

TRADE RESEARCH* NEWSLETTER

Fall/Winter 2016

- In the News..... page 1
- Special Features..... page 1
- Latest Research Findings..... page 2
- Recent Articles page 4
- Blogs page 4
- New Working Papers..... page 4

IN THE NEWS

A recent paper by Caglar Ozden and his coauthors, titled “[Global Talent Flows](#)” was featured in the Wall Street Journal Article “[Four Nations are Winning the Global War for Talent](#)”. The paper is forthcoming in the Journal of Economic Perspectives.

SPECIAL FEATURES

Policy Research Talk: Trade, FDI, and Global Value Chains



Recent events such as the vote for Brexit point to a potential backlash against the globalized economy, with consequences for current trade regimes and flows of foreign investment. In a world where value chains crisscross

the globe, the adverse impacts for developed and developing economies could be significant.

On September 26, 2016, Hiau Looi Kee presented a case study of how costly a rupture in the existing trade regime could be, in the Policy Research Talk series.

She drew on the Overall Trade Restrictiveness Index (OTRI)—a tool pioneered during the financial crisis to better understand the drivers of trade flows—to examine the potential costs associated with a country’s withdrawal from a free trade union. In addition to considering tariff barriers, this case study also incorporated the costs associated with non-tariff barriers.

Kee also discussed examples of how trade and FDI policies may affect global product networks in the event that a country fails to retain or attract FDI. Past research has suggested that the presence of FDI leads to inter-industry linkages and may help improve the domestic content in exports. Over the long run, the failure to retain or attract FDI could significantly damage a country’s export competitiveness. Kee’s most recent paper on global production networks (coauthored with Heiwai Tang) is forthcoming in the American Economic Review.

The event was chaired by World Bank Research Director Asli Demirguc-Kunt. World Bank’s Middle East and North Africa Region’s chief economist Shanta Deverajan discussed Kee’s research and policy impact on trade, FDI and global value chains.

Policy Research Report Global Migration and Labor Markets: A 360-Degree View

The search for better employment opportunities and wages is the key mechanism by which the majority of the world’s population, especially the poor, can hope to improve their lives. Migration is, hence, an essential path toward worldwide poverty eradication and economic growth. The forthcoming Policy Research Report (PRR) on Global Migration and Labor Markets will examine the determinants and labor market

* The [Trade and International Integration Research Program](#) is supported in part by the Multi-Donor Trust Fund for Trade and Development and the Strategic Research Program.

impacts of global migration patterns. As a part of the dissemination series for the PRR, Caglar Ozden and Mathis Wagner took a 360-degree perspective considering the impact on destination and source countries, as well as the migrants themselves. Reflecting the current high profile debate, an emphasis was placed on analyzing refugee flows.

On October 26, 2016, this first seminar on the PRR presented the main patterns and determinants of global migration. The authors payed close attention to newly emerging patterns of how migrants are distributed in an ever-integrating world. These patterns especially differ by skill, gender, and age distribution across origin and destination countries and are influenced by a range of economic, geographic, and political factors. The vast majority of migrants move to take advantage of higher wages and better economic opportunities in destination labor markets. Particular emphasis was placed on the surprising similarities between the determinants of refugee and economically motivated migration flows.

Upcoming Event: Fifth IMF-World Bank-WTO Joint Trade Research Workshop

The World Bank's research department will be hosting the Fifth IMF-World Bank-WTO Joint Trade Workshop at the World Bank on November 30, 2016. The event will bring together experts on trade from the three institutions to share their latest research findings and discuss current trade issues.

The main objectives of this workshop series are to demonstrate the importance of trade research to inform policy and to foster the research collaboration across the three institutions to increase coherence in policy advice.

Anabel Gonzalez (Senior Director of the Global Trade & Competitiveness Practice of the World Bank) will open the event.

This year's workshop is being co-organized by Christian Henn (IMF), **Ana M. Fernandes** and **Alejandro Rojas** (World Bank), and Marc Auboin (WTO).

LATEST RESEARCH FINDINGS

Expediting trade: impact evaluation of an in-house clearance program



Since the Global Financial Crisis, world trade growth has been subdued and lagging slightly behind growth of gross domestic product. Trade is growing more slowly not only because growth of global gross domestic product is lower, but also because trade itself has become less

responsive to gross domestic product. Ileana Cristina Constantinescu, **Aadiya Mattoo** and Michele Ruta review the reasons behind the changing trade-income relationship, and then investigates its consequences for economic growth. On the demand side, sluggish world import growth may adversely affect individual countries' economic growth, as it limits opportunities for their exports. On the supply side, slower trade may diminish the scope for productivity growth through increasing specialization and diffusion of technologies. They find preliminary evidence that the changing trade-income relationship matters, although the quantifiable effects do not appear to be large. [11]

Expediting trade: impact evaluation of an in-house clearance program



Despite the importance of trade facilitation as an area of trade and development policy, there have been very few impact evaluations of specific trade facilitation reforms. **Ana Fernandes**, Russ Hillberry and Claudia Berg offer an

evaluation of in-house clearance, a reform that allows qualified firms in Serbia to clear customs from within their own warehouse rather than at the customs office. The pooled synthetic control method applied here offers a novel solution to many of the empirical challenges that frustrate efforts to evaluate trade

TRADE RESEARCH NEWSLETTER

facilitation reforms. The method is used to estimate causal impacts on trade outcomes for 21 firms that adopted in-house clearance for import shipments. The program compressed the distribution of clearance times for adopting firms, but the estimated effects on median clearance times, inspection rates, and import value were not statistically significant. Tests for heterogeneous program impact do not indicate that the program affected adopting firms differently. Overall, the results suggest that the most evident benefit of the program for participating firms is reduced uncertainty about clearance times. [13]

Global talent flows



The global distribution of talent is highly skewed and the resources available to countries to develop and utilize their best and brightest vary substantially. The migration of skilled workers across countries tilts the deck even further. Using newly available data, Sari Kerr, William Kerr, **Caglar Ozden** and Chris Parsons first review the landscape of global talent mobility, which is both asymmetric and rising in importance. Next, the determinants of global talent flows at the individual and firm levels are presented and some important implications are sketched. Third, the national gatekeepers for skilled migration and broad differences in approaches used to select migrants for admission are reviewed. Looking forward, the capacity of people, firms, and countries to successfully navigate this tangled web of global talent will be critical to their success. [14]

Learning Prices and Firm Dynamics



Paulo Bastos, Daniel Dias and Olga Timoshenko document new facts about the joint evolution of firm performance and prices in international markets and proposes a theory of firm dynamics emphasizing the interaction between learning about demand and quality choice to explain the observed patterns.

Using data from the Portuguese manufacturing sector,

they document that: (1) within narrow product categories, firms with longer spells of activity in export destinations tend to ship larger quantities at similar prices, thus obtaining larger export revenue; (2) older exporters tend to import more expensive inputs; and (3) revenue growth within destinations (conditional on initial size) tends to decline with market experience. The authors develop a model of endogenous input and output quality choices in a learning environment that is able to quantitatively account for these patterns. Counterfactual simulations reveal that minimum quality standards on exports reduce welfare by lowering entry in export markets and reallocating resources from old and large toward young and small firms. [5]

Transit Migration: All Roads Lead to America



The paths of many migrants include multiple destinations and transit routes, yet this pattern is almost never reflected in empirical analyses. For example, 9% of recent immigrants to the United States arrived from a transit country as opposed to the one they were born in. Among those arriving from many OECD

countries, transit migration ratio exceeds 30%. To explain these patterns, **Erhan Artuc** and Caglar Ozden construct a dynamic model of global migration that allows transit migration opportunities to impact the attractiveness of locations. After estimating structural parameters of the model, they simulate various counterfactual scenarios to highlight the spillovers of transit migration paths. [1]

RECENT ARTICLES

Bastos, Paulo, and Odd Rune Straume. 2016. "Preschool education in Brazil: Does public supply crowd out private enrollment?" *World Development* 78: 496-510.

Bastos, Paulo, Nicolas Botton, and Julian Cristia. 2016. "Access to pre-primary education and

TRADE RESEARCH NEWSLETTER

progression in primary school: Evidence from rural Guatemala,” *Economic Development and Cultural Change*, forthcoming.

Bastos, Paulo, Joana Silva and Rafael Proenca (2016). “Exports and job training”, *Review of International Economics*, 24(4), 737-756, 2016.

Borchert, Ingo, Batshur Gootiiz, Arti Grover Goswami and **Aaditya Mattoo**. 2016. “Services Trade Protection and Economic Isolation,” *The World Economy*, forthcoming.

Bown, Chad P. and Jennifer A. Hillman, “Bird Flu, the OIE, and National Regulation: The WTO's India - Agricultural Products Dispute,” *World Trade Review*, forthcoming.

Fernandes, Ana, Caroline Freund and **Martha Denisse Pierola**. 2016. “Exporter Behavior, Country Size and Stage of Development: Evidence from the Exporter Dynamics Database” *Journal of Development Economics* 119: 121–137.

Gootiiz, Batshur and **Aaditya Mattoo**. 2016. “Regionalism in Services: A Study of ASEAN,” the *World Economy*, forthcoming.

Hallward-Driemeier, Mary, **Bob Rijkers** and Andrew Waxman. 2015. “Can Minimum Wages Close the Gender Wage Gap? Evidence from Indonesia.”. *Review of Development Economics*, forthcoming.

Kee, Hiau Looi and Tang, Heiwai. 2015. “Domestic Value Added in Exports: Theory and Firm Evidence from China.” *American Economic Review*, forthcoming.

Kerr, Sari Pekkala, William Robert Kerr, **Caglar Ozden**, and Christopher Robert Parsons. 2016. Global talent flows. *Journal of Economic Perspectives*, forthcoming.

Ozden, Caglar. 2016. “Migration of Health Care Professionals from Sub-Saharan Africa: Issues, Data, and Evidence” in Richard M. Scheffler, Christopher H. Herbst, Christophe Lemièrre, and Jim Campbell (eds.)

Tools and Data Needs for Health Labor Market Analyses in Low- and Middle-Income Countries

Rijkers, Bob, Leila Baghdadi and Gael Raballand. 2015. “Political Connections and Tariff Evasion: Evidence from Tunisia,” *World Bank Economic Review*, forthcoming.

BLOGS

Fernandes, A., M. Pierola and A. Bortoluzzi. “[Exporter Dynamics Database version 2.0: What does it reveal about the trade collapse?](#)” World Bank Blog, April 12 2016

NEW WORKING PAPERS

[1] **Artuc, Erhan; Ozden, Caglar**. 2016. *Transit Migration All Roads Lead to America*. Policy Research working paper 7880. Washington, D.C. World Bank Group.

[2] **Bastos, Paulo**; Bottan, Nicolas. 2016. *Resource rents, coercion, and local development: Evidence from post-Apartheid South Africa*. Policy Research working paper 7572. Washington, D.C. World Bank Group.

[3] **Bastos, Paulo**; Straume, Odd Rune. 2016. *Preschool education in Brazil: Does public supply crowd out private enrollment?* Policy Research working paper 7573. Washington, D.C. World Bank Group.

[4] **Bastos, Paulo**; Bottan, Nicolas; Cristia, Julian. 2016. *Access to pre-primary education and progression in primary school: Evidence from rural Guatemala*. Policy Research working paper 7574. Washington, D.C. World Bank Group.

TRADE RESEARCH NEWSLETTER

- [5] **Bastos, Paulo.**; Dias, Daniel; Timoshenko, Olga A. 2016. *Learning, Prices, and firm dynamics*. Policy Research working paper 7667. Washington, D.C. World Bank Group.
- [6] **Bastos, Paulo**; Silva, Joana C. G.; Proenca, Rafael Prado. 2016. *Exports and job training*. Policy Research working paper 7676. Washington, D.C. World Bank Group.
- [7] Blanchard, Emily J.; **Bown, Chad P.**; Johnson, Robert C. 2016. *Global Supply Chains and Trade Policy*. Policy Research working paper 7536. Washington, D.C. World Bank Group.
- [8] **Bown, Chad P.**; Tovar, Patricia. 2016. *Preferential liberalization, antidumping, and safeguards: stumbling block evidence from MERCOSUR*. Policy Research working paper 7865. Washington, D.C. World Bank Group.
- [9] **Bown, Chad P.**; Irwin, Douglas A. 2016. *The GATT's starting point: tariff levels circa 1947*. Policy Research working paper 7649. Washington, D.C. World Bank Group.
- [10] **Bown, Chad P.**; Crowley, Meredith A. 2016. *The empirical landscape of trade policy*. Policy Research working paper 7620. Washington, D.C. World Bank Group.
- [11] Constantinescu, Ileana Cristina; **Mattoo, Aaditya**; Ruta, Michele. 2016. *Does the global trade slowdown matter?* Policy Research working paper 7673. Washington, D.C. World Bank Group.
- [12] Del Carpio, Ximena Vanessa; **Ozden, Caglar**; Testaverde, Mauro; Wagner, Mathis Christoph. 2016. *Global migration of talent and tax incentives: evidence from Malaysia's returning expert program*. Policy Research working paper 7875. Washington, D.C. World Bank Group.
- [13] **Fernandes, Ana Margarida; Hillberry, Russell Henry**; Berg, Claudia N. 2016. *Expediting trade: impact evaluation of an in-house clearance program*. Policy Research working paper 7708. Washington, D.C. World Bank Group.
- [14] Kerr, Sari Pekkala; Kerr, William Robert; **Ozden, Caglar**; Parsons, Christopher Robert. 2016. *Global talent flows*. Policy Research working paper 7852. Washington, D.C. World Bank Group.
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