

# Conference on Trade and (Un)even Development

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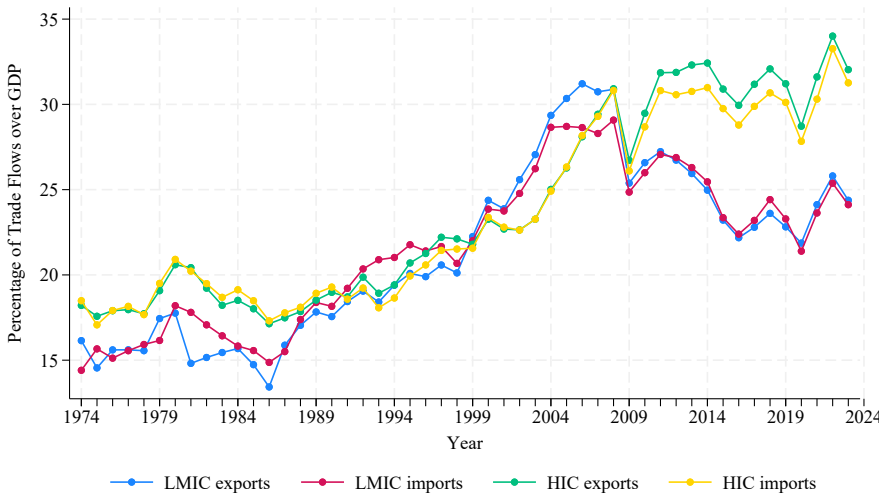
## Obligatory note on those parentheses

- The perspective/scale at which we consider this question matters.
  - Most research on trade and inequality (and media reporting) focus on inequality within countries or within markets.
  - Taking the perspective of the global income distribution, there is a good case that globalization contributed to a meaningful decrease in inequality.
- That's important to keep in mind, as protectionism (perhaps partly aimed at reducing inequality) could also close economic opportunities to some of the more vulnerable parts of the world income distribution.

## On the menu

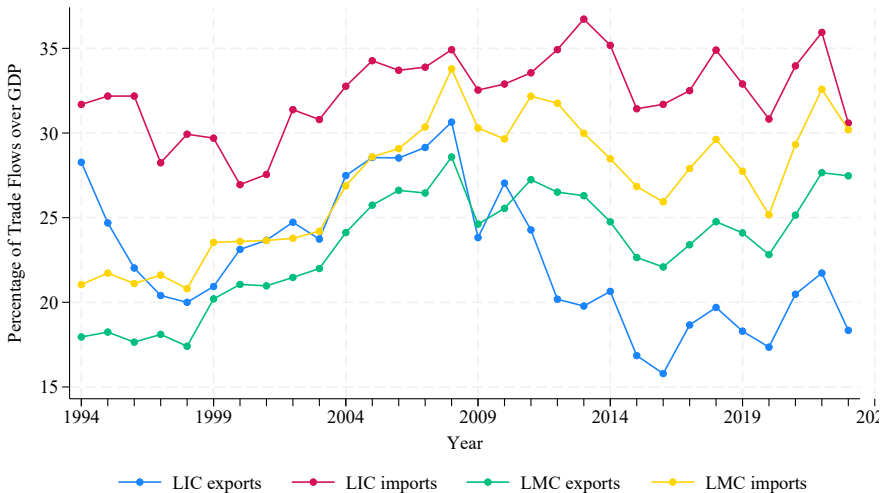
- Much of recent reporting suggests that globalization is in retreat.
  - And some of the standard metrics of globalization seem to have slowed among LMICs even before the more recent (geo)political headwinds.
- But taking a broader view of globalization, market integration seems alive and growing in LMICs.
  - In ways that may not be captured in traditional cross-border stats.
  - Through more recent and growing drivers of globalization.
  - That are often not directly linked to trade policies (but domestic policies).
- What are some of the common features?
  - Implications for research and policy

## Some standard globalization metrics



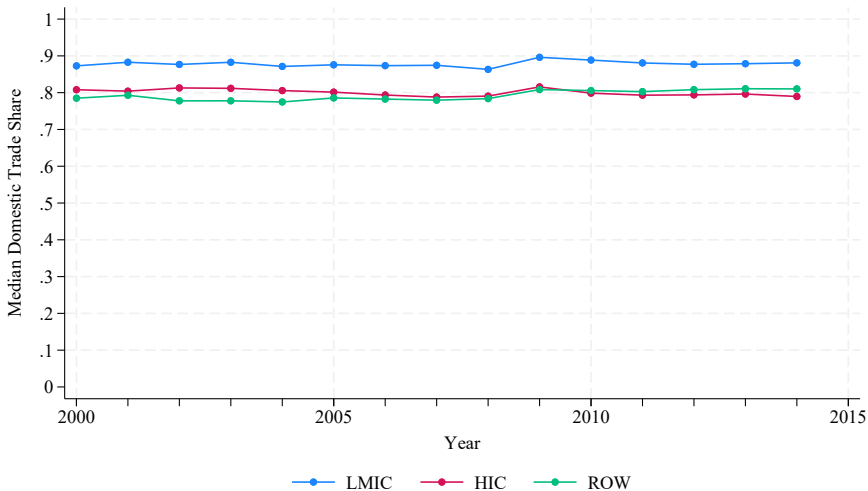
Source: WDI

## Focusing on low and low middle income countries

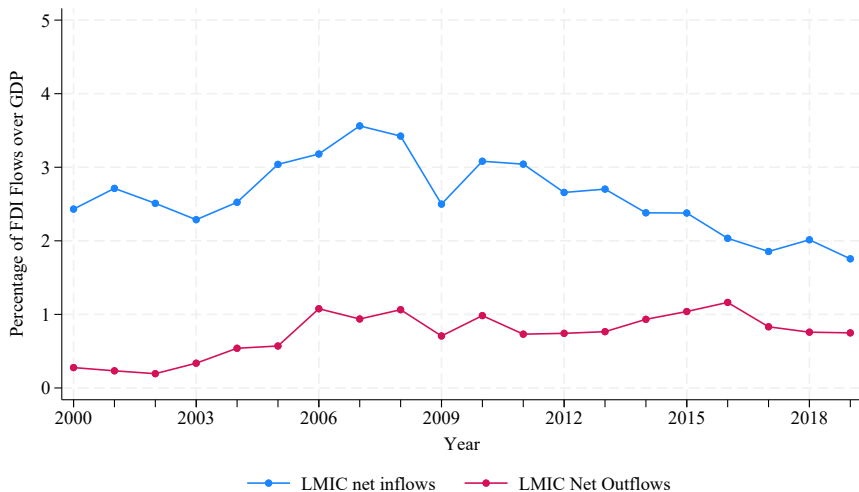


Source: WDI

## Lets look at a fairer comparison (not mixing gross flows with VA)

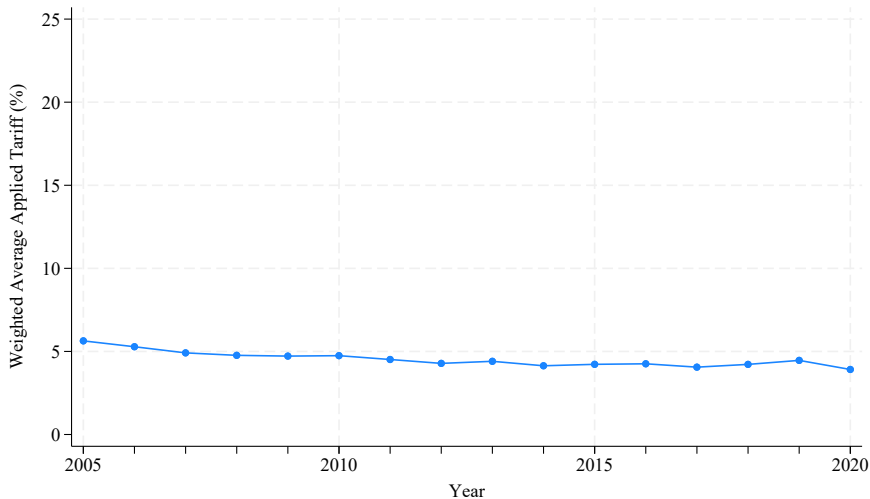


# What about FDI to/from LMICs?



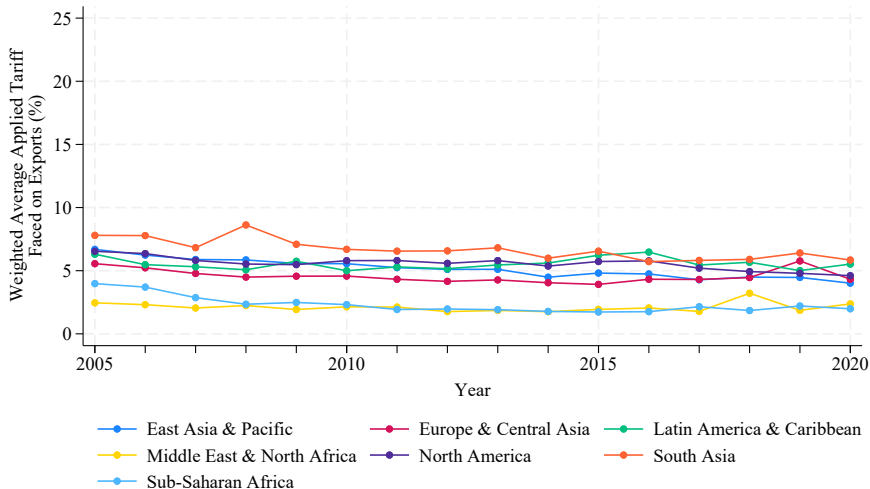
Source: WDI

## What about policy side?: tariffs faced on exports (world-wide)





# Tariffs faced on exports by region

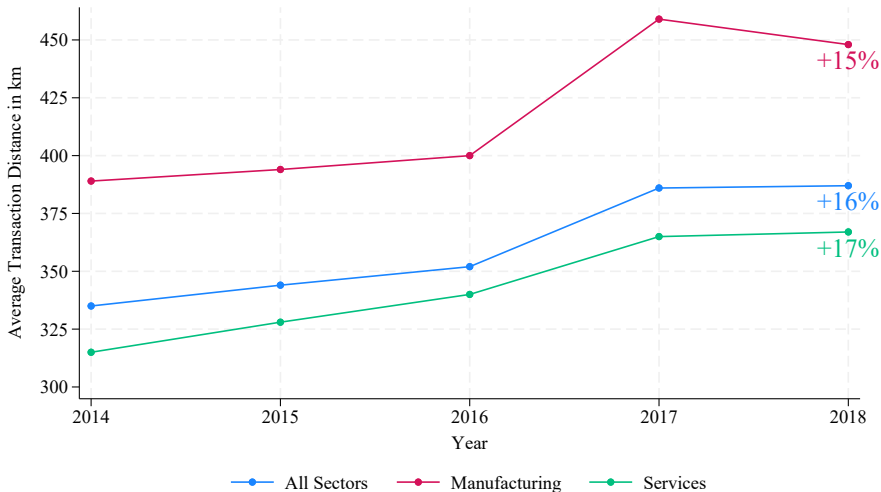


Source: WITS

## So has globalization stalled among LMICs in the 2000s?

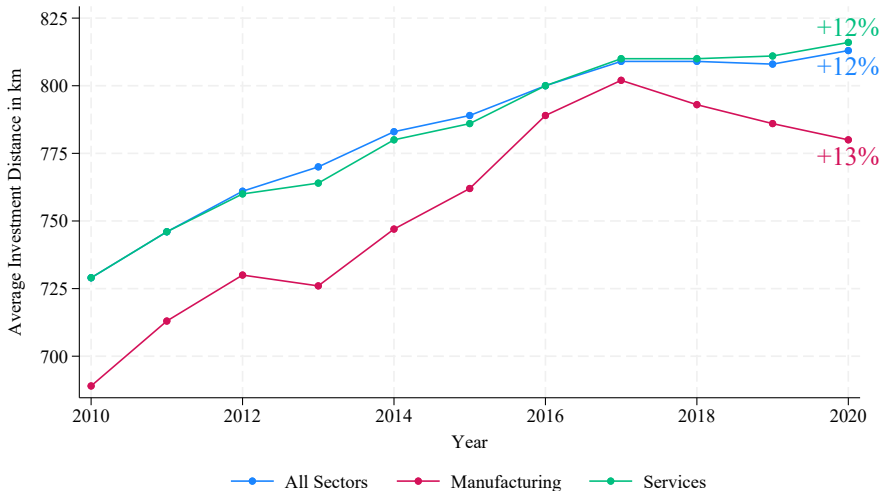
- Lets think of 'globalization' more broadly: as market integration.
- To what extent and how have firms and people in developing countries been connected to new markets over recent decades?
  - Maybe in ways that are not fully captured in standard cross-border metrics.
- Lets look for some clues in the data.

## Average distances of firm-to-firm transactions in China



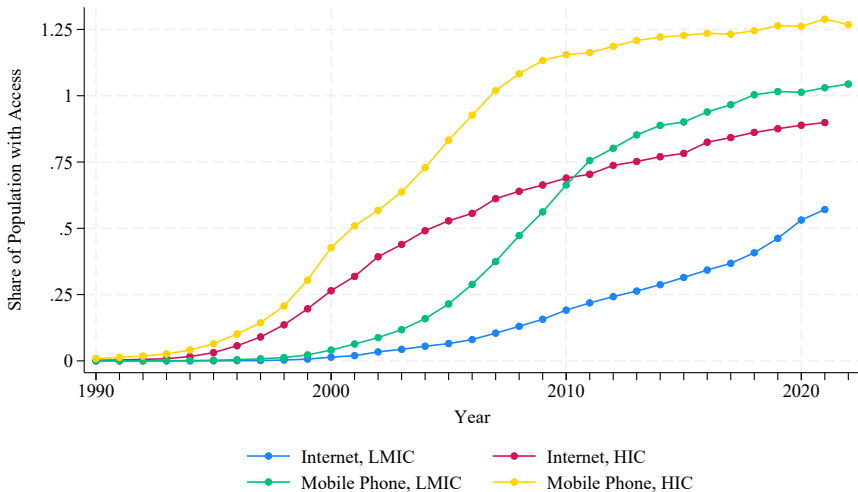
Source: STA

## Average distances of equity investment flows in China



Source: SAMR

Such within-country integration could be driven by, e.g., investments in transport, and ICT...



# What about non-traditional ways of exporting? Has global tourism contributed to LMIC exports?

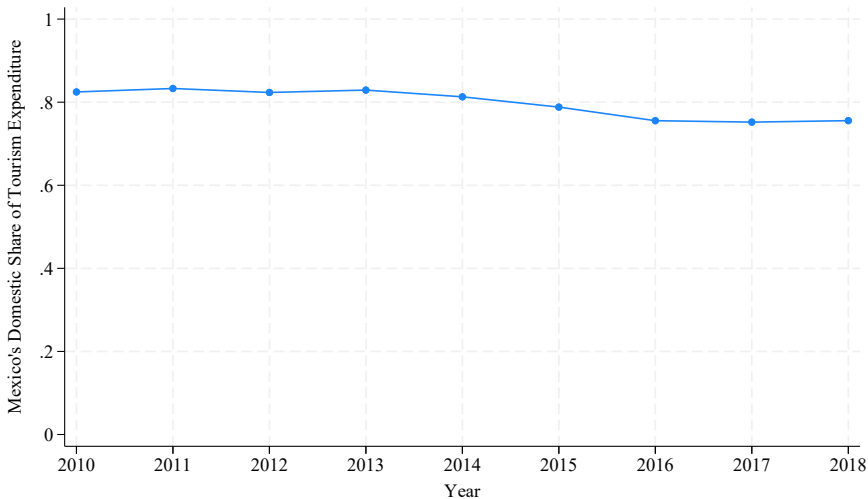


## Now relative to agricultural exports



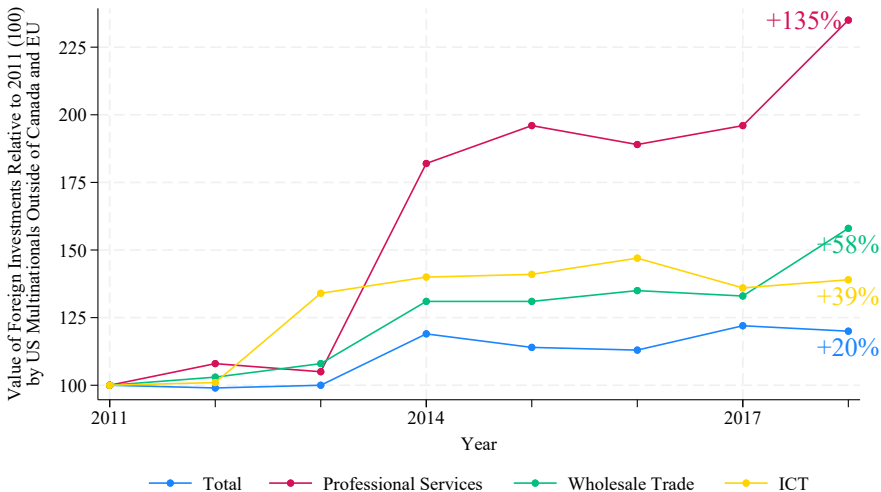
Source: WDI

And, again, within-country integration seems a big driver here too





# What about FDI in previously relatively closed sectors?



Source: BEA

# Some recent drivers of market integration in LMICs

- Trade cost reductions within countries
  - Transport investments
  - Development of modern logistics sector (beyond infrastructure)
- Reductions in information and communication costs
  - Mobile phones in LICs
  - Internet, e-commerce
- Exporting through passenger travel
  - Tourism, exports through higher education (foreign students)
- FDI in previously closed sectors
  - Wholesale, retail, other services
- Integration within regions or cities
  - Delivery apps, ride-sharing, Gig economy
  - Connecting buyers and sellers or jobs and workers within urban markets
- Rural-urban migration
  - Massive relative to cross-border migration
  - Migrants can lead to additional trade and investments between regions

## Some common features

- Many not directly related to import tariffs (and looming trade wars)
  - Likely here to stay and growing.
  - Often driven by new technologies and/or domestic government policies (infrastructure, regulation, tourism policies, etc.).
- In both theory and some existing evidence, recent drivers have both aggregate and distributional implications.
  - For the same reasons that we care about tariff policies, we should care about other forces of market integration.
- More likely to pose new regulatory challenges and policy questions
- Often with relatively little existing evidence
- Often requiring new types of granular data for analysis and investigation

# Conclusion

- Globalization is reportedly entering a period of crisis (tbc).
- Some standard metrics suggest slow-down among LMICs, predating many of the current headwinds.
- But taking a broader view, market integration among LMICs seems to be alive and growing.
- Through recent drivers of globalization, that may not be directly linked to traditional trade policies (but domestic policy-making).
- Those drivers pose many of the same hopes (and concerns) about trade and investment.
- But often less salient in media and policy discussions, and with less existing evidence to inform policy.
- **Thank you!**

