

Global trade patterns in 2050 and its drivers

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Abstract

In this paper we analyze the drivers of long run changes in global trade patterns. We use the WTO Global Trade Model (Aguilar et al., 2019), a recursive dynamic computable general equilibrium (CGE) model to generate baseline projections of the global economy until 2050. We impose external projections on the model on variables such as GDP growth, employment and population growth, changes in savings rates, differences in productivity growth between sectors, changes in consumer preferences and in the sourcing of intermediates of firms, changes in trade costs, and changes in natural resource prices. The paper serves two goals. The first aim is to present our baseline scenario for 2050 of trade growth and changes in regional trade shares, sectoral trade shares, patterns of comparative advantage, sophistication of exports, and value chain organization. The paper contains a detailed presentation of the expected changes at the country and sectoral level. Second, we analyse into detail the determinants of the projected changes in trade patterns, starting from a core baseline imposing only projections for (i) growth of the population and working age population. Then we add step by step (ii) changes in skill composition based on regional labor force participation rates; (iii) GDP and total factor productivity growth; (iii) differences in productivity growth between sectors; (iv) changes in consumer preferences; (v) non-homothetic preferences; (vi) changes in oil prices; (vii) changes in savings rates; (viii) changes in trade costs driven by policies; (ix) changes in trade costs driven by new technologies.

JEL Codes: F13, O11

Keywords: Global trade patterns, long-run projections, trade policy experiments, Dynamic CGE models

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