DEVELOPMENT RESEARCH
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TRADE RESEARCH* NEWSLETTER

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DISSEMINATION EVENTS

Moving for Prosperity: Global Migration and Labor Markets

Even though only 3.5 percent of the world's population lives in a country in which they were not born, there is a perception of crisis, and migration occupies a prominent place on the agenda of policymakers, academics, and multilateral development institutions like the World Bank.

In this talk on Oct ober 19, 2017, Caglar highlighted the main messages of the forthcoming Policy Research Report (PRR) on Global Migration and Labor Markets. The main objective of the PRR is to contribute to our knowledge on the main patterns and economic impacts of labor mobility across the world. It presents the key facts and results on economic migration and refugees and their impact on labor markets in both origin and destination countries. The report seeks to inform and stimulate debate, support further research and policy interventions, and identify the knowledge and data gaps in this area.

6th IMF-World Bank-WTO Joint Trade Research Workshop

The conference was held on November 29, 2017 and brought together researchers from the World Bank, the IMF and the WTO along with more than 60 other participants. The presenters addressed topical questions such as firms in international trade, trade and inclusive growth, global value chains, the impact of trade with China, and challenges facing the world trade system.

This year's workshop was co-organized by Hui Tong (IMF), Ana M. Fernandes and Alejandro F. Rojas (World Bank), and Cosimo Beverelli (WTO). The papers and presentations as well as video recordings for the conference sessions are available at the conference webpage.

Didn't make it to our trade research conference? Here's what you missed, with Ana Fernandes, Let's Talk Development, 6 December 2017.

Evolution of Deep Trade Agreements

As trade and trade agreements come under increasing scrutiny, policy makers and other stakeholders need better information on the content of trade agreements and the implications of signing or undoing them. This workshop brings together experts in different fields to

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present information on and analysis of the disciplines typically included in modern trade agreements.

The workshop "Evolution of Deep Trade Agreements" was held on February 1, 2017 with participants from World Bank, IMF, WTO, OECD, ITC, IDB, Peterson Institute, OECD and academia.

The workshop was co-organized by Nadja Rocha, Michele Ruta and Aaditya Mattoo (World Bank).

Operational Support Highlights

Impact of complex software on firms in Chile The project looks at the patterns of changing demand for occupations and changing firm-level task indexes following the adoption of complex software for firms across all sectors of the Chilean. The adoption of complex software is shown to be inclusive, as adopting firms expand significantly their employment of administrative and unskilled production workers.

China's Trade Dynamics and Implications for Belt and Road Economies for the Government of China and the Trade and Competitiveness Global Practice: The Belt and Road initiative is an ambitious effort to deepen China's regional economic integration and connectivity on a trans-continental scale. The study examines the exposure of Belt and Road economies to competition and demand shocks associated with China's trade, and discusses policy options to deal with the adjustment costs imposed by these shocks.

Migration and connectivity in Europe and Central Asia for the ECA chief economist office: Both emigration and immigration rates in many ECA countries continue to be higher than the global average, but most of this has been due to intraregional flows driven by EU integration and not the recent refugee crisis. This report shows that some ECA countries have failed to reap the potential gains from migration, and as work and migration patterns are changing, countries need to evolve in response.

Non-tariff barriers to trade (NTM) database for multiple clients: Working jointly with UNCTAD, we collected new non-tariff measure data for a wide range of countries, including the US, EU, Canada, Australia, and China. We estimated the ad valorem equivalent of these NTMs at HS 6-digit product level by importer and exporter. Preliminary findings of the project have been presented at the 11th Ministerial Meeting of WTO at Argentina in Dec 2017. The dataset is now available on WITS and i-tip.unctad.org.

Localized Effects of Exports on Earnings and Employment in South Asia for SAR chief economist office**:** In a joint project of SARCE, DECTI and ILO, researchers examined the localized effects of long-run export growth in South Asia. Due to large adjustment costs, there are significant and persistent differences in wages across industries, regions, and worker types. The results suggest that the gains from exports to date have been modest, and that men gain more than women, more educated workers gain more than less educated workers, and older workers gain more than younger workers.

Sustaining Growth by Building on Emerging Export Opportunities for Macroeconomics and Fiscal Management Global Practice. The revised National Export Strategy aspires to grow exports more than 20 percent annually. In the light of export-led growth goal, the 10th edition of the Rwanda Economic Update focused on an in-depth analysis export sector performance as a special topic.

Research Highlights

Internal Borders and Migration in India

Using detailed district-to-district migration data from the 2001 Census of India, Zovanga Kone, Maggie Liu, **Aaditya Mattoo**, **Caglar Ozden**, and Siddharth Sharma highlight the role of state borders as

significant impediments to internal mobility. The analysis finds that average migration between neighboring districts in the same state is at least 50 percent larger than neighboring districts on different sides of a state border, even after accounting for linguistic differences. Although the impact of state borders differs by education, age, and reason for migration, it is always large and significant. The authors suggest that inter-state mobility is inhibited by state-level entitlement schemes, ranging from access to subsidized goods through the public distribution system.

Short-Term Impact of Brexit on the UK's Exports

The short-term impact of Brexit on goods exports is assessed using the Overall Trade Restrictiveness Index of the United Kingdom's major trading partners. **Hiau Looi Kee** and Alessandro Nicita show that in the short run, leaving the European Union may cause the United Kingdom's exports to the European Union to decrease by 2 percent, and the prospect of a major trade collapse post-Brexit is unlikely. This is because the European Union's Most Favored Nation (MFN) tariffs are higher on products that are less responsive to tariffs, and lower on products that are more responsive to tariffs.

The Economics of Hosting Refugees

Jennifer Alix-Garcia, **Erhan Artuc** and Harun Onder analyze the economic impact of refugee camps in the Kakuma-Turkana region of Kenya operated by United Nations High Commission for Refugess (UNHCR). They find that the host community of the Kakuma refugee camp benefits from the refugees' presence. There are, however, both winners and losers. Those to whom refugees present direct competition in the labor market are likely to incur losses. The owners of fixed factors of production like land and to a certain extent capital will incur gains. Thus, in the absence of policies that redistribute income from the latter group to the former, some groups will remain unsatisfied.

The Internet and Chinese Exports in the Pre-Alibaba Era

Ana Fernandes, **Aaditya Mattoo**, Huy Nguyen, and Marc Schiffbauer use the dramatic expansion of access to the Internet in China to analyze the impact of the Internet on firm performance. The paper combines firm-level production data with province-level information on Internet penetration to examine how the rollout of the Internet across Chinese provinces between 1999 and 2007 influenced firms' export behavior. The paper shows that the rollout of the Internet boosted manufacturing exports of firms in China, even before the rise of major e-commerce platforms in the country such as Alibaba. The paper finds that the Internet not only enhanced trade, but also improved overall firm performance.

Adoption of Complex Software and the Skill Content of Occupations

A major concern with the rapid spread of technology is that it replaces some jobs, displacing workers. However, technology may raise firm productivity, generating more jobs. Rita Almeida, **Ana Fernandes**, and Mariana Viollaz contribute to this debate by exploiting a novel panel data set for Chilean firms in all sectors between 2007 and 2013. The estimates show that in the medium run, firms' adoption of complex software affects firms' employment decisions and the skill content of occupations. The adoption of complex software reallocates employment from skilled workers to administrative and unskilled production workers. This reallocation leads to an increase in the use of routine and manual tasks and a reduction in the use of abstract tasks within firms.

Misallocation and Distortions in Sub-Saharan Africa

Xavier Cirera, **Roberto Fattal** and **Hibret Maemir** use comprehensive and comparable firm-level manufacturing census data from four Sub-Saharan African countries to examine the extent, costs, and nature of within-industry resource misallocation across

heterogeneous firms. The authors show that a hypothetical reallocation of resources that equalizes marginal returns across firms would increase manufacturing productivity by 31.4 percent in Côte d'Ivoire and as much as 162.7 percent in Kenya. They emphasize the importance of the quality of the underlying data, by comparing the results against those from the World Bank Enterprise Surveys.

Blogs and In the News

The paper "Upgrading Outputs, Upgrading Inputs," by Paulo Bastos, Joana Silva and Eric Verhoogen will appear in VoxDev.

The paper "*Expediting trade : Impact evaluation of Serbia's in-house clearance program,"* by Russ Hillberry, Ana Fernandes, Claudia Berg and Alejandra Mendoza Alcantara, appeared in the Viewpoint series.

The paper "Does the Adoption of Complex Software Impact Employment Composition and the Skill Content of Occupations? Evidence from Chilean Firms" by Rita Almeida, Ana Fernandes and Mariana Viollaz appeared in the World Bank blogs (12 October 217). A Spanish version is also available.

The paper "Internal Borders and Migration in India, with Zovanga Kone," by Maggie Liu, Aaditya Mattoo, Caglar Ozden and Siddharth Sharma, featured as an op-ed "The Invisible Walls that Divide India" in The Indian Express, (9 January 2017). It also featured in Let's Talk Development (5 December 2017), Future Development, Brookings, (1 December 2017), and voxEU.org, (30 November 2017).

The paper "Trade creation and trade diversion in deep agreements," by Aaditya Mattoo, Alen Mulabdic and Michele Ruta, featured in Let's Talk Development, (16 October 2017) and voxEU.org, (12 October 2017).

The paper "Short-term impact of Brexit on the UK's export of goods," by Hiau Looi Kee and Alessandro Nicita appeared in VoxEU.org (Oct 22, 2017). The article was also covered by Financial Times (28 November 2017).

The article "How did China Move Up the Global Value Chains?" by Hiau Looi Kee and Haiwei Tang featured in Vox China (Aug 30, 2017).

Recent Publications

Artuc, Erhan and Caglar Ozden**.** 2018. "Transit Migration: All Roads Lead to America", *The Economic Journal,* forthcoming.

Bastos, Paulo, Joana Silva and Eric Verhoogen. 2018. "Export Destinations and Input Prices," *American Economic Review* 108(2): 353-392.

Bastos, Paulo, Daniel Dias and Olga Timoshenko. 2018. "Learning, Prices, and Firm Dynamics," *Canadian Journal of Economics*, forthcoming.

Rijkers, Bob, Caroline Freund and Antonio Nucifora. 2017. "All in the family: State capture in Tunisia," *Journal of Development Economics* 124(C): 41-59.

Kerr, Sari, William Kerr, Caglar Ozden, Christopher Parsons. 2017. "High Skilled Migration and Agglomeration," *Annual Review of Economics*, forthcoming.

Mattoo, Aaditya, Prachi Mishra, and Arvind Subramanian. 2017. "Beggar-Thy-Neighbor Effects of Exchange Rates: A Study of the Renminbi." *American Economic Journal: Economic Policy* 9(4): 344-66.

Mattoo, Aaditya, Zovanga Kone, Maggie Liu, Caglar Ozden and Siddharth Sharma. 2017. "Internal Borders and Migration in India," *Journal of Economic Geography*, forthcoming.

Mattoo, Aaditya, Cristina Constantinescu and Michele Ruta. 2017. "The Global Trade Slowdown: Cyclical or Structural?", *World Bank Economic Review*, forthcoming.

Ozden, Caglar, Mauro Testaverde and Mathis Wagner. 2017. “How and Why Does Immigration Affect Crime?” *World Bank Economic Review*, forthcoming.

Books and Institutional Products

Alix-Garcia, Jennifer; Artuc, Erhan; Onder, Harun. 2017. The Economics of Hosting Refugees: A Host Community Perspective from Turkana. World Bank, Washington, DC.

Constantinescu, Cristina; Mattoo, Aaditya; Ruta, Michele. 2017. Trade Developments in 2016: Policy Uncertainty Weighs on World Trade. Global Trade Watch. World Bank, Washington, DC.

New Working Papers

Almeida, Rita K.; Fernandes, Ana M.; Viollaz, Mariana. 2017. Does the Adoption of Complex Software Impact Employment Composition and the Skill Content of Occupations? Evidence from Chilean Firms. Policy Research Working Paper 8110. World Bank, Washington, DC.

Cirera, Xavier, Fattal Jaef, Roberto N. and Maemir,Hibret Belete, 2017. "Taxing the good? distortions, misallocation, and productivity in Sub-Saharan Africa," Policy Research Working Paper 7949. World Bank, Washington, DC.

Constantinescu, Cristina; Mattoo, Aaditya; Ruta, Michele. 2017. Does Vertical Specialization Increase Productivity? Policy Research Working Paper 7978. World Bank, Washington, DC.

Fernandes, Ana M.; Hillberry, Russell; Mendoza Alcantara, Alejandra. 2017. An Evaluation of Border Management Reforms in a Technical Agency. Policy Research Working Paper 8208. World Bank, Washington, DC.

Fernandes, Ana M.; Mattoo, Aaditya; Nguyen, Huy; Schiffbauer, Marc. 2017. The Internet and Chinese Exports in the Pre-Alibaba Era. Policy Research Working Paper 8262. World Bank, Washington, DC.

Gootiiz, Batshur; Mattoo, Aaditya. 2017. Services in the Trans-Pacific Partnership: What Would Be Lost?. Policy Research Working Paper 7964. World Bank, Washington, DC.

Heuser, Cecilia; Mattoo, Aaditya. 2017. Services Trade and Global Value Chains. Policy Research Working Paper 8126. World Bank, Washington, DC.

Kee, Hiau Looi; Nicita, Alessandro. 2017. Short-Term Impact of Brexit on the United Kingdom's Export of Goods. Policy Research Working Paper 8195. World Bank, Washington, DC.

Kone, Zovanga L.; Liu, Maggie Y.; Mattoo, Aaditya; Ozden, Caglar; Sharma, Siddharth. 2017. Internal Borders and Migration in India. Policy Research Working Paper 8244. World Bank, Washington, DC.

Mattoo, Aaditya; Mulabdic, Alen; Ruta, Michele. 2017. Trade Creation and Trade Diversion in Deep Agreements. Policy Research Working Paper 8206. World Bank, Washington, DC.