



WORLD TRADE ORGANIZATION
ORGANISATION MONDIALE DU COMMERCE
ORGANIZACIÓN MUNDIAL DEL COMERCIO

Trade in a Globalizing World

World Trade Report 2008

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Understanding “globalization” and the role of trade

The gains from trade revisited

The location and organization of production processes

Trade, income distribution and poverty

Adjusting to trade reform

Securing the gains from trade



Globalization and the role of trade

- Globalization has caused significant structural change
 - Trade expansion (regions/sectors)
 - Increased capital mobility
 - Shifts in migration patterns
- Main drivers of globalization
 - Technological innovations
 - Political change
 - Economic policies
- Public sentiments about globalization



Gains from trade

Static and dynamic gains from

- International specialization
- Increased variety
- Increased scale
- Increased competition
- Increased industry productivity
- Higher economic growth

Evidence that

- Comparative advantage has worked
- Consumers and producers have benefited from more variety
- Price-cost margins have come down significantly.
- Industries and firms have become more productive (knowledge spillovers, growth).



The location and organization of production processes

- Trade costs have come down (tariffs/NTBs, transport, communication)
- Reduction in trade costs can lead to concentration of industry (agglomeration)
- Reduction in trade costs can also lead to fragmentation (offshoring)



Trade, income distribution and poverty

□ Distributional outcomes from trade depend on:

- Relative skill levels
- Offshorability of tasks

□ Trade has helped to reduce poverty

- But some poor households may be negatively affected.



Adjusting to trade reform

- Adjustment takes time
- Is trade adjustment special?
- Adjustment challenges for:
 - Import-competing firms
 - Exporting firms
 - Labour markets
 - Individual workers



Securing the gains from trade

- ❑ Trade costs and supply-side constraints
- ❑ Social issues
- ❑ Technology and trade