Welcome to the 42nd issue of the World Bank Trade Research Electronic Newsletter, a periodic E-mail publication containing abstracts of recent trade working papers, publications and other works. Additional information on the Bank’s Trade Research Team activities can be found on the recent redesigned World Bank Trade Research website (http://www.econ.worldbank.org/programs/trade). This provides basic information on research activities in progress, trade working papers, other Bank trade publications, trade newsletters and links to other trade related web sites. You may also visit the periodically updated website of the International Trade Department at http://www.worldbank.org/trade for additional information on trade and development, including the World Bank Institute’s activities in the area of capacity-building and training, the Integrated Framework for Trade-related Technical Assistance, periodic “Trade Notes” on topics of current interest and recent events and projects. If you do not wish to receive this electronic bulletin, please send an E-mail message with “Unsubscribe” in the title area to trade@worldbank.org.

All of the working papers listed below are available for downloading from the website in the Adobe Acrobat format at the address: http://www.econ.worldbank.org/programs/trade.

To obtain a hard copy of a working paper, please send your request (with postal mailing address) via E-mail to trade@worldbank.org.
B. Special Feature

1. Services Trade and Trade Development: The Experience of Zambia

   Some see services trade reform as irrelevant to the development agenda of a least developed country like Zambia. Others see few benefits from past, and hence future, market opening. This book debunks both views. It finds that there are substantial benefits from reform of telecommunications, transport, financial and tourism services. But past liberalization in weak and inappropriate regulatory contexts has led to perverse results and undermined the case for further reform. Moreover, the failure to design and implement efficient policies to widen access to services could lead to a reversion to state capitalism and the use of inefficient instruments of “empowerment”. The book identifies priorities for domestic reform and international engagement. Many of the lessons from Zambia are applicable to other developing countries. For more info, please visit the web: http://publications.worldbank.org/ecommerce/catalog/product?item_id=6025897.

   Contents:
   1. Services Trade for Zambia’s Development: An Overview – Aaditya Mattoo and Lucy Payton
   2. Services in the Zambian Economy – Jens Arnold and Aaditya Mattoo
   3. Telecommunications: The Persistence of Monopoly – Jens Arnold, Boutheina Guermazi and Aaditya Mattoo
   4. Financial Services: Dealing with Limited and Unequal Access – Jose de Luna Martinez
   5. Air Transport: Revitalizing Yamoussoukro – Charles Schlumberger
   6. Tourism: Unfulfilled Promise – Olivier Cattaneo
   7. Migration from Zambia: Ensuring Temporariness through Cooperation – Mohammad Amin and Aaditya Mattoo

2. From Competition at Home to Competing Abroad: A Case Study of India’s Horticulture

   This report examines the paradox that while India is a large, low cost agricultural producer, its share in global agriculture exports is minuscule. India produces nearly 11 per cent of all the world’s vegetables and 15 per cent of all fruits, yet its share in global exports of vegetables is only 1.7 per cent and in fruits a meager 0.5 per cent. Based on an integrated analysis of the sector—from farm to market—on the basis of primary surveys of farmers, agents, and exporters across fifteen Indian states, the report lists three major factors that are undermining India’s potential for reaching supermarkets across the globe: (i) The high delivery costs of getting agricultural produce from farm to market; (ii) The existence of a huge gap between the health, safety, and quality standards required abroad and the weak standards and assessment mechanisms in India; and (iii)
Pernicious forms of trade protection and a system of special safeguards that is a source of considerable uncertainty for successful exporters. For more info, please visit the web

Contents

Executive Summary
1. An Overview
2. International Trade in Horticulture
3. Is there a Rationale for Protection?
4. What Undermines Comparative Advantage? The Role of Domestic Constraints
5. Is the External Environment Conductive to Export Expansion?
6. Priorities for Domestic Reform and International Engagement

Appendixes
Bibliography

3. Workshop on Trade Costs, Facilitation, and Economic Development
   The International Trade Research Team held a workshop on Trade Costs and Facilitation at the World Bank on April 30th. The workshop presented selected results from policy research papers and output from an on-going project on trade costs and facilitation. The removal of non-tariff barriers and lower trade costs are increasingly recognized as key factors that affect private sector performance. The ability of firms to deliver goods and services on time -- at lowest possible costs -- is also assumed to be a key determinant of successful integration into the world economy and lifting the poor out of poverty. These factors cover a wide range of issues, including security and trade costs and poverty, regulatory standards as they affect export success, and relative impact of infrastructure upgrades in lowering transactions costs, among many others. The workshop explored trade costs and facilitation based on the overall question: What empirical evidence do we have today on trade facilitation and trade costs and what are the priorities ahead in this area for policy-relevant research? Discussions also centered on data available and needed to support empirical research going forward. Papers presented at the workshop are available from the project website and accessible at:
   http://econ.worldbank.org/projects/trade_costs

4. New Dataset – Overall Trade Restrictiveness Indices (2007 updates)
   This database provides indicators of trade restrictiveness that include both measures of tariff and non-tariff barriers. The database covers 72 developing and developed countries plus the European Union. For each country there are estimates of three trade restrictiveness indices. The first index captures the extent to which trade policies at home affect domestic welfare. The second index captures the impact of trade distortions on each country’s import bundle. The third index summarizes the trade distortions imposed by the rest of the world on each country’s export bundle. Each of these indices is provided for the broad aggregates of manufacturing and agriculture products. Documentation for the use of this database is available through the website and

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C. Recent Trade Working Papers

2. Do institutions matter more for services? Mohammad Amin, Aaditya Mattoo, (WPS #4032), October 2006.
5. Unraveling the worldwide pollution haven effect, Jean-Marie Grether, Nicole A. Mathys, Jaime de Melo, (WPS #4047), November 2006.
8. The demographic benefit of international migration: hypothesis and application to the Middle Eastern and North African contexts, Philippe Fargues, (WPS #4050), November 2006.
9. Distributional effects of WTO agricultural reforms in rich and poor countries, Thomas W. Hertel, Roman Keeney, Maros Ivanic, L. Alan Winters, (WPS #4060), November 2006.
22. Migration from Zambia: ensuring temporariness through cooperation, Aaditya Mattoo, Mohammad Amin, (WPS #4145), March 2007.
23. Trade in health services in the ASEAN region, Carsten Fink, Jutamas Arunanondchai (WPS #4147), March 2007.
25. Institutions, infrastructure, and trade, Joseph Francois, Miriam Manchin, (WPS #4152), March 2007

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Working Paper Abstracts

Liberalizing trade in services: a survey

Since the mid 1980s a substantial amount of research has been undertaken on trade in services. Much of this is inspired by the World Trade Organization or regional trade agreements, especially the European Union, but an increasing number of papers focus on the impacts of
services sector liberalization. This paper surveys the literature, focusing on contributions that investigate the determinants of international trade and investment in services, the potential gains from greater trade (and liberalization), and efforts to cooperate to achieve such liberalization through trade agreements. It concludes that there is increasing evidence that services liberalization is an important source of potential welfare gains, but relatively little research has been done that can inform the design of international cooperation—both trade agreements and development assistance—so as to more effectively promote development objectives.

**Do institutions matter more for services?**

Recent empirical research has focused on the role of institutions in overall economic performance. This paper examines the impact of institutions on the relative performance of the service sector. Through cross-country level and growth regressions it establishes the following stylized fact: countries with better institutions have relatively larger and more dynamic service sectors. It suggests that regulatory and contract enforcing institutions play a key role in the development of service sectors because these sectors enter into a more complex web of transactions with the rest of the economy and are more prone to market failure due to asymmetric information.

**Export promotion agencies: what works and what doesn't**

The number of national export promotion agencies (EPAs) has tripled over the past two decades. While more countries have made them part of their national export strategy, studies have criticized their efficiency in developing countries. Partly in reaction to these critiques, EPAs have been retooled. This paper studies the impact of existing EPAs and their strategies based on a new data set covering 104 industrial and developing countries. Results suggest that on average they have a strong and statistically significant impact on exports. For each $1 of export promotion, the paper estimates a $40 increase in exports for the median EPA. However, there is heterogeneity across regions, levels of development, and types of instruments. Furthermore, there are strong diminishing returns, suggesting that as far as EPAs are concerned, small is beautiful.

**Migrant networks and foreign direct investment**

While there exists sizeable literature documenting the importance of ethnic networks for international trade, little attention has been devoted to studying the effects of networks on foreign direct investment (FDI). The existence of ethnic networks may positively affect FDI by promoting information flows across international borders and by serving as a contract enforcement mechanism. This paper investigates the link between the presence of migrants in the United States and U.S. FDI in the migrants' countries of origin, taking into account the potential endogeneity concerns. The results suggest that U.S. FDI abroad is positively correlated with the presence of migrants from the host country. The data further indicate that the relationship between FDI and migration is driven by the presence of migrants with a college education.

**Unraveling the worldwide pollution haven effect**

This paper contributes to the debate on the existence of pollution haven effects by systematically measuring the pollution content of trade (measured by the pollution content of imports, PCI) and decomposing it into three components—a "deep" component and two components (factor endowments and environmental policies) that occupy center stage in the debate on trade and the environment. The decomposition is carried out for 1986-88 for an extensive data set covering 10 pollutants, 48 countries, and 79 ISIC 4-digit sectors. Illustrative decompositions presented for three of the 10 pollutants in the data set indicate a significant pollution haven effect which increases the PCI of the North because of stricter environmental regulations in the North. At the same time, the factor endowment effect decreases the PCI of the
North as the North is relatively well-endowed in capital and pollution-intensive activities are also capital-intensive. Although the impact has been stronger on vertical (North-South) trade flows, differences in factor endowments and environmental policies have only marginally affected the pollution content of world trade during the period of 1986-88.

**Services inputs and firm productivity in Sub-Saharan Africa: evidence from firm-level data**

The authors investigate the relationship between the productivity of African manufacturing firms and their access to services inputs. They use data from the World Bank Enterprise Survey for over 1,000 firms in 10 Sub-Saharan African countries to calculate the total factor productivity of firms. The Enterprise Surveys also contain unique measures of firms' access to communications, electricity, and financial services. By using the regional variation in services performance, they are also able to address concerns about the possible endogeneity of the services variables. The results show a significant and positive relationship between firm productivity and service performance in all three services sectors analyzed. The authors thus provide support for the argument that improvements in services industries contribute to enhancing the performance of downstream economic activities, and thus are an essential element of a strategy for promoting growth and reducing poverty.

**Trade reforms and welfare: an ex-post decomposition of income in Vietnam**

This paper analyzes the impact of trade reforms on household welfare. In particular, it studies the importance of each of the links that together constitute the impact using data from the Vietnamese experience in the 1990s. The implementation of trade reforms in the 1990s, most noteworthy of which was the liberalization of rice, resulted in substantial improvement in welfare as evidenced by the drastic decline in poverty. Using analytical and empirical methods, the author examines the role of each channel (direct versus indirect) in this improvement for different groups of households. Results indicate that the growth has been broad based and pro-poor. Poorer households experienced more growth for each and every group analyzed. Decomposition of the growth shows that for rural households, both the direct effect and the multiplier effect drive growth while the multiplier effect was key in urban areas. The importance of the secondary effects underscores the need for a broader model to estimate the impact of trade reforms fully.

**The demographic benefit of international migration: hypothesis and application to the Middle Eastern and North African contexts**

The view that international migration has no impact on the size of world population is a sensible one. But the author argues, migration from developing to more industrial countries during the past decades may have resulted in a smaller world population than the one which would have been attained had no international migration taken place for two reasons: most of recent migration has been from high to low birth-rate countries, and migrants typically adopt and send back to their home countries models and ideas that prevail in host countries. In conclusion, (i) the acceleration of the demographic transition in Morocco and Turkey are correlated with migration to Europe, a region where low birth-rates is the dominant pattern. This suggests that international migration may have produced a global demographic benefit under the form of a relaxation of demographic pressures for the world as a whole; (ii) if it turns out that emigrants are conveyors of new ideas in matters related with family and education, then the same may apply to a wider range of civil behavior.

**Distributional effects of WTO agricultural reforms in rich and poor countries**

Rich countries' agricultural trade policies are the battleground on which the future of the WTO's troubled Doha Round will be determined. Subject to widespread criticism, they
nonetheless appear to be almost immune to serious reform, and one of their most common defenses is that they protect poor farmers. The authors’ findings reject this claim. The analysis uses detailed data on farm incomes to show that major commodity programs are highly regressive in the United States, and that the only serious losses under trade reform are among large, wealthy farmers in a few heavily protected sub-sectors. In contrast, analysis using household data from 15 developing countries indicates that reforming rich countries’ agricultural trade policies would lift large numbers of developing country farm households out of poverty. In the majority of cases these gains are not outweighed by the poverty-increasing effects of higher food prices among other households. Finally, the analysis indicates that maximal trade-led poverty reductions occur when developing countries participate more fully in agricultural trade liberalization.

**Growth before and after trade liberalization**

The empirical study of the impact of trade liberalization has not convinced the skeptics about the economic gains after trade reforms. Some have even argued that trade reforms have led to economic collapse and to deindustrialization. Using a sample that excludes countries that were subject to major exogenous disruptions, the authors note that post-reform economic growth was 1.2 percentage points higher than before the reforms. Through multivariate fixed effects estimations the authors calculate that annual per capita GDP growth rates increased by up to 2.6 percentage points after the trade reforms, compared to a counterfactual that takes into consideration the evolution of several growth determinants. Moreover, trade liberalization has been followed by an acceleration of growth in investment, exports of goods and services, and manufacturing exports, and as opposed to common belief, outward orientation did not lead to significant deindustrialization and actually seems to have increased export diversification. Growth acceleration occurred irrespective of income per capita level and was quite significant in Sub-Saharan Africa. As expected, small countries benefited most from the reforms.

**Migration and remittances: causes and linkages**

The authors empirically examine the determinants of remittance flows at the cross-country level. They consider, among other things, the significance of the level of migration, the education level of migrants, and financial sector development in determining remittances. Given the potential endogeneity problems, the migration and financial development variables are instrumented in the estimation. They find that the migration level is the main driver of remittance flows, even after controlling for the endogeneity bias through instrumental variable estimation. The authors also find that the education level of migrants relative to the population in home countries, the size of the economy, and the level of economic development of recipient countries adversely affect remittance flows. While they find the effect of financial sector development to be positive, its significance is not strongly supported in their analysis.

**The impact of commodity price changes on rural households: the case of coffee in Uganda**

Policies and external shocks affecting agriculture, the main source of income for rural households, can be expected to have a significant impact on poverty. The authors study the case of Uganda. Throughout the 1990s, more than 90 percent of its poor lived in rural areas and, during the same period, large international price fluctuations as well as an extensive domestic deregulation affected the coffee sector, its main source of export revenues. Using data from three household surveys covering the 1990s, the authors confirm a strong correlation between changes in coffee prices (in a liberalized market) and poverty reduction. Regression analysis of consumption expenditure on coffee-related variables, other controls, and time-fixed effects corroborates that the mentioned correlation is not spurious. The authors also find that while both poor and rich farmers enter the coffee sector, the price boom benefits the poorer households.
relatively more, whereas the liberalization seems to create more opportunities for richer farmers. Finally, notwithstanding the importance of the coffee price boom, the agricultural policy framework and the thorough structural reforms in which the coffee market liberalization was embedded have certainly played a role in triggering overall agricultural growth.

**Reducing distortions to agricultural incentives: progress, pitfalls, and prospects**

Most of the world's poorest people depend on farming for their livelihood. Earnings from farming in low-income countries are depressed partly due to a pro-urban bias in own-country policies, and partly because richer countries (including some developing countries) favor their farmers with import barriers and subsidies. Both sets of policies reduce national and global economic growth and add to inequality and poverty in developing countries. Recent research suggests that the agricultural protectionist policies of high-income countries reduce welfare in many developing countries. Most of those studies also suggest that full global liberalization of merchandise trade would raise value added in agriculture in developing country regions, and that much of the benefit from global reform would come not just from reform in high-income countries but also from liberalization among developing countries, including in many cases own-country reform.

**International trade, security, and transnational terrorism: theory and empirics**

The authors offer a general analytical framework illustrating the complex two-way interactions between trade and transnational terrorism. Then they survey the recent economic literature in light of this framework by pointing to the importance in empirical studies of (1) controlling appropriately for theses interactions, (2) distinguishing between "source" countries and "target" countries of terrorism, and (3) taking into account the inter-temporal persistence of terrorism between specific pairs of countries.

**Are lives a substitute for livelihoods? terrorism, security, and U.S. bilateral imports**

What is the impact of terrorism on trade through higher security at the borders? The authors set up a theory which shows that the impact goes not only from terrorism to trade. Higher trade with a partner might, in turn, increase the probability of terrorism acts and make security measures more costly for total welfare. To identify the true impact of terrorism, their theory allows for a strategy to condition out the latter mechanism. The authors show in particular how past incidents perpetrated in third countries constitute good exogenous factors for current security measures at the borders. Their tests suggest that terrorist incidents have a small effect on U.S. imports on average, but a much higher effect for those origin countries at the top of the distribution of incidents. In addition, the level of the impact is up to three times higher when the acts result in a relatively high number of victims, the products are sensitive to shipping time, and the size of the partner is small.

**Road infrastructure in Europe and Central Asia: does network quality affect trade?**

The authors present a new database of minimum distance road routes connecting 138 cities in 27 countries across Europe and Central Asia. They use it to show that improved road network quality is robustly associated with higher intraregional trade flows. Gravity model simulations suggest that an ambitious but feasible road upgrade could increase trade by 50 percent over baseline, exceeding the expected gains from tariff reductions or trade facilitation programs of comparable scope. Cross-country spillovers due to overland transit are important: total intraregional trade could be increased by 30 percent by upgrading roads in just three countries-Albania, Hungary, and Romania.
Does services liberalization benefit manufacturing firms? evidence from the Czech Republic

While there is considerable empirical evidence on the impact of liberalizing trade in goods, the effects of services liberalization have not been empirically established. Using firm-level data from the Czech Republic for the period 1998-2003, this study examines the link between services sector reforms and the productivity of domestic firms in downstream manufacturing. Several aspects of services reform are considered and measured, namely, the increased presence of foreign providers, privatization, and enhanced competition. The manufacturing-services linkage is measured using information on the degree to which manufacturing firms in a particular industry rely on intermediate inputs from specific services sectors. The econometric results lead to two conclusions. First, the study finds that services policy matters for the productivity of manufacturing firms relying on services inputs. Second, it finds evidence that opening services sectors to foreign providers is a key channel through which services liberalization contributes to improved performance of downstream manufacturing sectors.

International remittances and the household: analysis and review of global evidence

This paper examines the economic impact of international remittances on countries and households in the developing world. To analyze the country-level impact of remittances, the paper estimates an econometric model based on a new data set of 115 developing countries. Results suggest that countries located close to a major remittance-sending region (like the United States, OECD-Europe) are more likely to receive international remittances, and that while the level of poverty in a country has no statistical effect on the amount of remittances received, for those countries which are fortunate enough to receive remittances, these resource flows do tend to reduce the level and depth of poverty. At the household level, a review of findings from recent research suggest that households receiving international remittances spend less at the margin on consumption goods-like food-and more on investment goods-like education and housing. Households receiving international remittances also tend to invest more in entrepreneurial activities.

Differentiated products and evasion of import tariffs

This paper contributes to the literature by postulating that differentiated products may be subject to greater tariff evasion due to the difficulties associated with assessing their quality and price. Using product-level data on trade between Germany and 10 Eastern European countries during 1992-2003, the authors find empirical support for this hypothesis. They show that the trade gap is positively related to the level of tariff in 8 out of 10 countries. Further, the authors show that the responsiveness of the trade gap to the tariff level is greater for differentiated products than for homogeneous goods. A one-percentage-point increase in the tariff rate is associated with a 0.6 percent increase in the trade gap in the case of homogeneous products and a 2.1 percent increase in the case of differentiated products. Finally, the data indicate that greater tariff evasion observed for differentiated products tends to take place through misrepresentation of the import prices.

Rules of origin in services: a case study of five ASEAN countries

An important question in the design of bilateral and regional free trade agreements (FTAs) covering services is to what extent nonmembers benefit from the trade preferences that are negotiated among members. This question is resolved through services rules of origin. The restrictiveness of rules of origin determines the degree of preferences entailed in market opening commitments, shaping the bargaining incentives of FTAs and their eventual economic effects. Even though the number of FTAs in services has increased rapidly in recent years, hardly any research is available that can guide policymakers on the economic implications of different rules
of origin. After outlining the key economic tradeoffs and options for rules of origin in services, the paper summarizes the main findings of a research project that has assessed the rules of origin question for five countries in the ASEAN region. For selected service sub-sectors and a number of criteria for rules or origin, simulation exercises evaluated which service providers would or would not be eligible for preferences negotiated under a FTA.

**The impact of Kazakhstan accession to the World Trade Organization: a quantitative assessment**

In this paper the authors use a computable general equilibrium model of the Kazakhstan economy to assess the impact of accession to the WTO, which encompasses (1) improved market access; (2) Kazakhstan tariff reduction; (3) reduction of barriers against entry by multinational service providers; and (4) reform of local content and value-added tax policies confronting multinational firms in the oil sector. They assume that foreign direct investment in business services is necessary for multinationals to compete well with Kazakhstan business services providers, but cross-border service provision is also present. The model incorporates productivity effects in both goods and services markets endogenously, through a Dixit-Stiglitz framework. The authors estimated the ad valorem equivalent of barriers to foreign direct investment based on detailed questionnaires completed by specialized research institutes in Kazakhstan. They estimate that Kazakhstan will gain about 6.7 percent of the value of Kazakhstan consumption in the medium run from WTO accession and up to 17.5 percent in the long run.

**Migration from Zambia: ensuring temporariness through cooperation**

The paper analyzes migration from Zambia in order to understand how migration policy can support development in the least developed countries. Overall emigration from Zambia is not high by regional standards, but the pattern of migration is skewed toward the skilled and away from the unskilled. A development-friendly approach to migration for Zambia would strive to ensure the temporariness of both types of movement. First, industrial countries may be willing to accept a higher level of unskilled immigration if they could be certain that it is temporary. Second, any adverse effects of brain drain would be greatly alleviated if skilled emigration is temporary. The problem is that host countries cannot unilaterally ensure temporariness of unskilled migration because repatriation cannot be accomplished without the help of source countries like Zambia, and source countries today have little incentive to facilitate the return of the unskilled. But there is a strong case and considerable scope for cooperation between source countries like Zambia and destination countries in the design and implementation of migration policy so that unskilled migration becomes feasible and skilled migration takes a more desirable form.

**Trade in health services in the ASEAN region**

Promoting quality health services to large population segments is a key ingredient to human and economic development. At its core, healthcare policymaking involves complex tradeoffs between promoting equitable and affordable access to a basic set of health services, creating incentives for efficiencies in the healthcare system, and managing constraints in government budgets. International trade in health services influences these tradeoffs. It presents opportunities for cost savings and access to better quality care, but it also raises challenges in promoting equitable and affordable access. Drawing on a research project of the ASEAN Economic Forum, this paper offers a discussion of trade policy in health services for the ASEAN region. It reviews the state of healthcare in the region, existing patterns of trade, and remaining barriers to trade. The paper also identifies policy measures that could further harness the benefits from trade in health services and address potential pitfalls that deeper integration may bring about.

**Market structure and market access**
The authors examine an issue at the nexus of domestic competition policy and international trade, the interaction between goods trade and market power in domestic trade and distribution sectors. Theory suggests a set of linkages between service-sector competition and goods trade supported by econometrics involving imports of 22 OECD countries compared with 69 exporters. Competition in services affects the volume of goods trade. Additionally, because of interaction between tariffs and competition, the market structure of the domestic service sector becomes increasingly important as tariffs are reduced. Empirically service competition apparently matters most for exporters in smaller, poorer countries. The results also suggest that while negotiated agreements leading to cross-border services liberalization may boost goods trade as well, they may also lead to a fall in goods trade when such liberalization involves foreign direct investment leading to increased service sector concentration.

Institutions, infrastructure, and trade

This paper examines the influence of infrastructure, institutional quality, colonial and geographic context, and trade preferences on the pattern of bilateral trade. They are interested in threshold effects, and so emphasize those cases where bilateral country pairs do not actually trade. The authors depart from the institutions and infrastructure literature in this respect, using selection-based gravity modeling of trade flows with a panel of 284,049 bilateral trade flows from 1988 to 2002. Matching bilateral trade and tariff data and controlling for tariff preferences, level of development, and standard distance measures, they find that infrastructure and institutional quality are significant determinants not only of export levels, but also of the likelihood exports will take place at all. Their results support the notion that export performance, and the propensity to take part in the trading system at all, depends on institutional quality and access to well-developed transport and communications infrastructure. Indeed, this dependence is far more important, empirically, than variations in tariffs in explaining sample variations in North-South trade.

The impact of trade with China and India on Argentina's manufacturing employment

For many in Latin America, the increasing participation of China and India in international markets is seen as a looming shadow of two "mighty giants" on the region's manufacturing sector. Are they really mighty giants when it comes to their impact on manufacturing employment? The authors attempt to answer this question by estimating the effects of trade with China and India on Argentina's industrial employment. They use a dynamic econometric model and industry level data to estimate the effects of trade with China and India on the level of employment in Argentina's manufacturing sector. Results suggest that trade with China and India only had a small negative effect on industrial employment, even during the swift trade liberalization of the 1990s.

Quantifying international migration: A database of bilateral migrant stocks

This paper introduces four versions of an international bilateral migration stock database for 226 by 226 countries and territories. The first three versions each consist of two matrices, the first containing migrants defined by country of birth, that is, the foreign-born population; the second, by nationality, that is, the foreign population. Wherever possible, the information is collected from the 2000 round of censuses, though older data are included where this information was unavailable. The first version of the matrices contains as much data as could be collated at the time of writing but also contains gaps. The later versions progressively use a variety of techniques to estimate the missing data. The final matrix, comprising only the foreign-born, attempts to reconcile all of the available information to provide the researcher with a single and complete matrix of international bilateral migrant stocks. The final section of the paper describes some of the patterns evident in the database.
Estimating real production and expenditures across nations: A proposal for improving the Penn world tables

From its inception, the Penn World Tables (PWT), building on the International Comparisons Program (ICP) of the United Nations, has sought to compare the standard of living of individuals in different countries. In this paper the authors propose a new approach to international comparisons of real GDP measured from the output side. They modify the traditional Gary-Khamis system, which measures real GDP from the expenditure side using real domestic expenditure, to include differences in the terms of trade between countries. The analysis shows that this system has a strictly positive solution under mild assumptions. On the basis of a set of domestic final output, import, and export prices and values for 151 countries in 1996, differences between real GDP measured from the expenditure and output side can be substantial, especially for small open economies.

The role of services in rural income: the case of Vietnam

This paper investigates the role of services in the household response to trade reforms in Vietnam. The relative response of the households and income growth after a major trade liberalization in rice are analyzed. It focuses on services that have an impact on transaction costs (roads or quality of roads, public transportation, access to credit, extension services, and availability of markets in communication services) because transaction costs are often cited as a barrier to rural households in responding to the price changes and increased incentives offered by trade and other policy reforms. The results suggest that availability of production related services contributes positively to the impact of trade reforms. Although most of the service variables have a positive and significant effect on growth in income, some that are expected to have an impact are not significant. This may be explained by the exceptional coverage of infrastructure services in Vietnam even before the reforms.

Substitutability and protectionism: Latin America's trade policy and imports from China and India

The authors examine the trade policy response of Latin American governments to the rapid growth of China and India in world markets. To explain higher protection in sectors where a large share is imported from these countries, they extend the "protection for sale" model to allow for different degrees of substitutability between domestically produced and imported varieties. The extension suggests that higher levels of protection toward Chinese goods can be explained by high substitutability between domestically produced goods and Chinese goods, whereas lower levels of protection toward goods imported from India can be explained by low substitutability with domestically produced goods. The data support the extension to the "protection for sale" model, which performs better than the original specification in terms of explaining Latin America's structure of protection.

Latin Americans of Japanese origin (Nikkeijin) working in Japan: a survey

Since the revision of the Japanese immigration law in 1990, there has been a dramatic influx of Latin Americans, mostly Brazilians, of Japanese origin (Nikkeijin) working in Japan. This is because the revision has basically allowed Nikkeijin to enter Japan legally even as unskilled workers, while the Japanese law, in principle, prohibits foreigners from taking unskilled jobs in the country. In response, the number of these Latin American migrants has increased from practically zero to more than 250,000. The migration of Nikkeijin is likely to have a significant impact on both the Brazilian and the Japanese economies, given the substantial amount of remittances they send to Brazil. The purpose of this paper is therefore to provide a more comprehensive account of the migration of Nikkeijin workers to Japan. The paper contains a brief
review of the history of Japanese emigration to Latin America (mostly Brazil), a study of the characteristics of Nikkeijin workers in Japan and their current living conditions, and a discussion on trends and issues regarding immigration in Japan and migration policy.