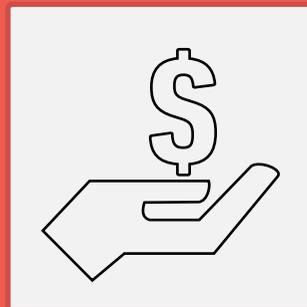
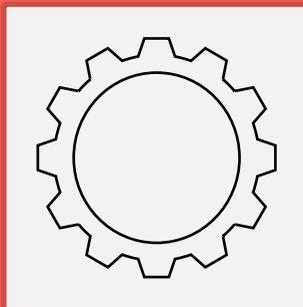
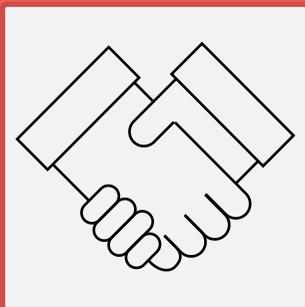


# EVIDENCE-INSIGHTS-POLICY

## THE MICRO-FOUNDATIONS OF TRADE, PRODUCTIVITY AND POVERTY



### WHAT ARE THE KEY DETERMINANTS OF EXPORT PARTICIPATION, EXPANSION AND SURVIVAL OF FIRMS IN DEVELOPING COUNTRIES?

Data provided by the Exporter Dynamics Database demonstrates there is no panacea that leads to export success in developing nations, but rather an environment that encourages not just small and medium sized firms but also large ones.

Research suggests that developing countries export less because the top range of firm sizes is truncated. Exporter entry and exit rates are higher and survivability is lower. For example, longer-term export growth in MENA countries is accounted for by continuing exporters rather than by

new entrants. In other countries incumbents were a drag on export growth while new products and destinations improved the national economy during the global recession. However, the survivability of these firms was dependent upon the variety of products and revenue produced by these firms. Single-product innovators had a greater risk of exiting.

### WHAT ARE THE OPPORTUNITIES AND CHALLENGES FOR DEVELOPING COUNTRIES CREATED BY THE GLOBAL FRAGMENTATION OF PRODUCTION AND THE EMERGENCE OF GLOBAL SUPPLY CHAINS IN GOODS AND SERVICES?

The emergence of global value chains is creating new trade opportunities but also the challenge of meaningful



CHINA'S EXPORTS ROSE FROM  
**65% TO 70%**  
BETWEEN 2000 AND 2007

participation. New, widely-applicable methodologies have been developed to measure domestic value added in exports using firm level customs transaction data. Research reveals that the domestic content of China's exports rose from 65% to 70% between 2000 and 2007, in part due to the country's investment liberalization, which has led to a greater variety of domestic materials becoming available at lower prices. Trade liberalization too can boost export performance: Access to higher-quality imported inputs led firms in Portugal to raise the average quality of their goods and export to richer countries.

### HOW DOES GLOBALIZATION AFFECT WORKERS, AND HENCE POVERTY AND SHARED PROSPERITY?

Adjustment costs in the labor market influence how globalization affects poverty and shared prosperity. A key

An operational research project on South Asia shows that an increase in demand for exports contributed to real wage surges between 2000 and 2007, but the effects across regions were heterogeneous due to low labor mobility and segmented labor markets.

element is how easily workers can move from areas exposed to greater competition to those with greater opportunities. An operational research project on South Asia shows that an increase in demand for exports contributed to real wage surges between 2000 and 2007, but the effects across regions were heterogeneous due to low labor mobility and segmented labor markets.



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