

Trade Facilitation and Poverty Issues, Methods, and Examples

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 - Give some examples based on previous research
 - Discuss forthcoming projects

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- agro-manufacturing workers in Moldova
- steel workers in India
- exporters in Argentina

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- Broader definition
 - Costs associated with access to credit, access to inputs, and access to output markets
 - Knowledge
 - Imperfect competition: marketing of inputs and outputs

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- Spillovers
 - intrahousehold: input choices, investment, hours worked
 - interhousehold: employment opportunities

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 - informal export barriers and poverty in Moldova
 - export market availability and poverty in Uganda
 - tobacco clubs in Malawi
 - value chains in export crops in Africa (Zambia, Mozambique, Madagascar, Malawi, Tanzania)
 - barriers to more profitable export markets

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 - barriers to more profitable export markets
- Econometrics and household/firm surveys, not CGE

Example I: Informal Export Barriers and Poverty in Moldova

- Formal trade is fairly liberalized
- Moldova is a very open economy
- Informal Barriers are widespread and pervasive
- Almost half of the population lived in poverty in 2002

Channels

- Firms hire workers to produce an exportable good
- Firms purchase agricultural inputs supplied by hhs
eg: to produce wine, firms hire workers and purchase grapes
- High export barriers lead to low net export prices
 - Derived demand for factors is lower: leads to lower wages and agricultural income (sales of grapes, apples)
 - Consumer prices are higher

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- supplementary data
 - Use data on export costs to simulate price changes

Trade Costs

- Importer and Exporter Survey: 161 firms
- Type of firm (exporter, importer), form of ownership (private, joint venture) product line, employment
- Questions on impediments to trade
 - A. Customs and Tax Administration
 - B. Transportation, Shipping and Distribution
 - C. Testing and Conformity Assessment
 - D. Export and Import Financing
 - E. Export Barriers
 - F. Duty Preferences in Overseas Markets
 - G. Import Barriers
- I focus on items B and E

Transportation and Shipping

(transport costs as a percentage of export shipment)

Destination of exports	Transport Cost	Unofficial Fees	Shipping Hazards	Total
CIS	13.7	1.3	0.5	15.5
EU	7.7	0.1	0.1	7.9
Other	11.3	0.2	-	11.5
Total	11.6	0.7	0.3	12.6

Transport Costs: freight, handling & insurance

Unofficial Fees: bribes paid on transit

Shipping Hazards: damaged or stolen in transit

Informal Export Barriers

The Cost of Informal Barriers: % of export shipment

	Domestic	Ukraine	Total
Tax Administration	2.78	0.00	2.78
Customs Officers	0.44	1.17	1.61
Road Authority	0.50	0.77	1.27
Veterinary Control	1.13	0.11	1.24
Standards Certification	0.83	0.36	1.19
Sanitary Control	0.76	0.23	0.99
Border Troops	0.38	0.48	0.84
Border Police	0.46	0.18	0.64
Ecological Control	0.09	0.09	0.18
Other	0.21	0.79	1.00
Total Average Cost	7.57	4.34	11.91

Poverty Impacts

	Initial HC	Price Change	Barrier Effect	Population Involved
TOTAL EFFECT	48.3	15.10	43.300	180000
Transport & Shipping	48.3	6.93	45.676	94457
Informal Barriers	48.3	6.56	45.795	90164

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- Fact: High poverty rates
 - National: 52.6%
 - Urban: 24.1%
 - Rural: 56.2%
- Fact: Low agricultural export participation
 - Tobacco: 5%
 - Cotton: 1%
 - Food: 92%

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- True in most of Africa (Zambia: poverty, 50-70%, cotton, 10%)

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 - part of it is returns to skills, ability, risk
 - part of it is because of constraints to participation
 - Lack of markets: output and input prices
 - Lack of credit: seeds, fertilizers
 - Lack of know-how: technology adoption

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- How can we quantify the impacts of the tobacco clubs?
- With supplementary surveys: the Tobacco Club Survey (TCS)

Malawi Tobacco Clubs: Benefits

	Tobacco Clubs Survey	
	Yes	No
<i>A) INSTITUTIONAL ACCESS</i>		
- Higher prices	33	67
- Better and more extension advice	90	10
<i>B) COLLECTIVE ACTIONS</i>		
- Lower prices for inputs	11	89
- Better input quality	66	34
<i>C) ECONOMIES OF SCALE</i>		
- Lower transport cost to auction floors	5	95
<i>D) SUPPORTING NETWORK</i>		
- Enhanced farming ability due to fellow advice	98	2
- Provision of labor assistance to club members	65	35
- Assistance on farming activities from club members	44	56
- Advice on non-farm activities from club members	49	51
- Motivation to work harder	96	4

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 - Matching (based on observables)
 - Instrumental Variables: How to find a good instrument?

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- Causality: participation in clubs is endogenous (for example, only the smarter farmers participate in clubs and, at the same time, make better farming decisions)
 - Matching (based on observables)
 - Instrumental Variables: How to find a good instrument?
- Use the Tobacco Club Survey!

Tobacco Clubs: Constitutions

Most tobacco clubs have "constitutions" that prevent young unmarried women to be members (due to risk of default): We can use this condition as an instrument

2FEBRUARY B. CLUB (2021/22)	ya KADU.
MALAMUKO B. KALABU	
① Membala Kalabu yonse yiyeneka Kumakumata kawini pa Sabata (Machitatu ndi pachiwiri)	① Ngati mwasiki wamukalabu apezeka ndi mabwoto a ma kusomala odwala, malin ndim enz ofele wthami yate fof olimunda, kalabu yonse imz kukamuthandiza kuwunda ku
② Membala aliyense amayenera kumakhalapa pa musonkhano uliyense ndipo chiticheonse chochitika mukalabu chiyenera kumaziwika ndi membala aliyense	② Membala Okana kukalhandi kumunda wo membala ar wapzeka ndi Niti- amatebi kuchokera ku phindu tchoko kumunda kuwaka, Chimedzimed amane amaledgera ledgera nti yamisonkhano yakalabu.
③ Membala akalephera kutika ku Msonkhano umodzi popanda chiphuka amapititsizwa KSO.	③ Membala Okanda phukoso, r kutukwanza, kuledgera kwa ts kilonse Safunika mkalabu.
④ Membala amene wakhalo kopitira kopitira kasona ndipo amakhana kulipira ndalamo zomwe ustohatehidwa chipukuz cholaba kumisonkhano chipukuz popanda chipukuz ayenera kuchosedwa mukalabu.	④ Mukazi amene alimusinkhu wobeloka ndipo ali pa tem Safunika kuopa kuti angand banja ndihukwanziz otayamb
⑤ Membala wafuna kulowa m'kalabu ayenera kulipira fizi	

Tobacco Clubs: IV Results

	Model 2	Model 4	OLS
A) First Stage	-0.551*** (0.132) 0.23	-0.549*** (0.132) 0.23	
B) Second Stage			
Output per acre	0.716* (0.383) 0.35	0.739** (0.369) 0.39	0.188*** (0.065) 0.42
Sales per acre	1.468** (0.734) 0.20	0.890** (0.452) 0.35	0.177** (0.077) 0.40

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- Price Increases: 54%!

Example III: Uganda and Export Markets

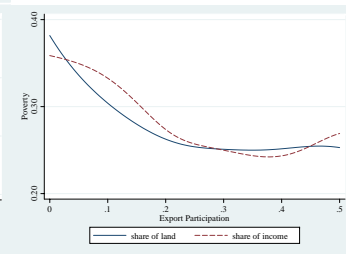
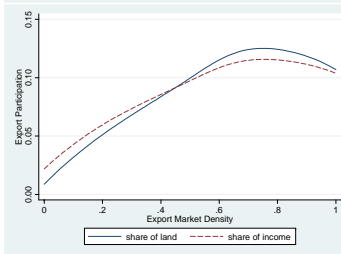
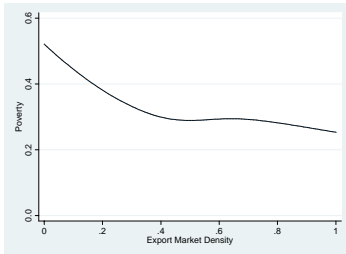
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 - Export Crop Adoption (coffee, tea, cotton, tobacco, pineapples): 7%
- The Hypothesis: export market availability leads to lower poverty by inducing export crop adoption
 - Rural markets. Stalls
 - Intermediaries. Pick-ups, trucks
 - Commercial plantations (usually foreign)

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- Price Increases: 30-50%!

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- Export crops can lead to lower poverty
- Need low trade costs, more trade facilitation
 - The case of tobacco clubs illustrates the potential benefits from export crops and services to the farmers
 - credit, output markets, transportation
 - Marketing costs matter
 - intermediaries: roads, infrastructure
 - FDI: plantations

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 - Household adjustments (consumption, labor supply, farm output)
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- Explore other sources of trade costs: competition policies
- Explore other impacts on households:
 - Household adjustments (consumption, labor supply, farm output)
 - Household spillovers (intrahousehold and interhousehold)
- Forthcoming work: Imperfect competitions in export value chain and interrelationship with local infrastructure in Zambia, Malawi, Mozambique, Tanzania, Madagascar

Agenda II: Latin America

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- Explore impacts on wages, employment
- Forthcoming work: panel of Argentine firms with export destinations
- Why some firms export to high income countries and others not?
- What is the role of trade costs?

Thank you

- email
- call
- drop by

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