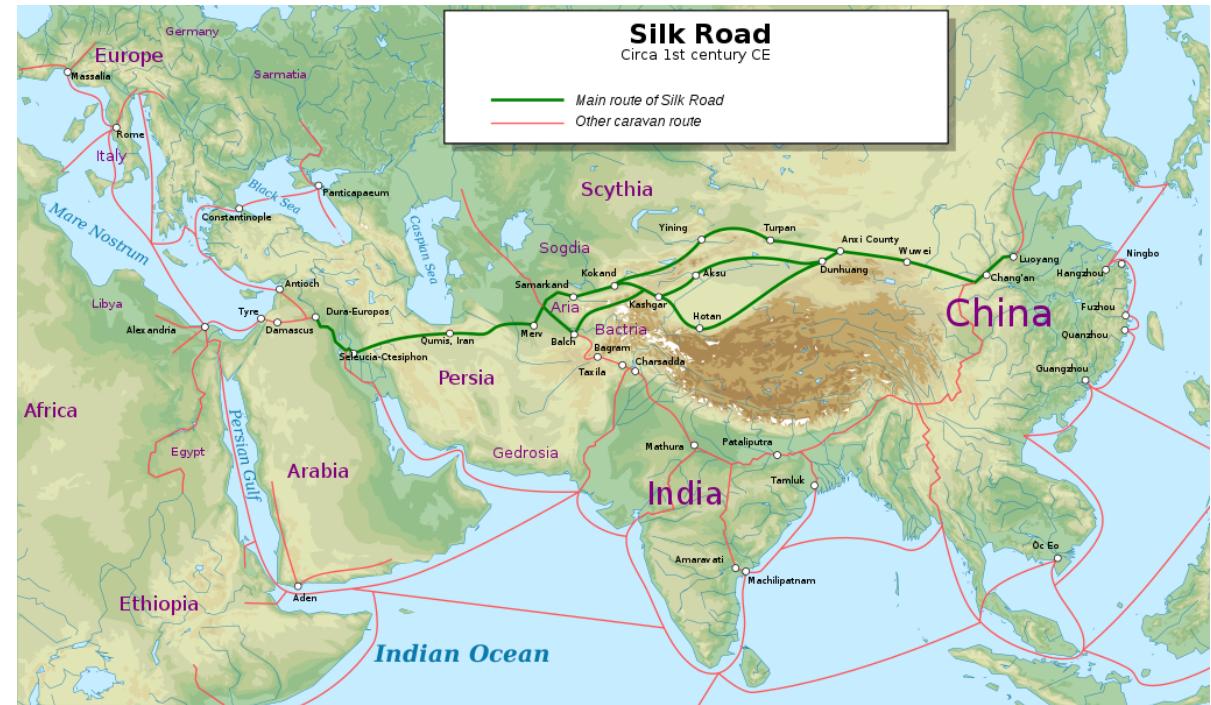


Worldwide Trade and GDP

Peter Schrader

GLOBAL TRADE – NOTHING NEW

- The Silk Road connected China and Europe from about 200 BC to 1500 AD.¹
 - About 2 years round trip.²
- Today: flight from Beijing to Rome takes 14 hours with 1 stop.
- China's present-day Belt and Road initiative.
- Increasing trade due to formation of the GATT and WTO.³



Source: "Silk Road" - Wikipedia

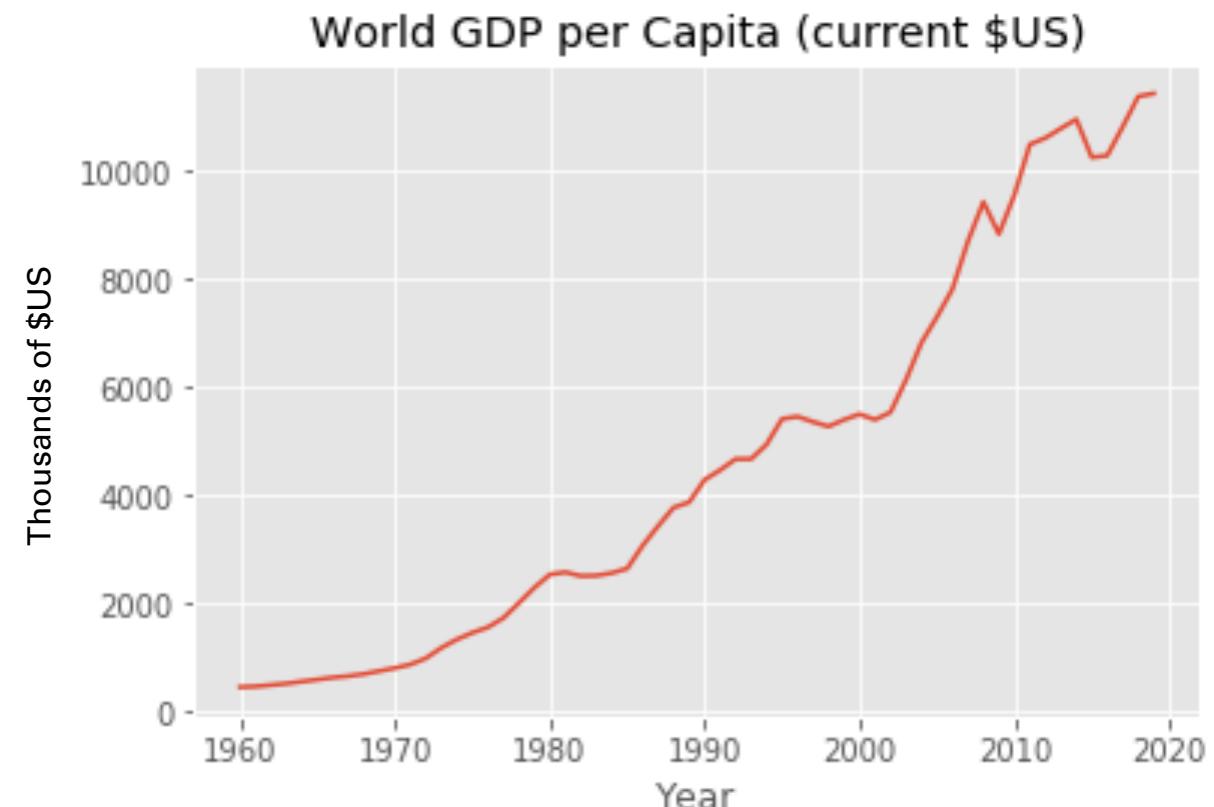
GLOBALIZATION - INCREASING TRADE

- Trade was 22 times higher in 2000 than 1950.³
- Encouraged by General Agreement on Tariffs and Trade (GATT) in 1948.³
 - Led to reduction of tariffs and trade barriers.
- GATT led to the World Trade Organization in 1995.³
 - Multilateral trade agreement for reducing trade barriers among members.⁴
- Over 200 trade agreements worldwide.⁴
- Reduction of tariffs worldwide.
 - 1948: reduced average tariffs by 26% based on 1939 levels.⁵
 - 1999: reduced average tariffs by 38% based on 1988 levels.⁵

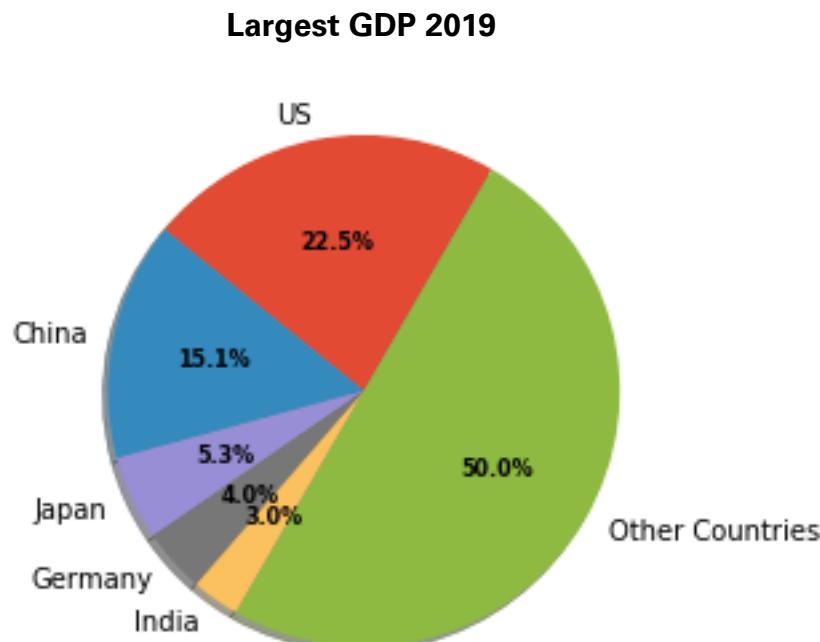
TRADE VIEWS

- Most economists likely to be in favor of free trade because of the net benefits.
- Creates opportunities for growth throughout the world (eg China).
- There are risks:
 - Equity distribution may be a problem.⁶
- Has increased trade affected the world GDP growth?
- Is every country better off or are there clear winners?

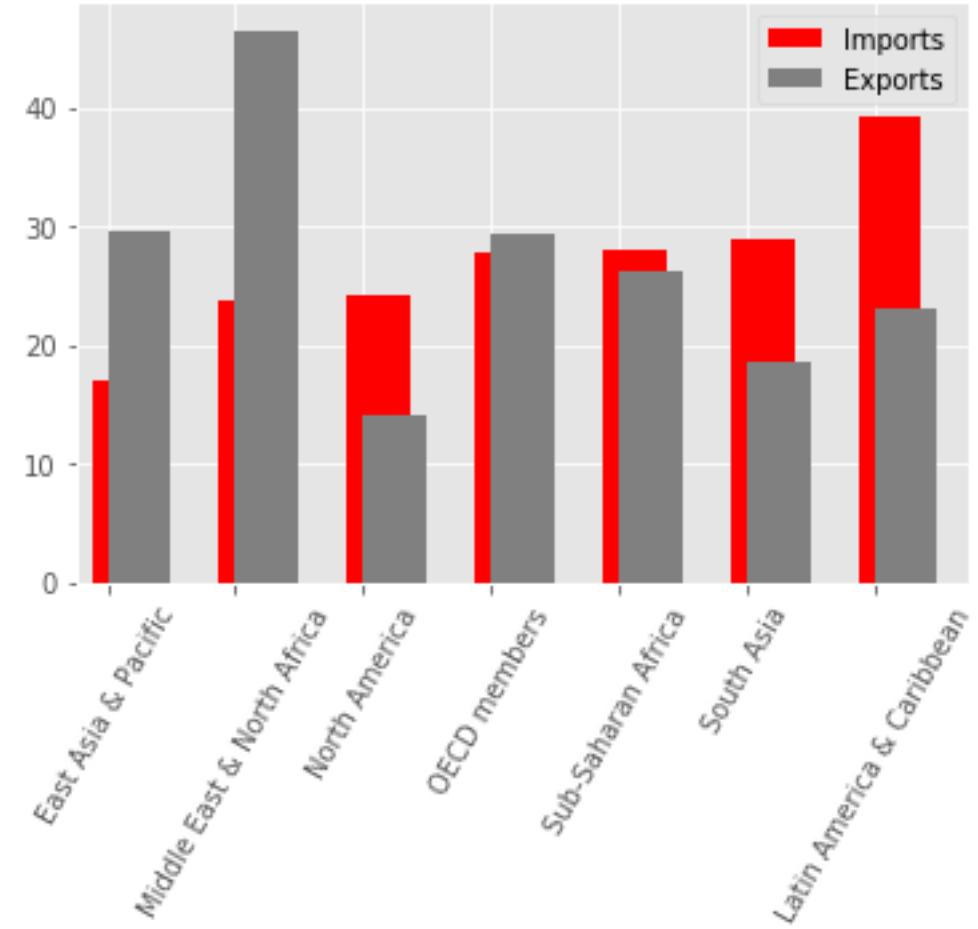
WORLD TRADE AND GDP



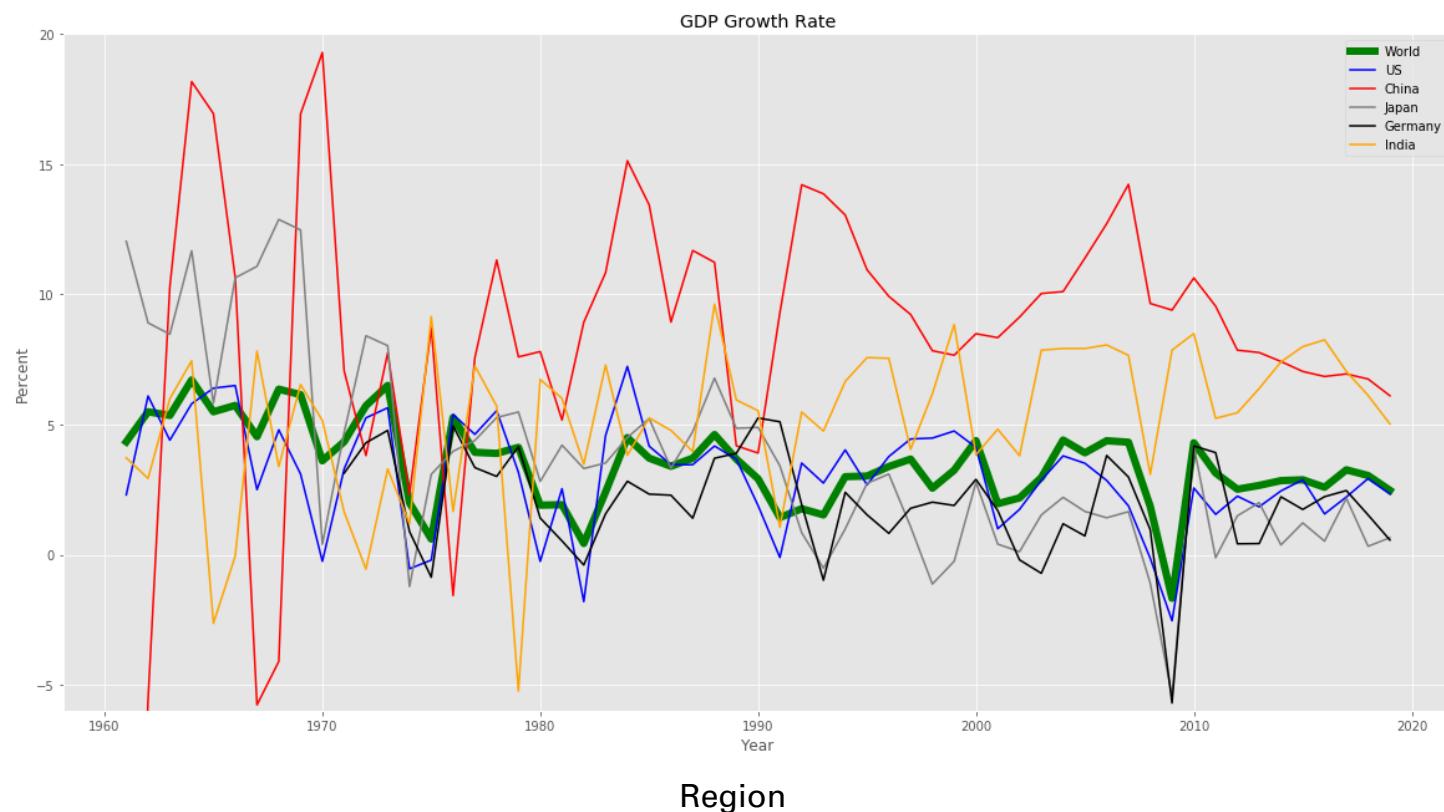
GDP AND TRADE NOW



Percent of GDP from Trade, 2018

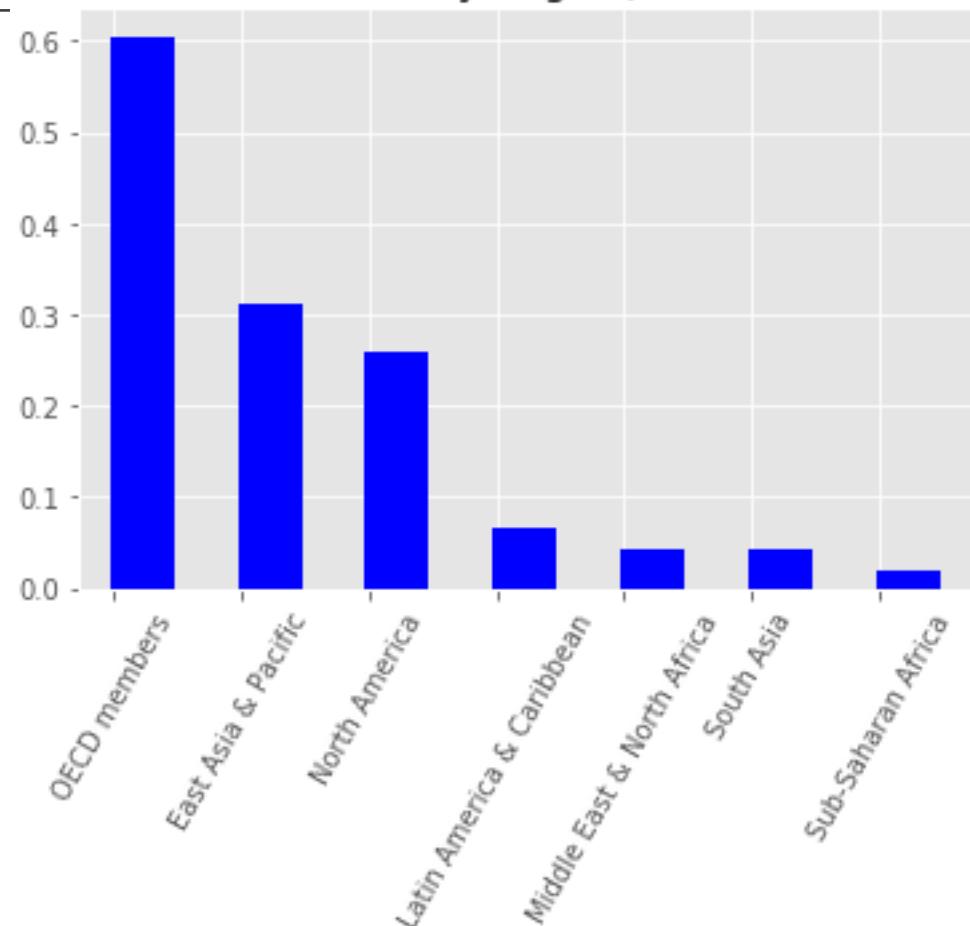


GDP GROWTH

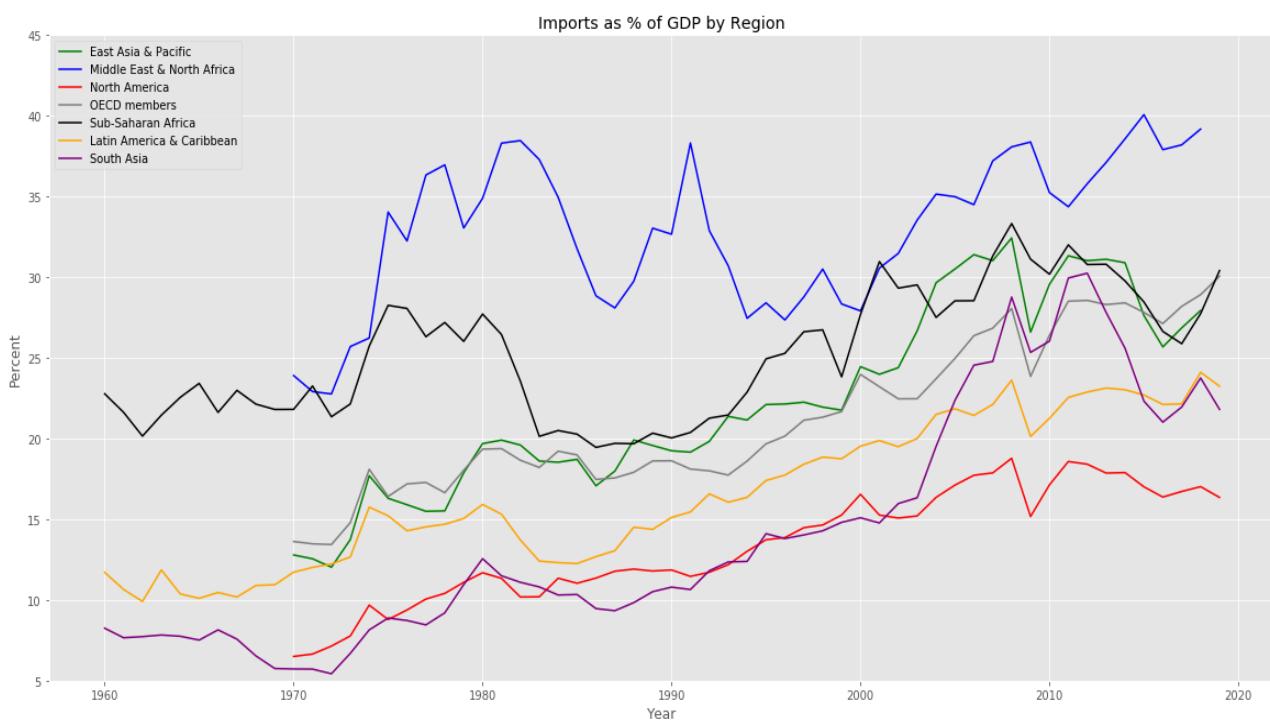
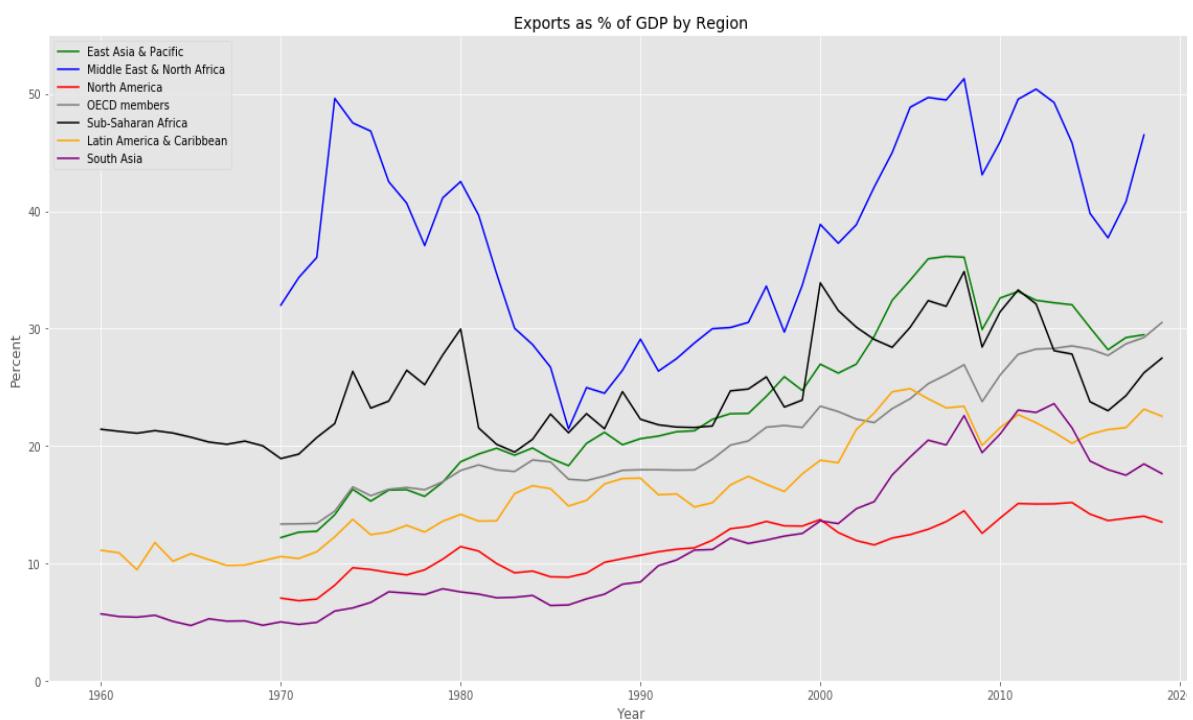


Total world GDP change 1960-2019: + \$86,328,070,000,000

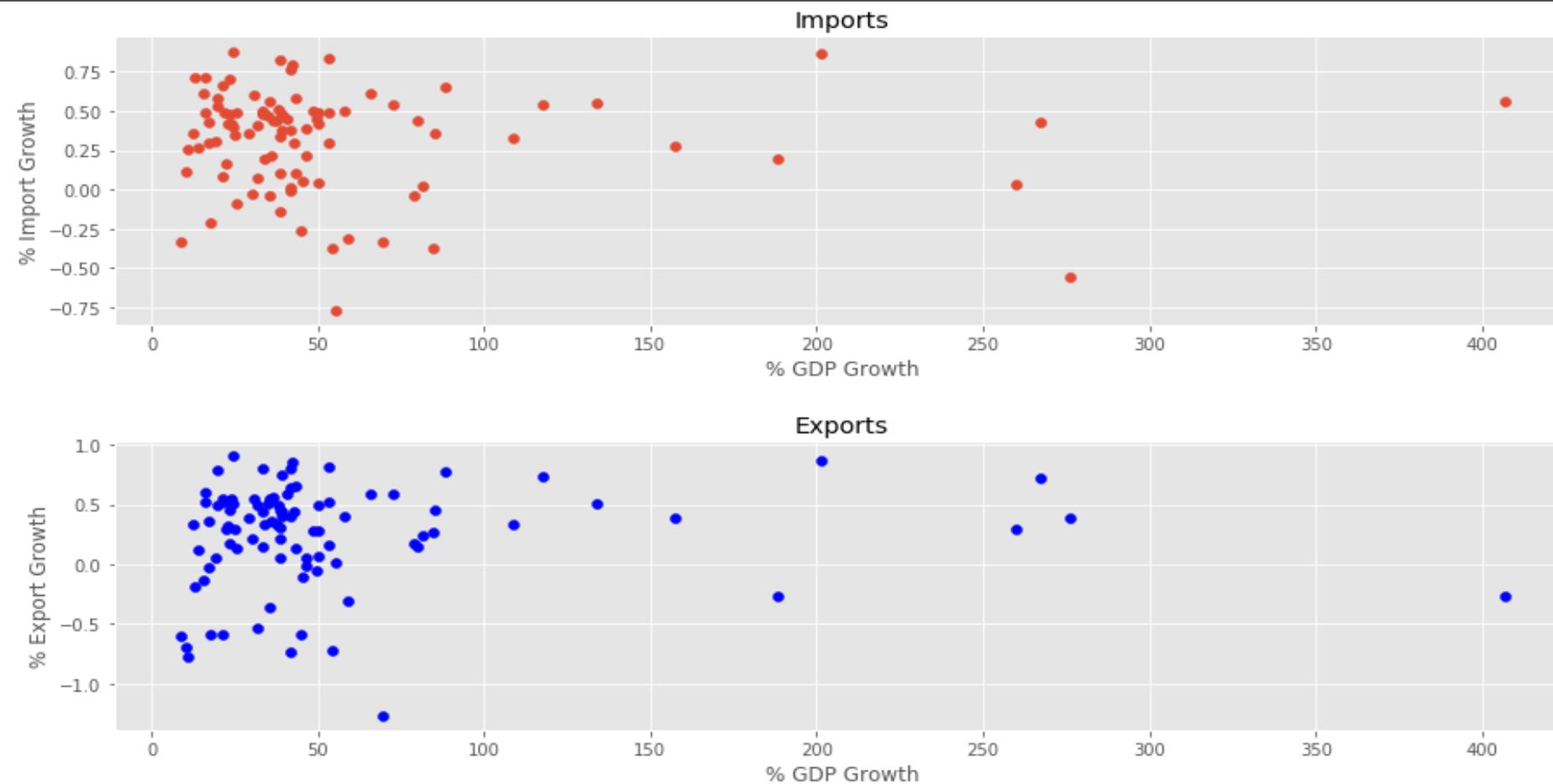
GDP Growth by Region, 1968-2019



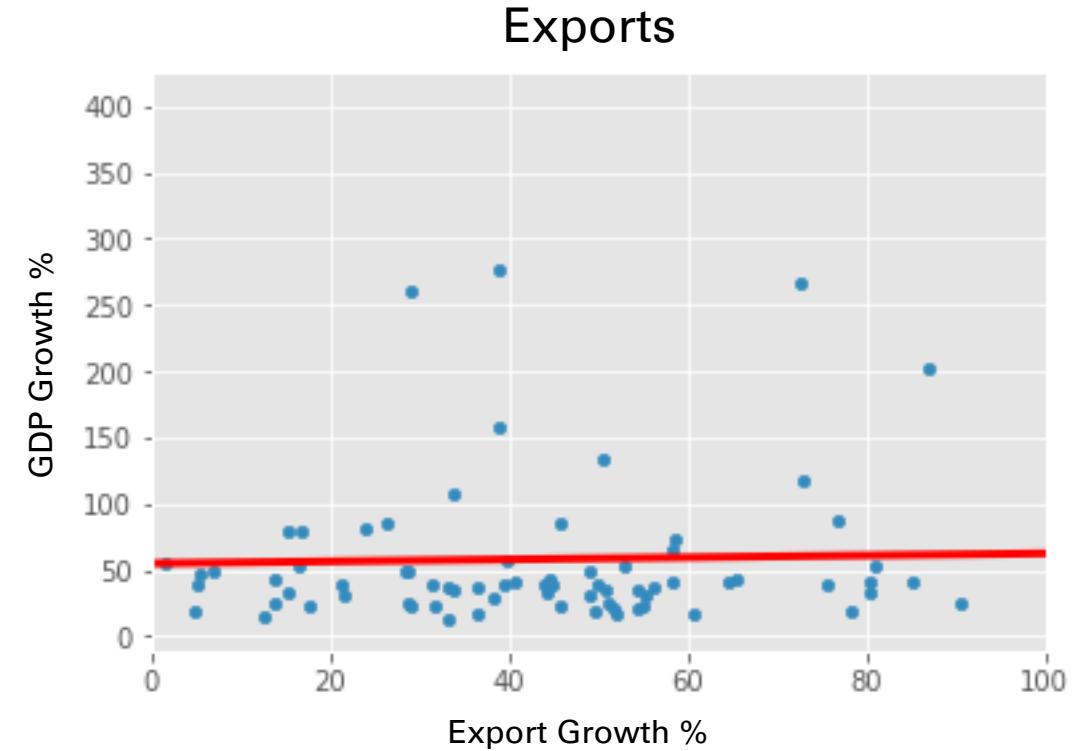
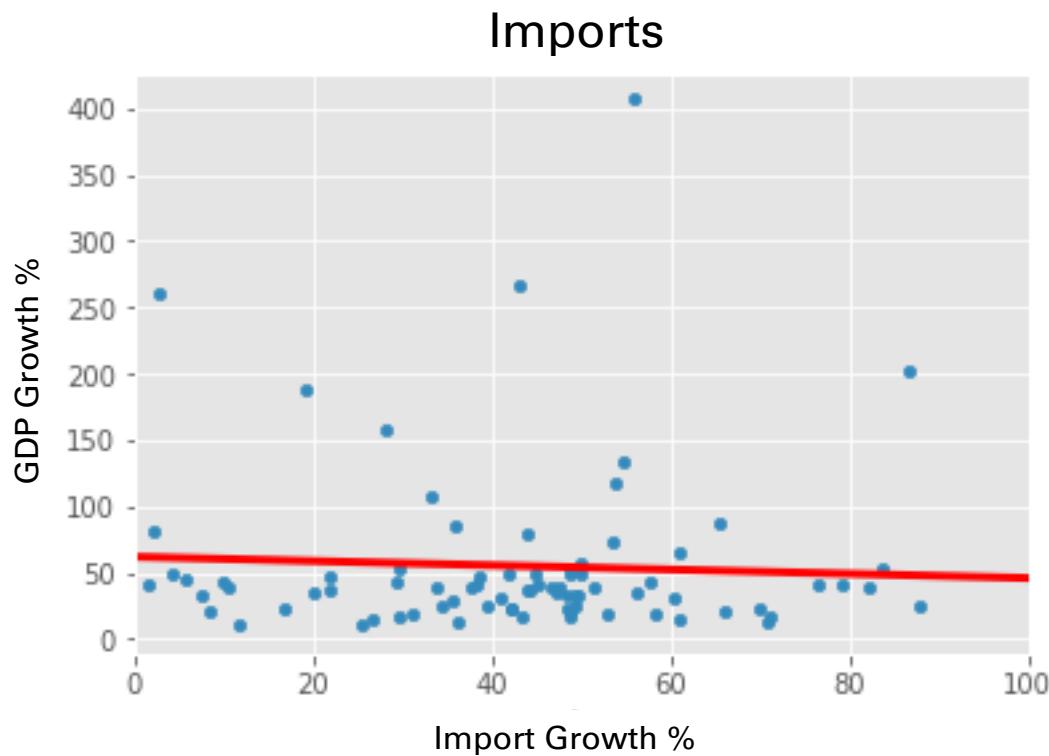
TRADE GROWTH RATES



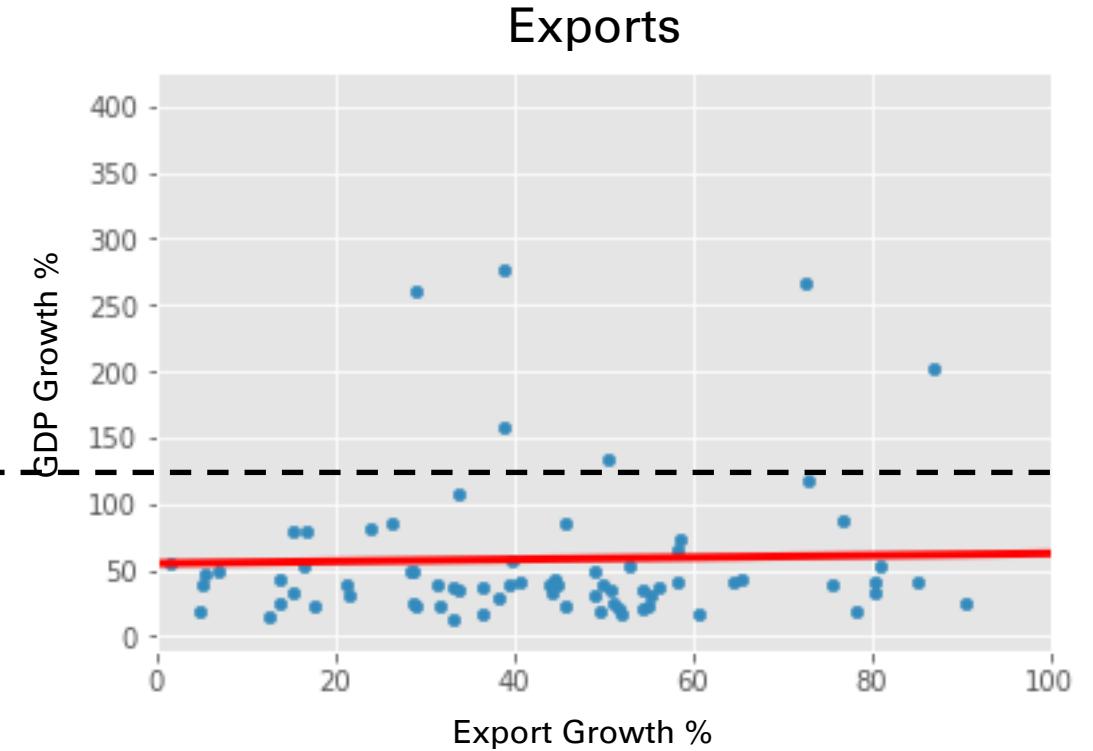
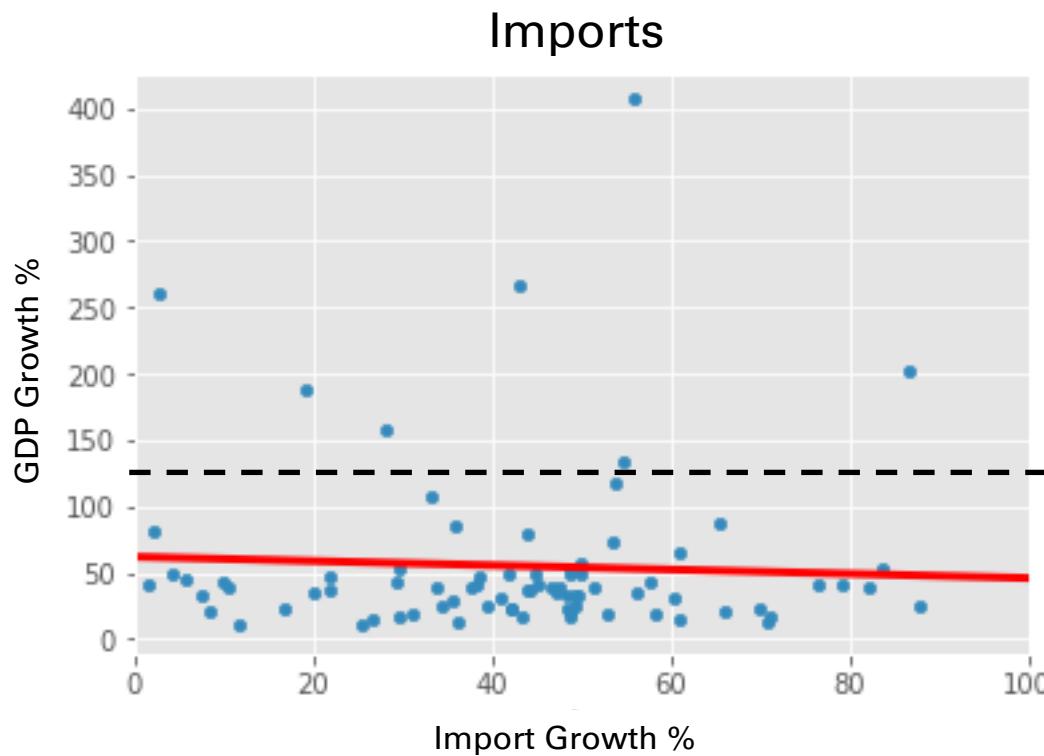
IMPORT AND EXPORT VS GDP GROWTH



OLS REGRESSION – IMPORTS/ EXPORTS

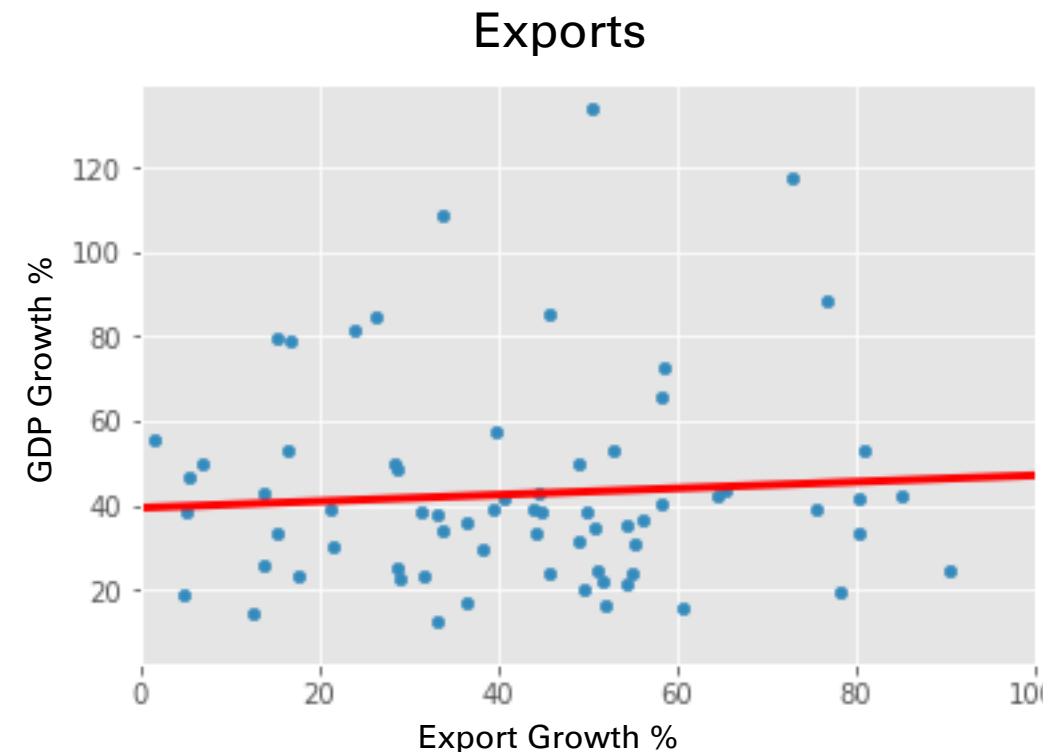
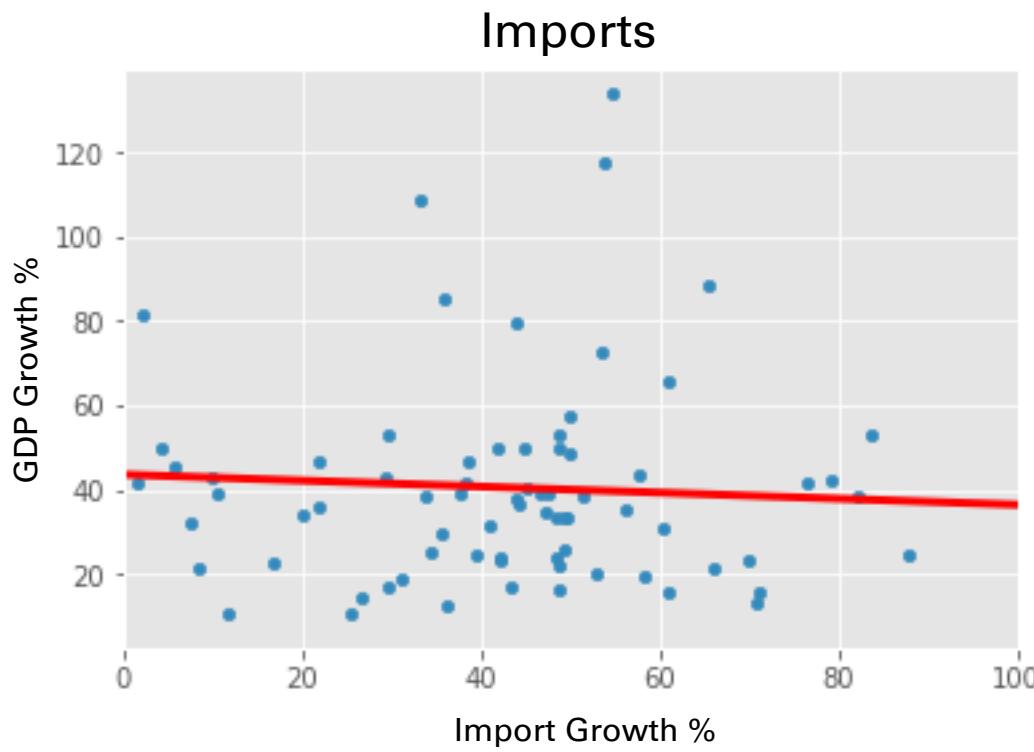


OLS REGRESSION – IMPORTS/ EXPORTS



OLS: OUTLIERS DROPPED

Dropped: Botswana, China, Indonesia, Oman, Republic of Korea, Saudi Arabia, Singapore (GDP grew 125 times 1968 total).



CONCLUSIONS

- Trade growth has not led to significant distributed GDP growth throughout the world.
- GDP growth highly concentrated in US, China, and Europe.
- Effects of trade likely not proportional to the growth in trade.
- Overall, there has been worldwide economic growth, including a large reduction in poverty.
 - This reduction is largely due to growth of China and India.⁷

FURTHER RESEARCH

- Why haven't high trading regions experience significant growth?
 - Quality of government and institutions.
 - Revenues from trade may be low.
- How will COVID affect countries with high trade as percent of GDP?
 - 99% of Vietnam's GDP is from exports.⁸
- Is protectionism on the rise again?
 - If so, will it make much of a difference?
- Intra-country costs and benefits of opening up to trade?

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QUESTIONS?
