

Globalisation and Development

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Dr Jin Ho Kim, University of Oxford, jin.kim@economics.ox.ac.uk

1. Objective

This module is about the effect of globalisation in developing countries. More precisely, We will discuss (1) whether and how the increased globalisation affects growth and welfare in developing countries and (2) how market frictions prevalent in developing countries interact with international trade. The module will focus on practice and evidence. While this class covers theoretical arguments behind trade policy and market imperfection, the focus will be on empirics. More precisely, how scholars, practitioners, and policymakers might evaluate the efficacy of these policies. This module focuses on China, India, Indonesia, and Brazil, while we also consider cases from South Africa, Mexico, Malawi, Mali, and Pakistan.

2. Schedule and logistics

We will meet on Tuesday, 9:00AM-11:00AM and on Thursday, 2:00PM-3:00PM in Seminar Room 3. I will plan to lecture in Week 1 and 3, but in Weeks 2 and 4, each class session will feature a student presentations of around 20~25 minutes. A presentation should review one of the referenced articles which are highlighted with *Italic style*. A good presentation includes the following: (1) explain the study's key message and underlying logic; (2) provide a critical assessment of the paper (logic and method). Please feel free to ask any points during your presentation that you find confusing. If possible, position the research within a larger body of literature and compare/contrast the findings with other papers we discussed during the lecture. Do discrepancies in conclusions reflect discrepancies in methodologies? Differing data? Finally, what conclusions can we draw about the studies' implications or external relevance?

3. Lecture Topics and Schedule

Please note that the lectures may cover additional papers and omit some of these; each lecture will have its own list of references. Readings highlighted with bold font in the references section below are required readings.

Week 1: Development Through Trade Policy: Overview and Mechanism 1

- Does trade policy matter? What are the mechanisms for gains from trade (1)?
 - (For week 1,2 (General Overview)) Goldberg PK, Pavcnik N. 2016. **The effects of trade policy.** In *Handbook of Commercial Policy*, Vol. 1A, ed. K Bagwell, RW Staiger, pp. 161–206. Amsterdam: Elsevier/North-Holland
 - Gains through structural change
 - * Bilge Erten & Jessica Leight, 2021. "Exporting Out of Agriculture: The Impact of WTO Accession on Structural Transformation in China," *The Review of Economics and Statistics*, MIT Press, vol. 103(2), pages 364-380, May.
 - Gains through competition and reallocation
 - * Iacovone, L., Rauch, F., Winters, L.A., 2013. **Trade as an engine of creative destruction: Mexican experience with Chinese competition.** *J. Int. Econ.* 89 (2), 379–392.
 - * Pavcnik, Nina, 2002. Trade liberalization, exit, and productivity improvements: evidence from Chilean plants. *The Review of Economic Studies* 69, 245–276
 - Gains through technology investment, learning by doing through exporting
 - * Atkin, David, Amit K. Khandelwal, and Adam Osman. 2017. "Exporting and Firm Performance: Evidence from a Randomized Experiment." *Quarterly Journal of Economics* 132 (2): 551–615.
 - * Bustos P. 2011. **Trade liberalization, exports, and technology upgrading: evidence on the impact of Mercosur on Argentinian firms.** *Am. Econ. Rev.* 101:304–40
 - * Cadot, Olivier, Iacovone, Leonardo, Pierola, Martha D., Rauch, Ferdinand, 2013. Success and failure of African exporters. *J. Dev. Econ.* 101, 284–296
 - Trade and Institution
 - * Bai, J., Jayachandran, S., Malesky, E.J., Olken, B.A., 2019. Firm growth and corruption: empirical evidence from Vietnam. *Econ. J.* 129 (618), 651–677
 - * Nunn, N. 2007. **Relationship-Specificity, Incomplete Contracts, and the Pattern of Trade.** *Quarterly Journal of Economics* 122(2): 569-600.
 - * Javorcik BS, Narciso G. 2017. WTO accession and tariff evasion. *J. Dev. Econ.* 125:59–71
 - * Sequeira S. 2016. Corruption, trade costs, and gains from tariff liberalization: evidence from southern Africa. *Am. Econ. Rev.* 106:3029–63

Week 2: Gains from Trade (continued) and Market Distortion (Rule of Law and Contract)

- How to measure TFP and mark-up? What are the mechanisms for gains from trade? (2)
 - Measuring Outcome Variables
 - * Akerberg, D., C. L. Benkard, S. Berry, and A. Pakes. 2007. Econometric tools for analyzing market outcomes. In *Handbook of Econometrics*, vol. 6A, ed. J. J. Heckman and E. Leamer, 4172–4276. Amsterdam: Elsevier
 - * Akerberg, D. A., K. Caves, and G. Frazer. 2015. Identification properties of recent production function estimators. *Econometrica* 83: 2411–2451.
 - * de Loecker, Jan, and Frederic Warzynski. 2012. **Markups and Firm-Level Export Status.** *American Economic Review* 102 (6): 2437–2471
 - Gains from imported intermediate goods that embody new technology
 - * Amiti M, Konings J. 2007. **Trade liberalization, intermediate inputs, and productivity: evidence from Indonesia.** *Am. Econ. Rev.* 97:1611–38

- * (Presentation) Brandt, Loren, Johannes Van Biesebroeck, Luhang Wang, and Yifan Zhang. 2017. "WTO Accession and Performance of Chinese Manufacturing Firms." *American Economic Review* 107 (9): 2784–820.
- * Goldberg, Pinelopi Koujianou, Amit Kumar Khandelwal, Nina Pavcnik, and Petia Topalova. 2010. "Imported Intermediate Inputs and Domestic Product Growth: Evidence from India." *Quarterly Journal of Economics* 125 (4): 1727–67.
- * **Topalova PB, Khandelwal A. 2011. Trade liberalization and firm productivity: the case of India. *Rev. Econ. Stat.* 93:995–1009**
- Gains through foreign direct investment
 - * **Javorcik, B. S., and Steven Poelhekke 2017. Former Foreign Affiliates: Cast Out and Outperformed? *Journal of the European Economic Association*, Volume 15, Issue 3, Pages 501–539**
 - * (Presentation) Bajgar, M. and B. Javorcik (2020). 'Climbing the rungs of the quality ladder: FDI and domestic exporters in Romania', *The Economic Journal*, Vol. 130, No. 628, pp. 937- 955
 - * Harding, T., and B. S. Javorcik. 2012. "Foreign Direct Investment and Export Upgrading." *Review of Economics and Statistics* 94 (4): 964–980.

Week 3: Trade and Labour Market I

- The Effect of Trade Policy on Labour Market and Welfare
 - (For week 3,4 (General Overview)) Pavcnik, N., 2017. **The Impact of Trade on Inequality in Developing Countries.** In: Sly, Nicholas (Eds.), **Fostering a Dynamic Global Economy.** Federal Reserve Bank of Kansas City, Kansas City, MO, pp. 61–114
 - Trade and Labour Market Adjustment [regional-level analysis]
 - * Autor, David H., Dorn, D., Hanson, G.H., Song, Jae., 2014. **Trade adjustment: worker-level evidence. *Q. J. Econ.* 129 (4), 1799–1860.**
 - * Autor, David H., David Dorn, and Gordon H. Hanson. 2013. **"The China Syndrome: Local Labor Market Effects of Import Competition in the United States."** *American Economic Review* 103(6): 2121–68.
 - * Chiquiar, D. (2008). "Globalization, regional wage differentials and the Stolper-Samuelson theorem: Evidence from Mexico." *Journal of International Economics*, 74(1), 70-93.
 - * **Dix-Carneiro, Rafael, and Brian K. Kovak. 2017. "Trade Liberalization and Regional Dynamics: Dataset." *American Economic Review.***
 - * **Dix-Carneiro R, Kovak BK. 2019. Margins of labor market adjustment to trade. *J. Int. Econ.* 117:125–42**
 - * Erten, Bilge & Leight, Jessica & Tregenna, Fiona, 2019. "Trade liberalization and local labor market adjustment in South Africa," *Journal of International Economics*, Elsevier, vol. 118(C), pages 448-467.
 - * **Kovak, B. K. (2013). Regional effects of trade reform: What is the correct measure of liberalization? *The American Economic Review* 103 (5), 1960–1976**
 - * Topalova, Petia, "Factor Immobility and Regional Impacts of Trade Liberalization: Evidence on Poverty from India," *American Economic Journal: Applied Economics*, 2 (2010), 1–41
 - Trade and wage [firm-level analysis]
 - * **Verhoogen E. 2008. Trade, quality upgrading, and wage inequality in the Mexican manufacturing sector. *Q. J. Econ.* 123:489–530**
 - * **Amiti, M., and Davis, D. (2012). "Trade, Firms, and Wages: Theory and Evidence." *Review of Economic Studies*, 79(1), 1–36.**
 - Trade and Household Adjustment

- * **Atkin D. 2016. Endogenous skill acquisition and export manufacturing in Mexico. Am. Econ. Rev. 106:2046–85**
- * (Presentation) *B. Erten and P. Keskin. 2021. Tradeoffs? the impact of WTO accession on intimate partner violence in cambodia. The Review of Economics and Statistics 1–40.*
- * Blanchard, E. and Olney, W. 2017. “Globalization and Human Capital Investment: Export Composition Drives Educational Attainment,” *Journal of International Economics* 106: 165–183
- * Bai, J., and Y. Wang. 2020. Returns to work, child labor and schooling: The income vs. price effects. *Journal of Development Economics* 145: 102466.
- * Dai, Mi & Huang, Wei & Zhang, Yifan, 2021. "How do households adjust to tariff liberalization? Evidence from China’s WTO accession," *Journal of Development Economics*, Elsevier, vol. 150(C).
- * Edmonds, Eric V., Nina Pavcnik, and Petia Topalova. 2010. “Trade Adjustment and Human Capital Investment: Evidence from Indian Tariff Reform.” *American Economic Journal: Applied Economics* 2 (4): 42–75.
- * Facchini, Giovanni, Liu, Maggie, Mayda, Anna Maria, Minghai, Zhou, 2019. “China’s Great Migration”: the impact of the reduction in trade policy uncertainty. *J. Int. Econ.* 120, 126–144

Week 4: Trade and Labour Market II

- Labour Market Imperfection

- Informality and Non-Compliance

- * Danzer A, Grundke R. Export price shocks and rural labor markets: the role of labor market distortions. *J Dev Econ* 2020;145:1024–64
- * **Dix-Carneiro R, Goldberg P, Meghir C, Ulyssea G. 2019. Trade and informality in the presence of labor market frictions and regulations. Work. Pap., Duke Univ., Durham, NC**
- * Harrison, A., Scorse, J. Multinationals and Anti-Sweatshop Activism. *American Economic Review* 100(1): 247-273.
- * **McCaig, B. and N. Pavcnik (2018): “Export Markets and Labor Allocation in a Low-Income Country,” *American Economic Review* , 108, 1899–1941.**
- * **Nataraj S. 2011. The impact of trade liberalization on productivity: evidence from India’s formal and informal manufacturing sectors. J. Int. Econ. 85:292–301**
- * Paz, Lourenço S., 2014. "The impacts of trade liberalization on informal labor markets: A theoretical and empirical evaluation of the Brazilian case," *Journal of International Economics*, Elsevier, vol. 92(2), pages 330-348.

- Interaction of Trade Policy and Labour Market Policy/Custom

- * (Presentation) *Aghion, Philippe, Robin Burgess, Stephen Redding, and Fabrizio Zilibotti, “The Unequal Effects of Liberalization: Evidence from Dismantling the License Raj in India,” *American Economic Review*, 98 (2008), 1397–1412.*
- * **Fan, H., Lin, F., Tang, L., 2018. Minimum wage and outward FDI from China. J. Dev. Econ. 135, 1–19**
- * **Gan, Li, Hernandez, Manuel A., Ma, Shuang, 2016. The higher costs of doing business in China: minimum wages and firms’ export behavior. J. Int. Econ. 100, 81–94.**
- * Munshi, Kaivan, and Mark Rosenzweig. 2006. “Traditional Institutions Meet the Modern World: Caste, Gender, and Schooling Choice in a Globalizing Economy.” *American Economic Review*, 96(4): 1225–52