5. World Trade Report 2025 - Economy

The WTO's 2025 report predicts AI will boost global trade by nearly 40% but warns of a widening digital divide and exclusion risks. It highlights a declining wage gap between high and low-skilled workers (skill premium), urging global cooperation for inclusive growth.

About the World Trade Report 2025

About the Report - The World Trade Report is an annual flagship publication of the World Trade Organization (WTO). It provides in-depth analysis and insights into global trade trends, significant policy challenges, and the overall functioning of the multilateral trading system.

Released by - World Trade Organization (WTO).

Theme for 2025 - The central theme is "Making trade and AI work together to the benefit of all," focusing on the transformative impact of Artificial Intelligence (AI) on global trade.

Key Projections and Findings

The report outlines significant economic shifts driven by the integration of AI into global commerce.

Overall Trade Growth - AI is projected to increase global trade in both goods and services by nearly 40% by the year 2040.

Global GDP Gains - The integration of AI is expected to boost global GDP by a substantial **12–13%** across various scenarios.

Growth in Digital Services - The largest growth is anticipated in **digitally deliverable services** (e.g., AI-powered software, IT-enabled services), which are projected to expand by **42%**.

Enhanced Trade Efficiency - AI is set to revolutionize trade logistics by -
1. Improving supply chain visibility and management.
2. Automating customs procedures for faster clearance.
3. Reducing language barriers in international communication.
4. Strengthening market intelligence and predictive analytics.

Impacts on Firms and Labour Markets

The adoption of AI will have distinct effects on businesses of different sizes and on the labour force.

Adoption Gap Among Firms - There is a clear disparity in AI adoption, with over 60% of large firms using AI, compared to only 41% of small firms.

Impact on Wages -

Real Wages - The report projects that real wages are expected to rise for all labour groups due to increased productivity.

Skill Premium - The "skill premium" is projected to decline by 3–4%. This is because AI is expected to substitute or automate tasks of medium- and high-skilled workers more than those of low-skilled workers.

Understanding the "Skill Premium"

The skill premium is a key economic indicator that reflects the wage gap between different skill levels in the workforce.

Definition - It is the **wage difference** between high-skilled workers (like engineers, analysts, and professionals) and low-skilled workers (engaged in manual labour or routine tasks).

Measurement - It is typically expressed as the **ratio of the wages** of high-skilled workers to those of low-skilled workers.

Economic Insight - A high skill premium indicates a strong demand for skilled labour relative to its supply. A decline in the skill premium suggests that the wage gap is narrowing. This often occurs when automation or AI reduces the demand for certain skilled tasks, even while raising overall wages across the economy.

Major Challenges and Concerns

While the outlook is positive, the WTO report raises several critical concerns.

The Digital Divide - Income inequality could widen significantly if low-income economies fail to

upgrade their digital infrastructure to leverage AI.

Market Access Issues - Barriers to trade, such as bound tariffs on AI-enabling goods, remain as high as 45% in some low-income economies, hindering technology adoption.

Risks of Exclusion - The WTO cautions that without proper policies, workers and entire economies risk being "left behind," which could fuel social and trade tensions.

Policy Recommendations by the WTO

To ensure AI's benefits are shared widely, the report proposes a proactive global approach.

Global AI Governance - The WTO calls for a coordinated effort to shape inclusive AI development through - Improved market access for AI-related goods and services. Greater transparency and dialogue on trade-related AI policies among member nations.

Promoting Inclusive Growth - It is essential to make significant investments in digital infrastructure and skills development, especially in developing countries, to prevent economic exclusion.

Implications for India - Opportunities vs. Challenges

For India, the AI revolution in trade presents both significant opportunities to leverage its strengths and substantial risks to navigate.

Opportunities for India

Strength in Digital Services - As a global leader in IT and digitally deliverable services (over $250 billion in exports in 2023–24), India is perfectly positioned to benefit from the projected 42% growth in this sector.

Improved Competitiveness - AI tools can enhance supply chain efficiency and automate customs, reducing operational costs and making Indian exports more competitive.

Innovation and Startup Ecosystem - With over 5,000 AI-focused startups, increased patenting and global collaboration could establish India as a major AI innovation hub.

SME Integration - With targeted support and investment, AI adoption can help Indian Small and Medium Enterprises (SMEs) integrate more effectively into global value chains.

Labour Upskilling - India's large and young workforce can be trained in emerging AI-related skills, allowing the country to tap into growing global demand and create a future-ready talent pool.

Risks and Challenges for India

The Digital Divide - A significant rural-urban disparity in digital infrastructure could limit inclusive benefits, and Indian SMEs currently lag in AI adoption.

Labour Market Disruption - AI could displace jobs in the medium- and high-skilled IT, BPO, and financial services sectors, which are critical for India's employment.

Trade and Market Barriers - High tariffs on AI-enabling goods in other economies could restrict market access for Indian tech companies and service providers.

Global Governance Risks - If the WTO's AI governance framework is predominantly shaped by developed nations, India may face restrictive norms that hinder its growth.

Decline in Skill Premium - A narrowing wage advantage for skilled labour could negatively impact India's large white-collar job market and reduce the appeal of certain professional careers.

Source - https - //economictimes.indiatimes.com/epaper/delhicapital/2025/sep/18/et-comp/ai-can-boost-global-trade-by-nearly-37-by-2040-wto/articleshow/123956190.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst