

Global value chains and the cost of protection

Topic: Trade, global value chains and foreign direct investment: measurement issues and impact evaluation

Author: Susan F Stone

This paper outlines the development of the OECD Trade Model. It describes the base model, GLOBE, and key points of departure. The major structural change is in the modelling of trade flows. Based on OECD data, the OECD Trade Model differentiates import and export markets by commodity, source, destination and four end users: intermediates, household, government and capital. A simulation is then conducted to illustrate the insights the new modelling structure provides, especially with respect to model trade along global value chains.