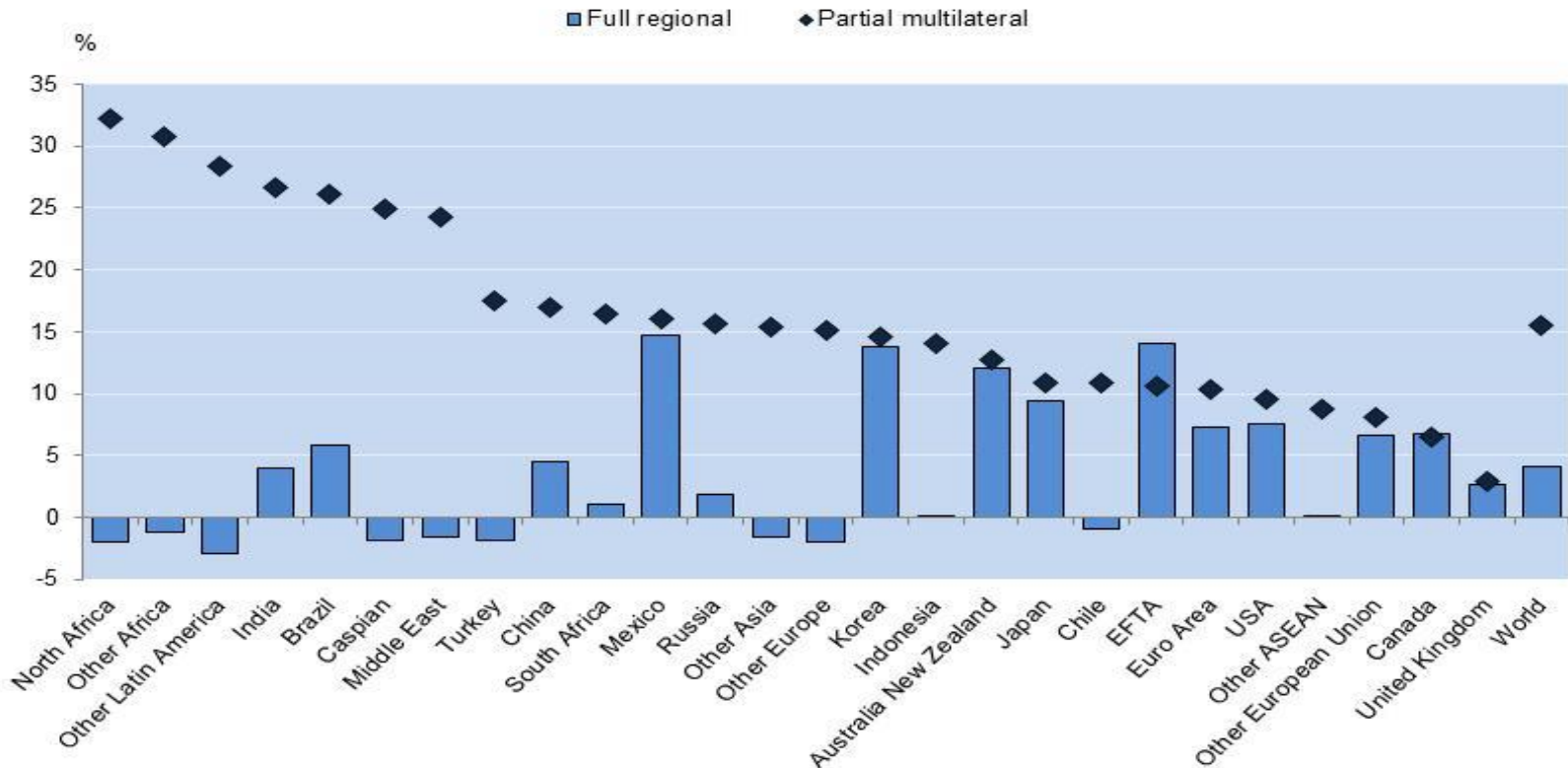
Regional liberalisation scenario: assumes regional integration among a set of OECD economies.

Partial multilateral agreement scenario: is global but assumes less extensive reductions of trade barriers than in the regional liberalisation.



Increases in trade are unevenly distributed in the two trade liberalisation scenarios

% increase in gross exports as compared with the baseline by 2060, %



Regional liberalisation creates trade diversion shifting production and trade away from non-members (with lower production costs) to member producer (with higher costs).



Sum-up

- Global trade will increase by around 350%.
- The global economic balance will continue to shift towards the current non-OECD area.
- China, India and other Asian economies will continue to strengthen their role in manufacturing trade with exports climbing up the global value added ladder.
- Investment in education is crucial for trade and high-skill specialisation over the coming decades.
- Trade liberalisation can facilitate trade, and a multilateral agreement can have a stronger impact than a regional.



Thank you!

Selected further reading:

- “Global Trade and Specialisation Patterns over the next 50 years”, OECD Economics Department Policy Papers No.10.
- ”Trade Patterns in the 2060 World Economy, OECD Economics Department Working Papers, No. 1142
- “OECD 50-year global scenario: Shifting gear”, OECD Economics Department Policy Notes No. 24.