

Trade and International Integration: A Developing Program of Research

World Bank Development Economics
Research Group

Geneva, June 2013

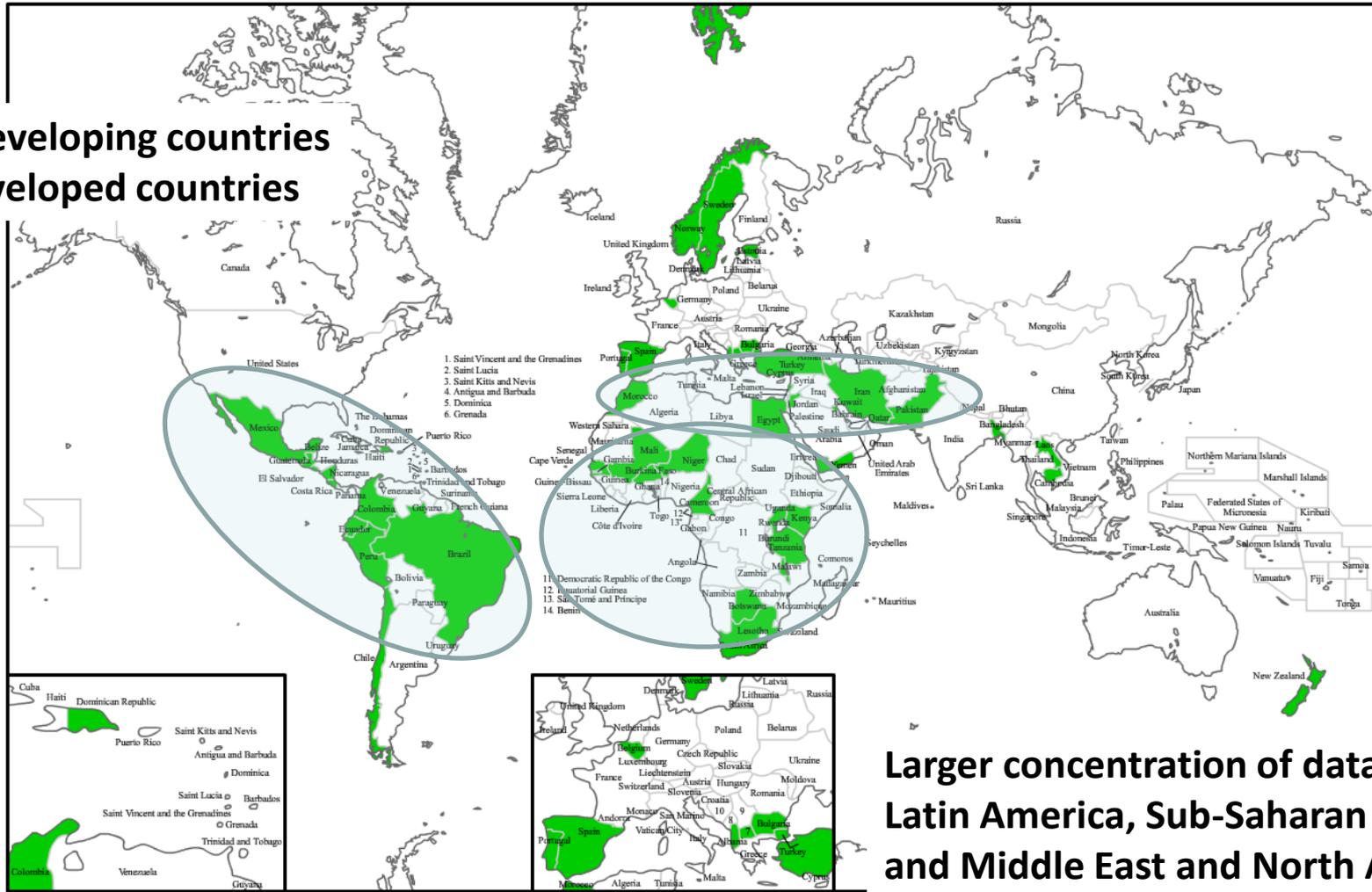
Three areas of focus

- I. Implications of the changing patterns of international integration for development
- II. Designing policy in a changing world
- III. Identifying priorities and strategies for international cooperation

Countries don't export, firms do!

The Exporter Dynamics Database covers 45 countries (expansion is underway)

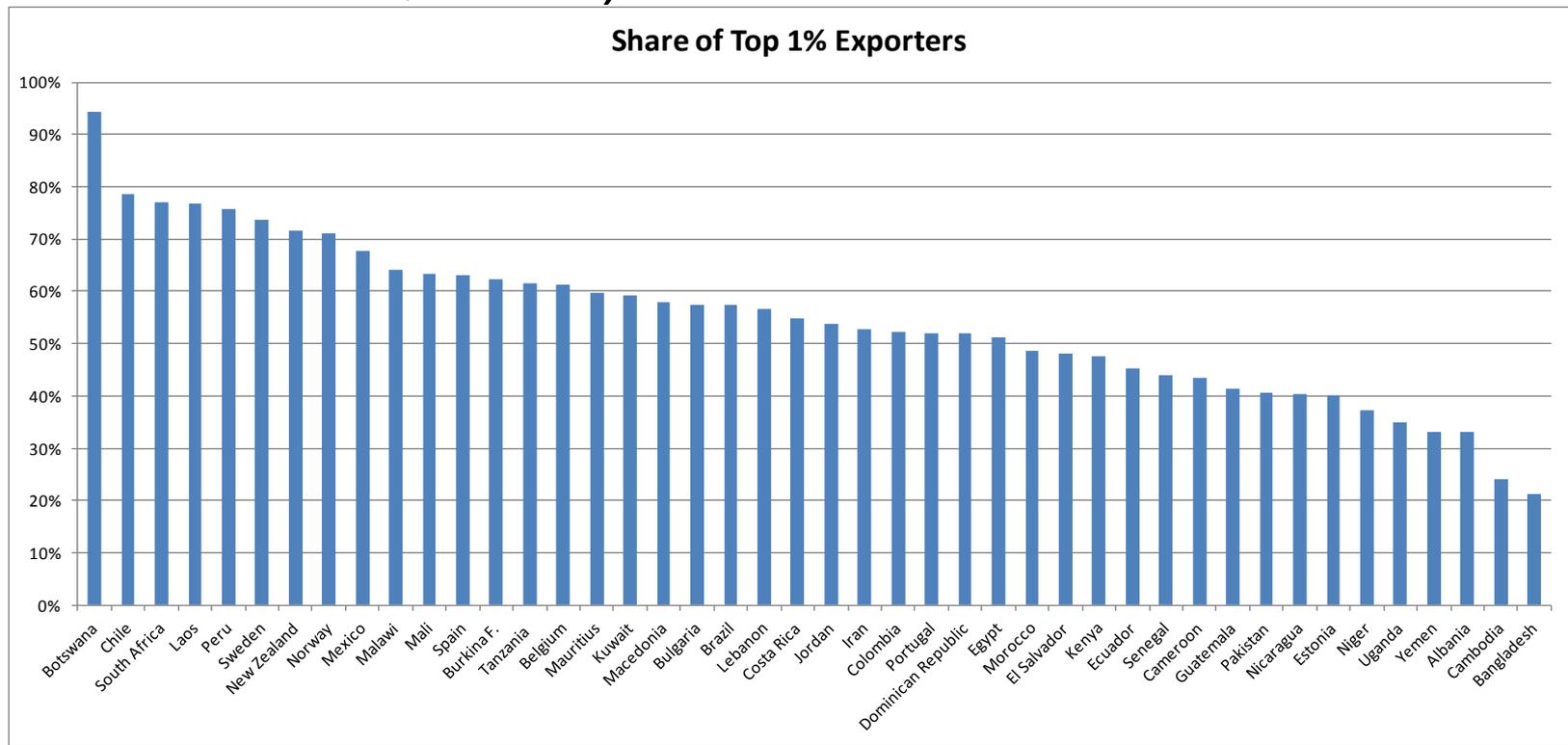
37 Developing countries
8 Developed countries



Larger concentration of data in Latin America, Sub-Saharan Africa and Middle East and North Africa

Remarkable concentration of exports

- Exports are concentrated among a very small number of large firms - the top 1 percent (Freund and Pierola, 2012)

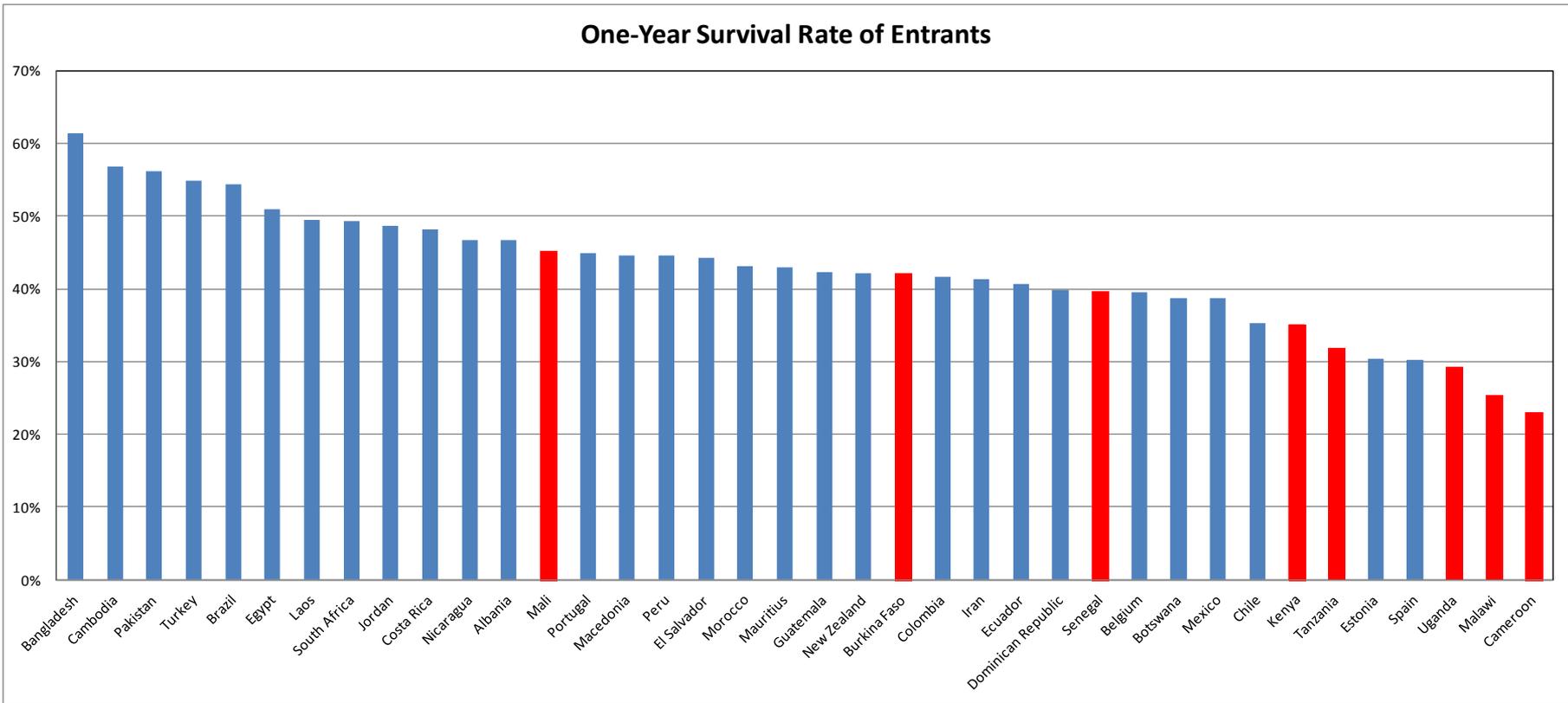


Note: Average for 2006-2008 period

- Should export promotion target SMEs?

Many firms enter but few survive

One-Year Survival Rate of Entrants



If there is a case for support, should we assist entry or survival?

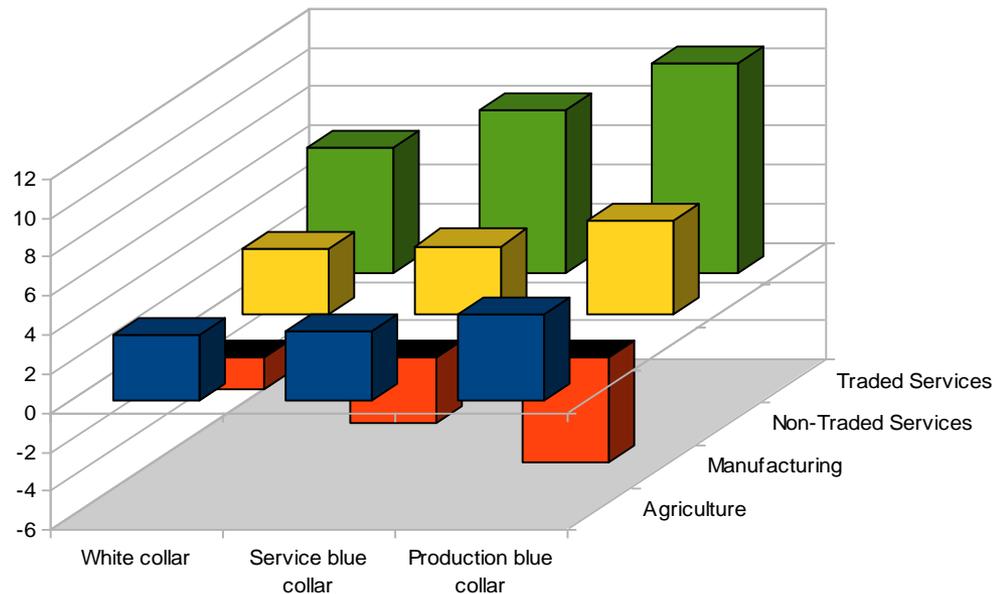
Note: Average for 2006-2008 period

Countries don't suffer, people do!

Hence: a focus on the impact of trade and trade reform on the individual

Counterfactual simulation of wage changes with trade liberalization

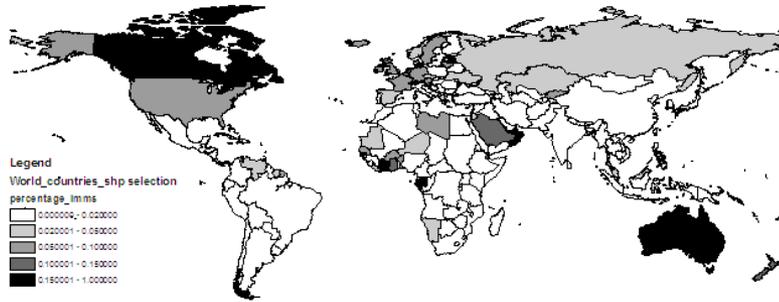
- Sectoral and occupational mobility of workers need to be estimated to forecast distributional effects of trade liberalization.
- Labor surveys of developing countries can be used to estimate these effects.
- Household surveys covering 28 countries and 12 million people used to estimate impacts of changes in food trade policies and food prices



Source: Artuc and McLaren (in progress).

Geographical distribution of migration intensity and positive selection in 2000

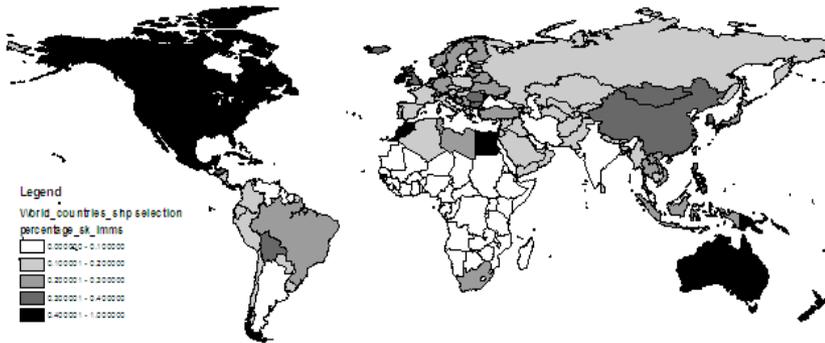
2a. Immigration stock as percentage of the population



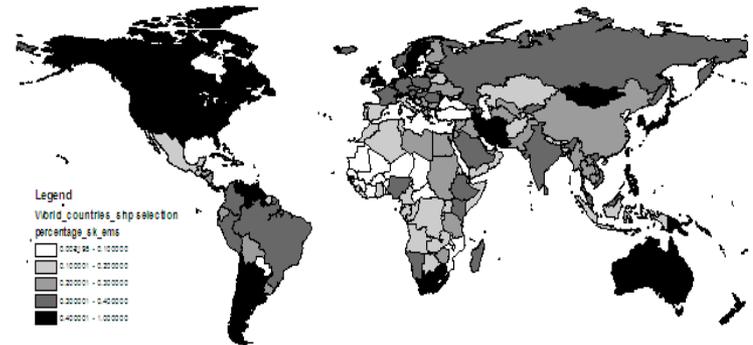
2b. Emigration stock as percentage of the population



2c. High-skilled immigration as percentage of total immigration



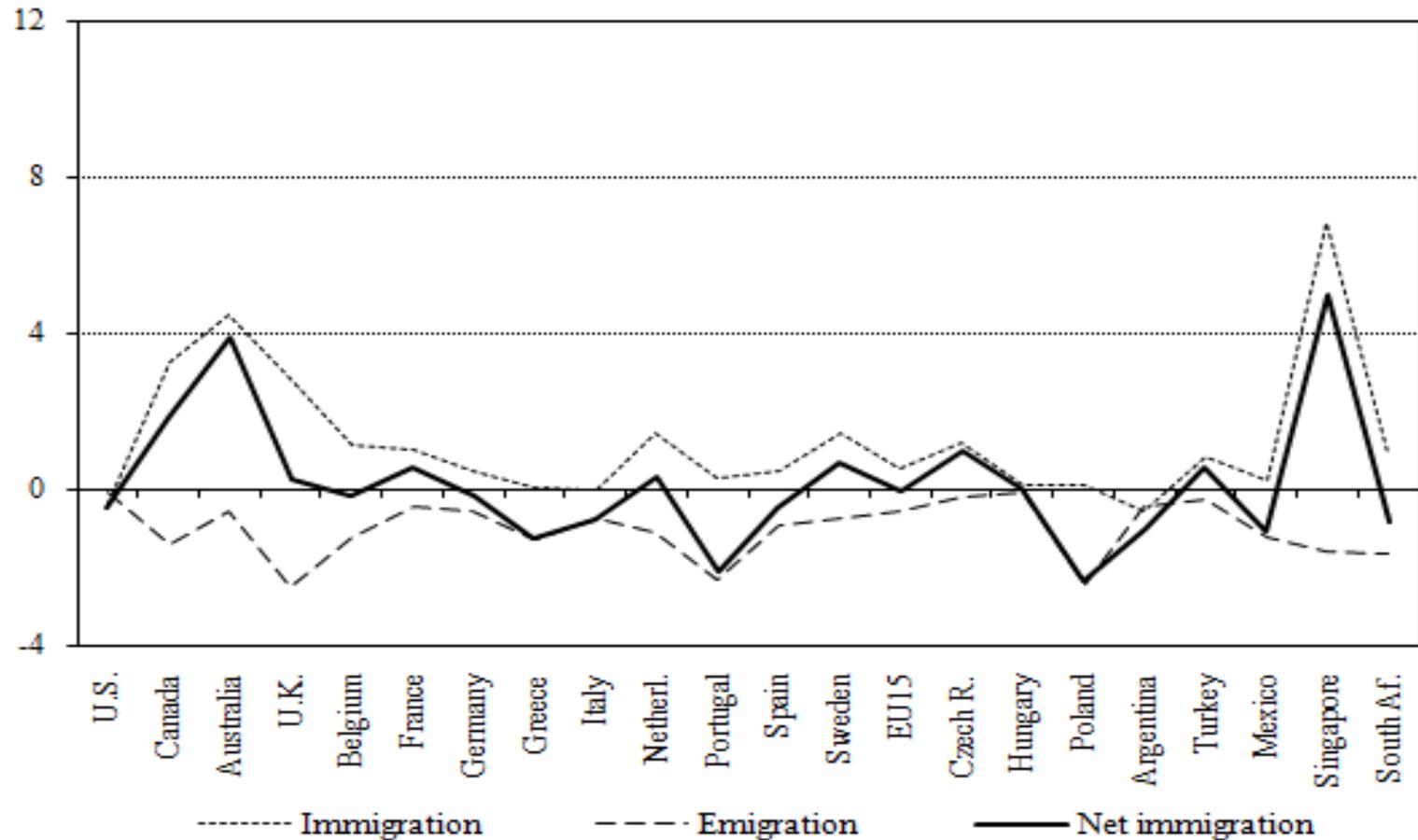
2d. High-skilled emigration as percentage of total emigration



Source: Docquier, Marfouk, Ozden, Parsons (2011)

Results

Impact on wages of less educated non-movers



Trade in Value Added

Developing New Measures of Cross-Border Trade



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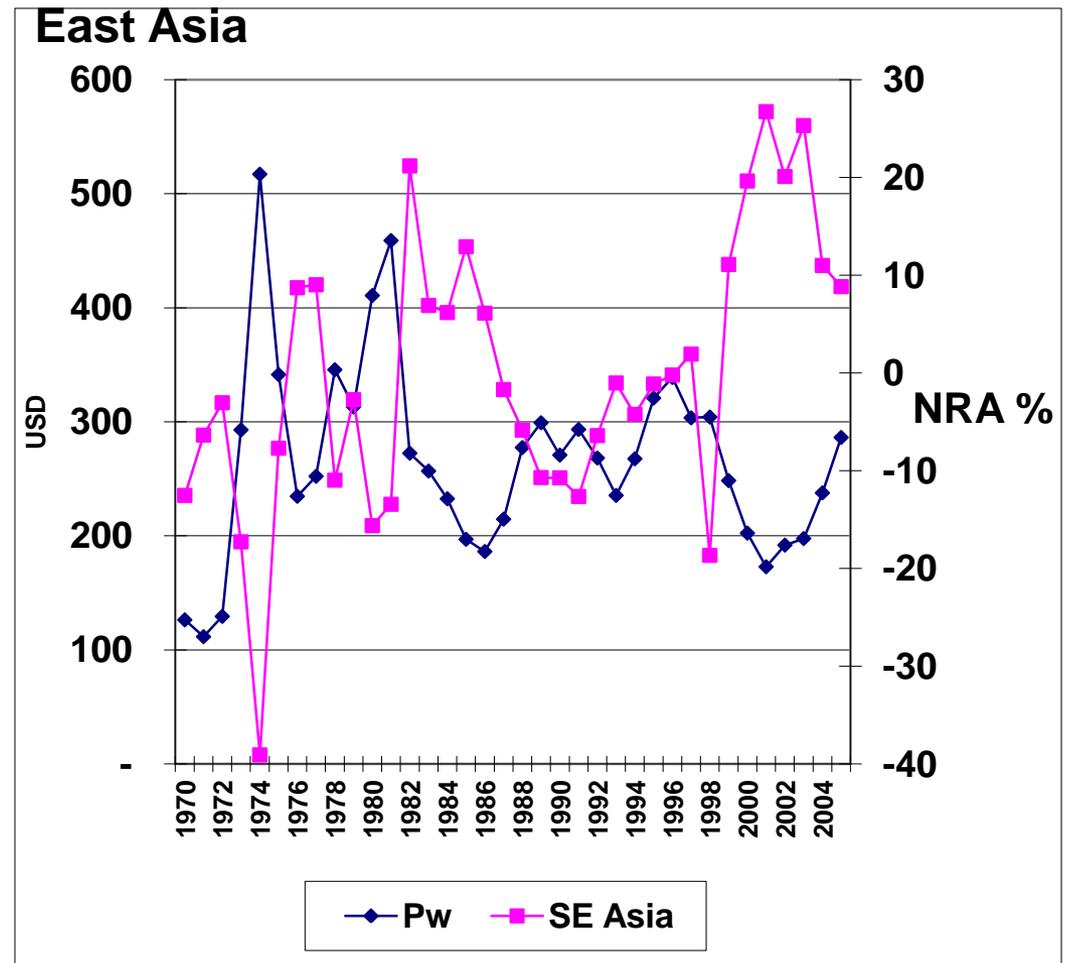
edited by
Aaditya Mattoo, Zhi Wang and Shang-Jin Wei

II. Designing policy in a changing world

Price insulating-protection is still pervasive in agriculture

World rice prices and protection in South

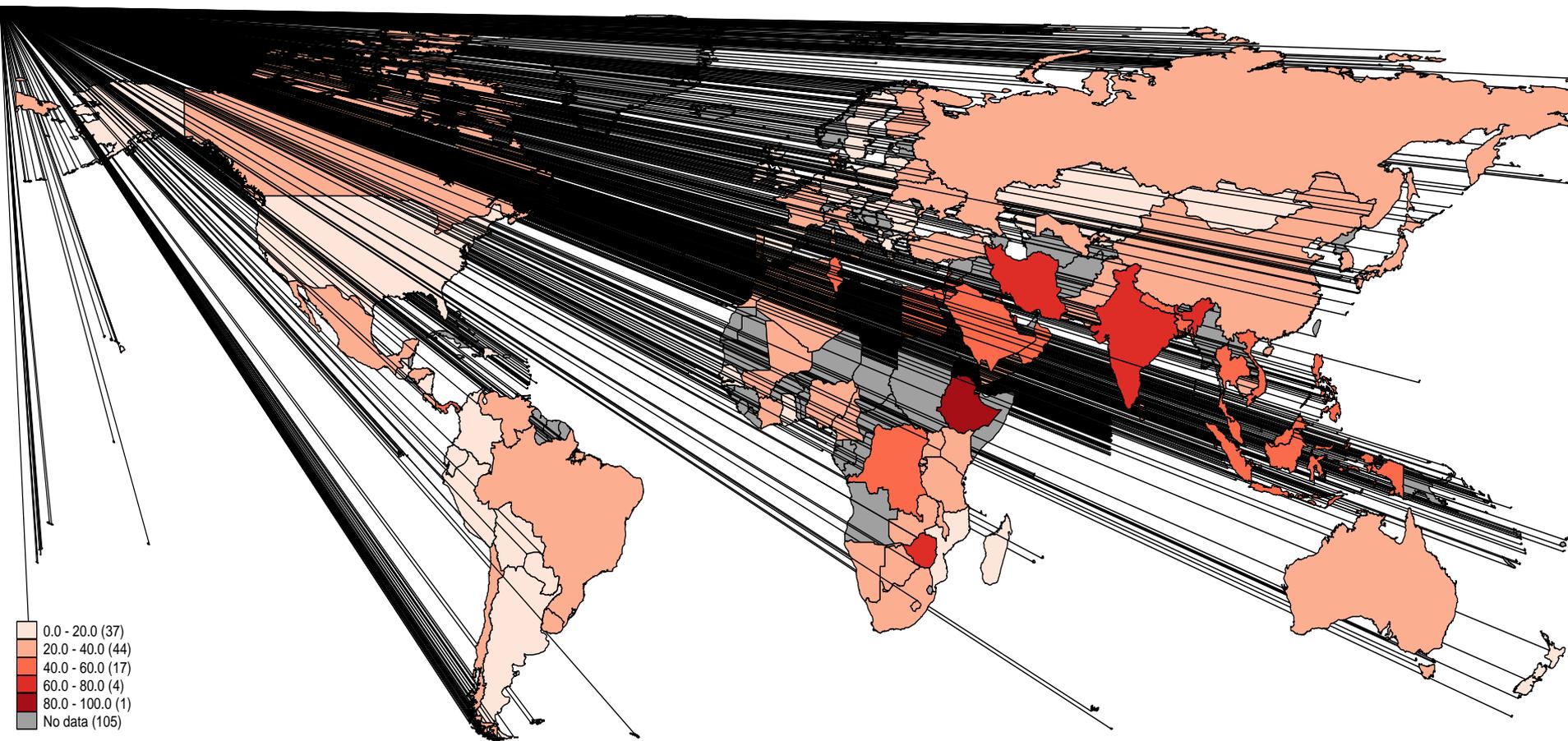
- Individual countries try to insulate themselves from changes in world prices of staple foods
- Individually rational, but creates a serious collective action problem
- 45 percent of the 2008 surge in rice prices was due to export restrictions & import tariff reductions
- Poor people vulnerable to high food prices: 100 million people thrown into poverty in 2005-8



Source: Martin and Anderson (2010)

A new Services Trade Restrictions Database

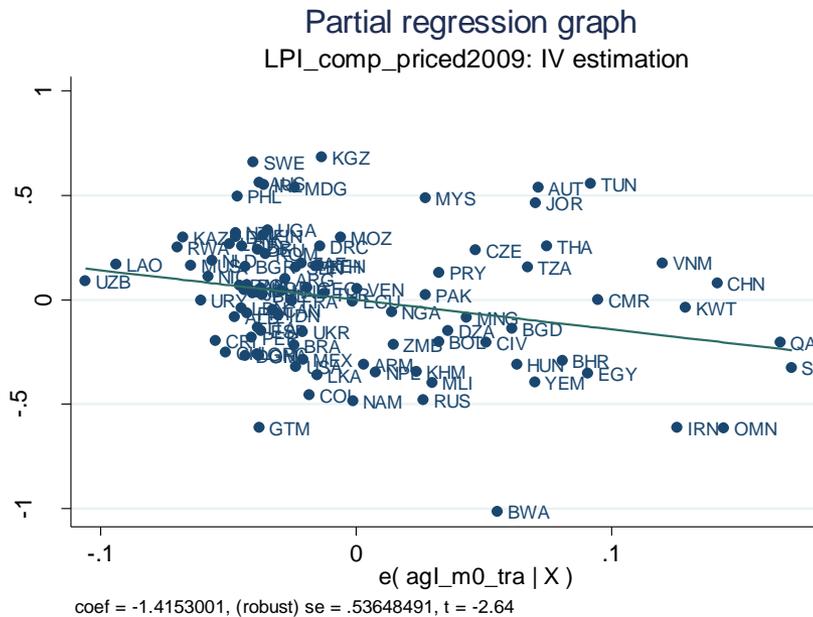
103 countries (of which 79 developing)



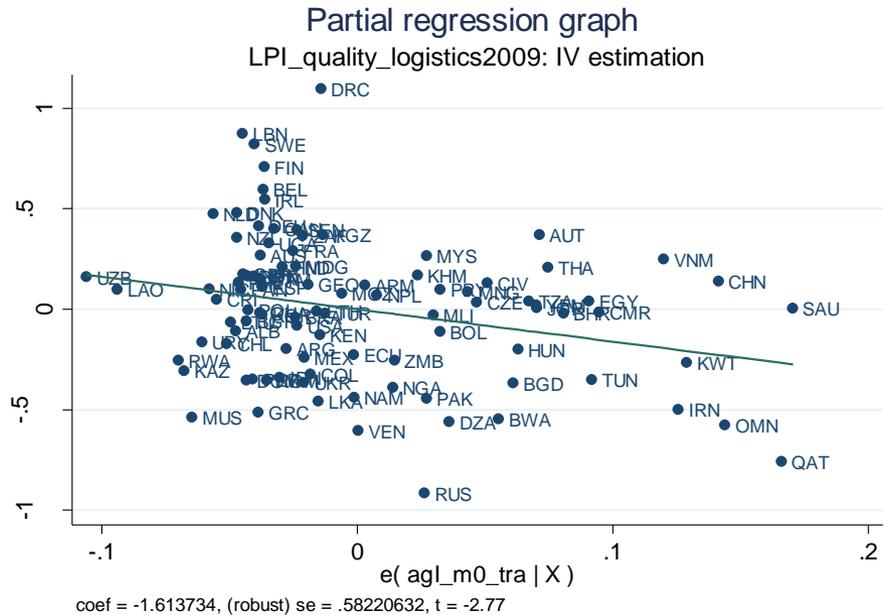
Services reform as trade facilitation

More restrictive transport policies are associated with more expensive and poorer quality logistics services

Availability of competitively priced logistics services



Quality of logistics services

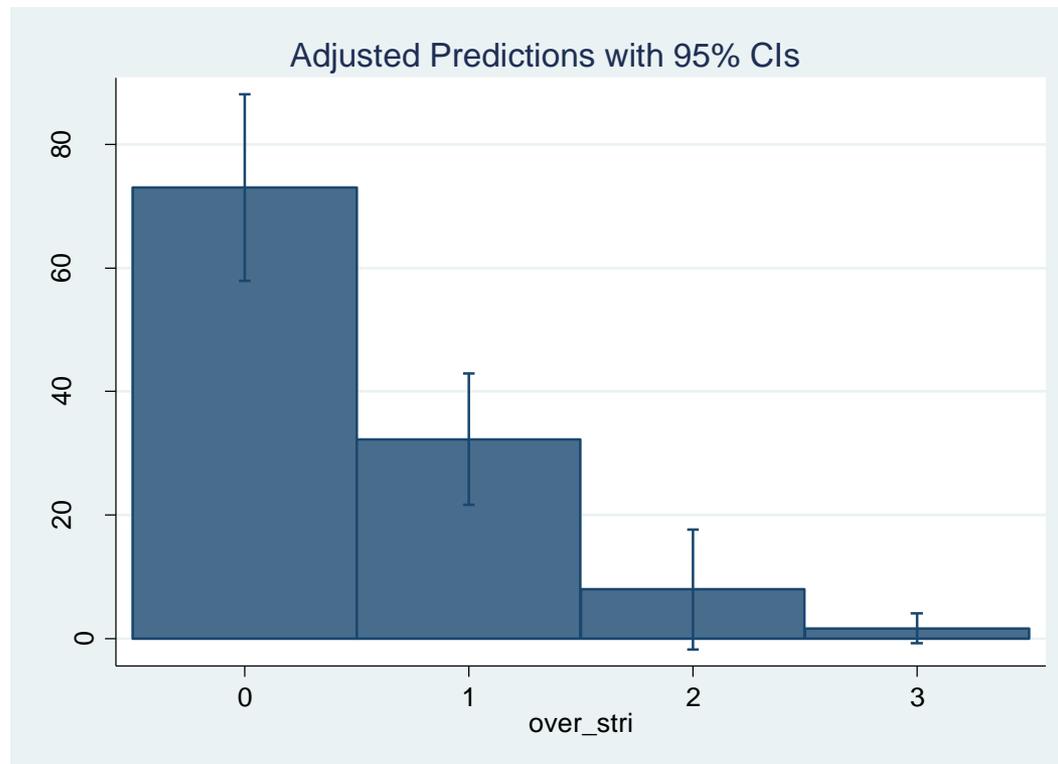


Source: Borchert, Gootiiz, Grover and Mattoo (2010)

New work would find better indicators of performance and more rigorous links between policy and performance

Services reform as investment promotion

More open countries attracted more foreign investment for 2003-2009



Foreign direct investment (M&A) received in 2003-09; predicted values at group-specific means of covariates. Pooled Poisson estimation (93 countries, 8 sectors) with country and sector fixed effects.

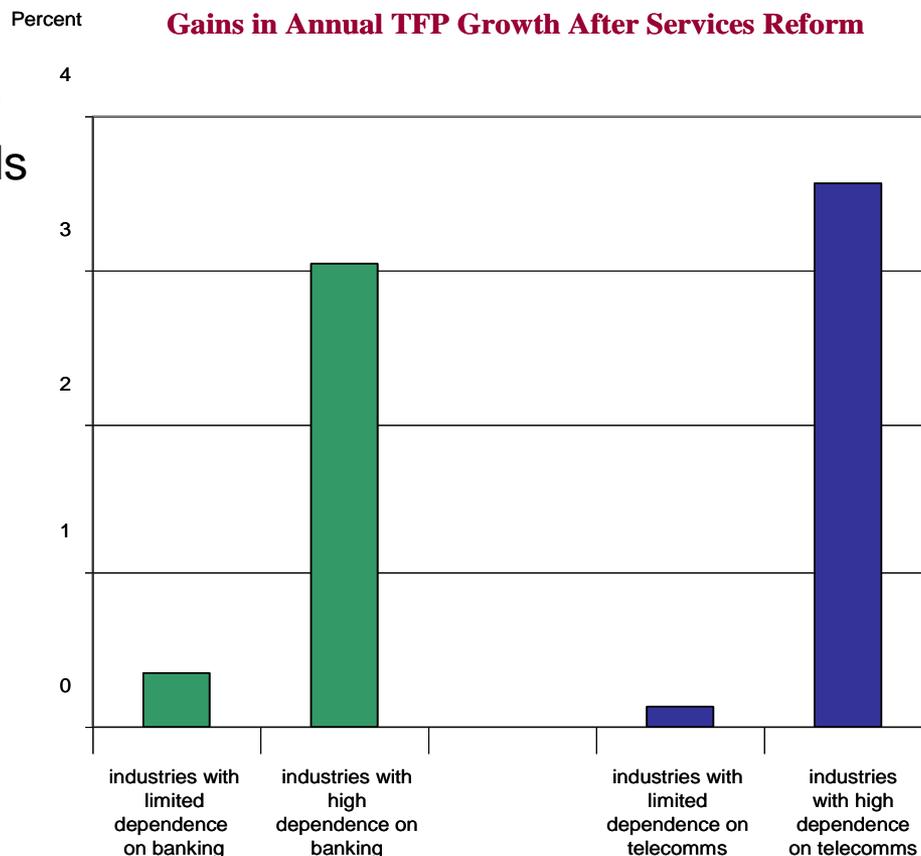
Services reform as industrial policy

India's services reform has boosted not only productivity and exports in services, but also the performance of downstream manufacturing industries

New study based on panel data for 4,000 Indian firms for the 1990-2005 period finds that

banking, telecommunications and **transport** reforms all have significant positive effects on the productivity of manufacturing firms

New work would help policy-makers understand the implications of alternative sequencing of reforms in goods and services.

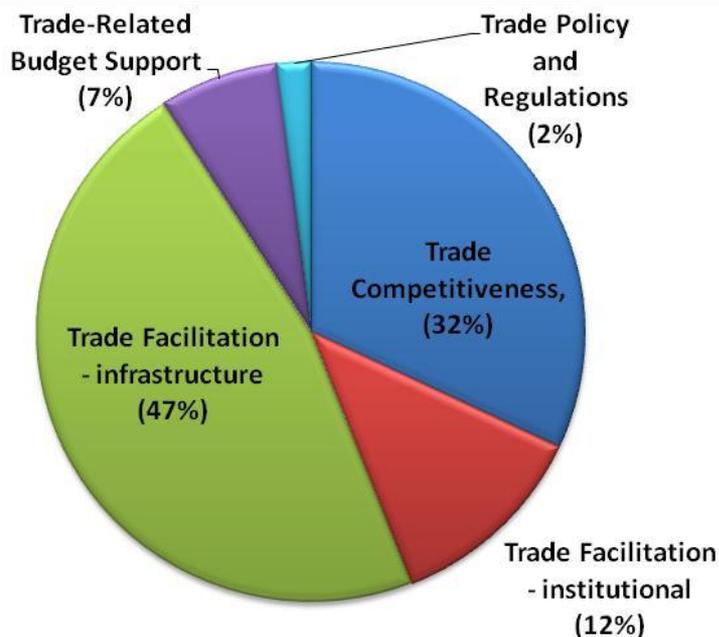


Source: Arnold, Javorcik, Lipscomb and Mattoo (2010).

Emphasis of trade policy and World Bank assistance to trade is changing

- **Trade Competitiveness:** pro-active industrial policies for productive capacity building and export promotion
To equip agricultural, manufacturing, and services producers to export
- **Trade Facilitation and Logistics:** customs reforms and infrastructure improvements
To reduce trade transactions costs and delays

World Bank Group Trade Portfolio (WB/IFC commitments FY2008)



A widely-felt need for more credible evaluation methodologies

What can we learn from past evaluations of World Bank trade-related projects?

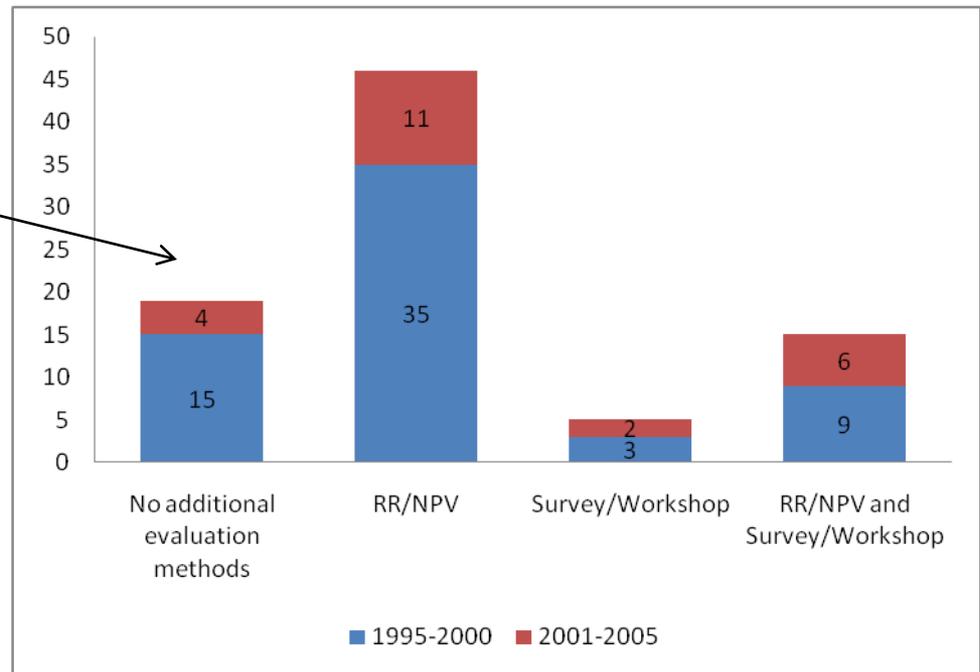
Of the 85 World Bank trade-related projects initiated between 1995 and 2005, only 3/4 were evaluated; most by non-rigorous methods; and less than 5 had a meaningful impact evaluation involving a control group

Subjective

“While the impact on the firms assisted had not yet been determined, a visit to two beneficiaries by a supervision mission confirmed that there had been an impressive impact on the firms' quality of products and skills.”

Simple before-after comparison

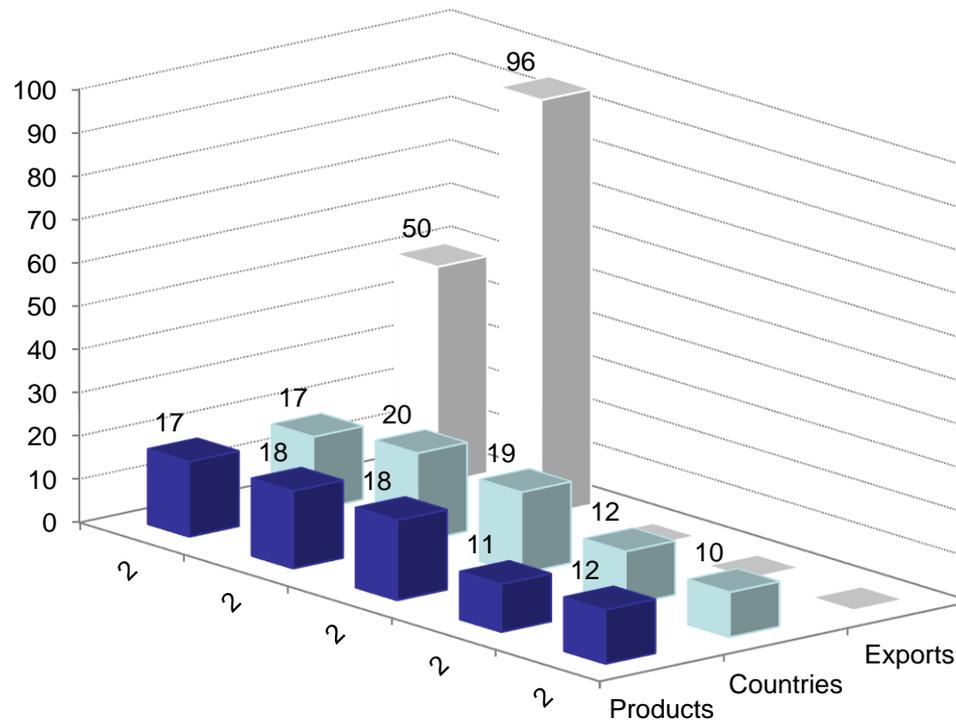
“The achievement of the overall goal of the project was measured in terms of increases in exports' share of GDP and greater diversification, compared with the initial year of the project.”



COLLABORATIVE IMPACT EVALUATION: CAN EXPORT PROMOTION ASSISTANCE LEAD TO OVER-DIVERSIFICATION?

- Preliminary results suggest that Tunisian firms receiving FAMEX assistance are encouraged to introduce new products and sell to new markets with a consequent short-run boost to exports
- But the boost to exports may not be sustainable

The consequences of export assistance provided under FAMEX 2005



Source: Gourdon, Cadot, Fernandes and Mattoo (2010)

Where to Spend the Next Million?

Applying Impact Evaluation to Trade Assistance

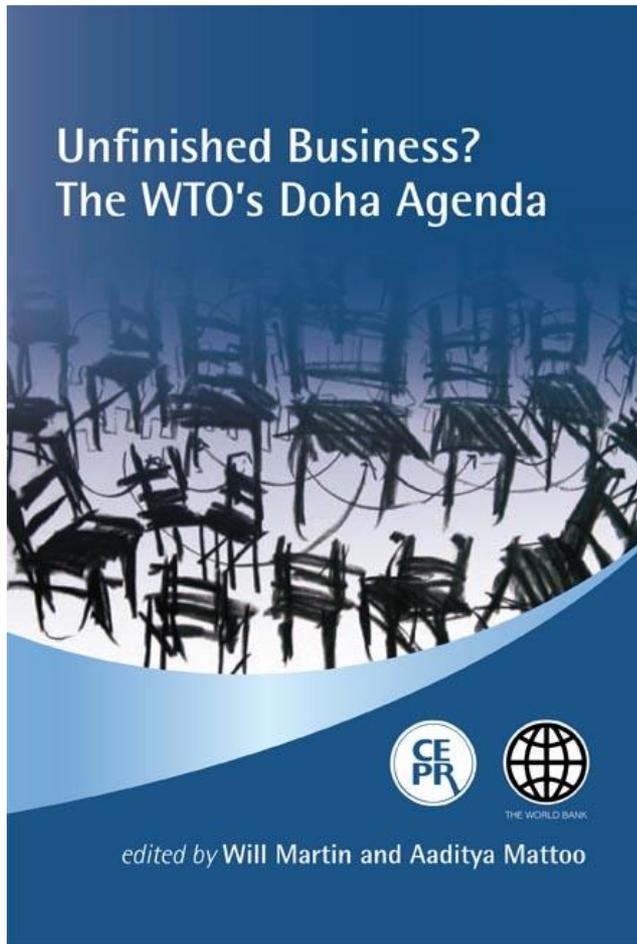


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edited by Olivier Cadot, Ana M. Fernandes,
Julien Gourdon and Aaditya Mattoo

III. Identifying priorities for international cooperation

Evaluating Doha



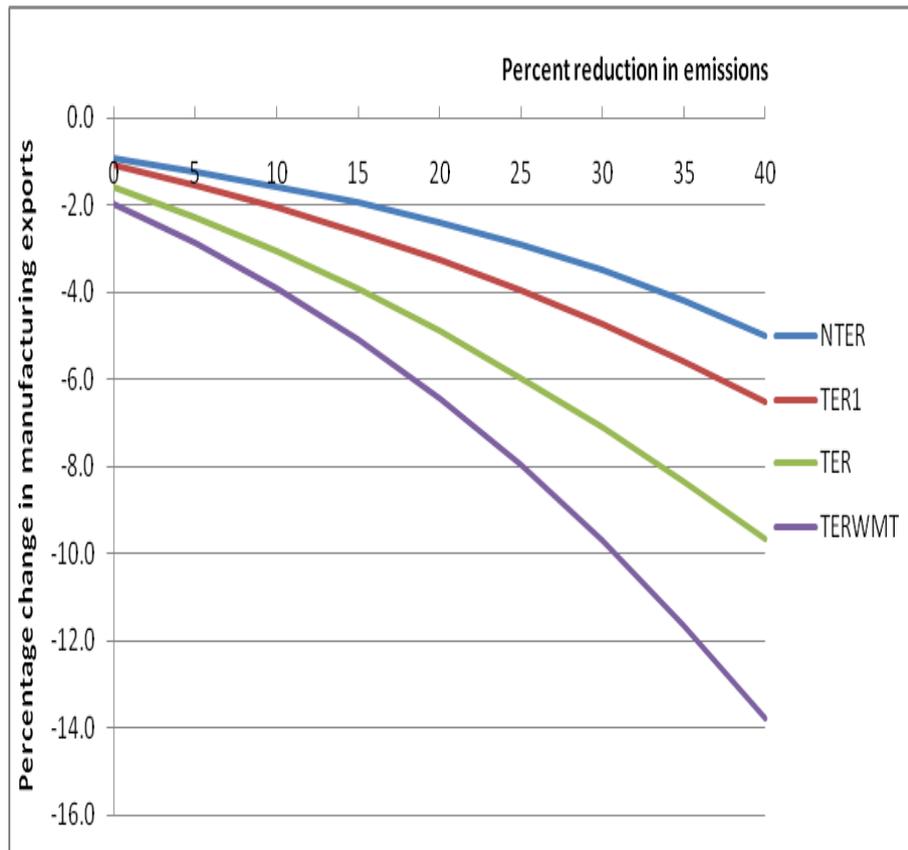
- What would be lost if Doha is dumped?
- What can be gained by deconstructing Doha?
- What lies beyond Doha?

Multilateral Cooperation in a Changing World Economy

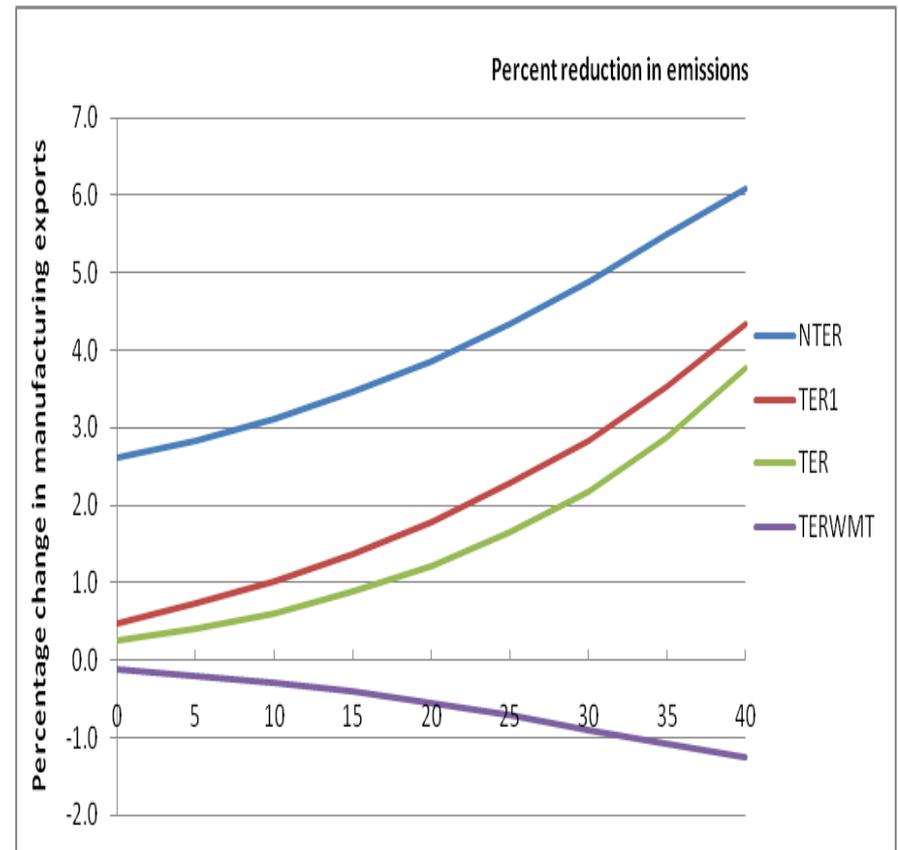
- Security a growing concern
 - Agriculture and food security
 - Oil and energy security
 - Globalization/exchange rates and worker security
 - Financial globalization and financial security
 - Climate change and environmental security
- Multilateral cooperation will be preferable in many cases to unilateral actions but how is it best designed?

Impact of Emissions Reductions, Emissions Trading and Transfers

on **India's** Manufacturing Exports



on **SSA's** Manufacturing Exports



% change, relative to BAU in 2020_

Emissions reductions by high income countries are fixed at 30 percent below 2005 levels.

Generating a Technological Revolution: Can trade policy play a role?

How does the Rest facilitate?

What does the

**Carbon
price-related
actions**

Progressively eliminate consumer
subsidies

Commit to commit: “For every one dollar
increase in carbon price at T, we will raise
carbon price by \$X by T+Y”

**Trade-related
actions**

Allow limited border tax adjustments

Eliminate constraints on green subsidies

**Technology-
Related
Actions**

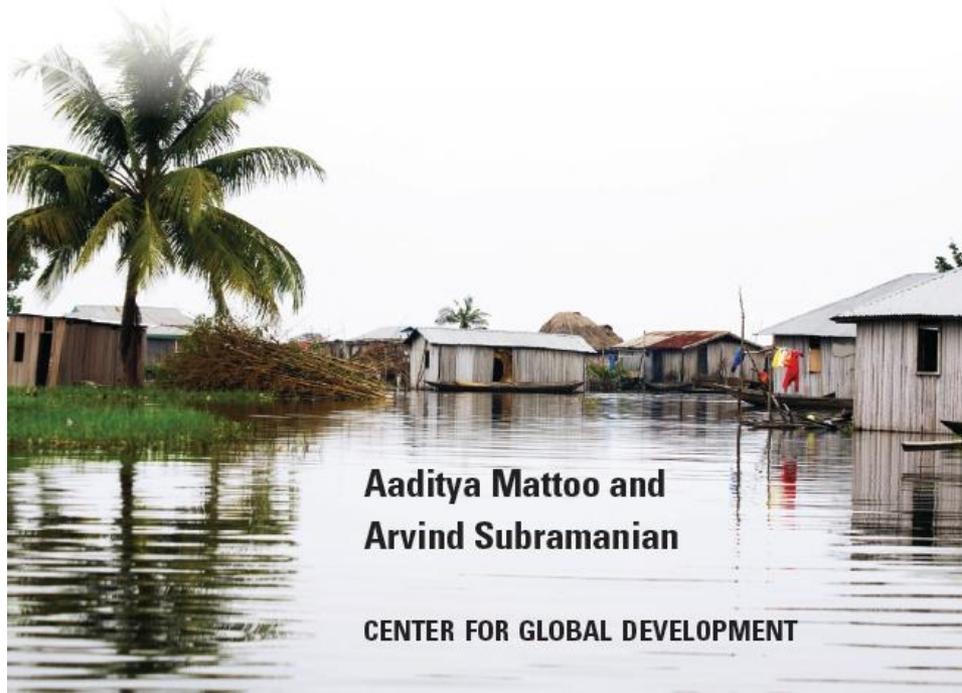
Contribute to global technology fund

Raise protection of IPRs related to green
energy and technology



GREENPRINT

A New Approach to Cooperation on Climate Change



**Aaditya Mattoo and
Arvind Subramanian**

CENTER FOR GLOBAL DEVELOPMENT