

Lecture 1: Basic Trade Facts

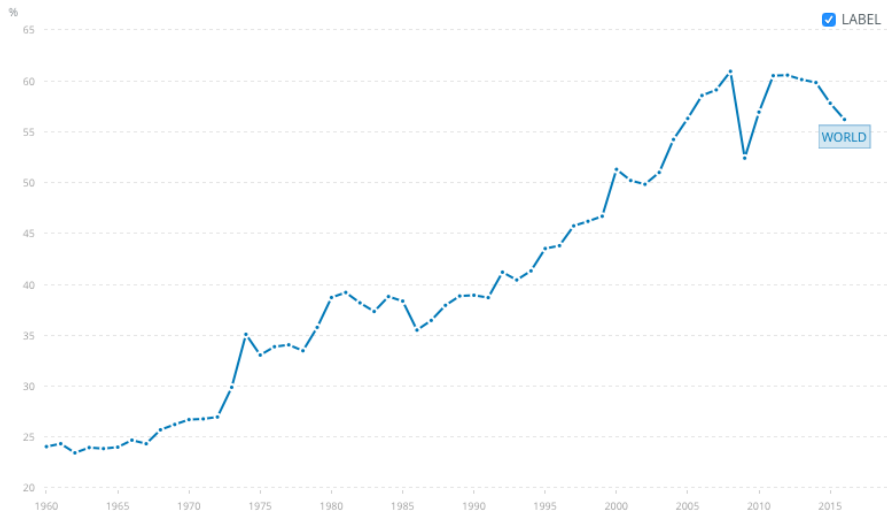
Seminario Avanzado de Comercio

José Pulido

Universidad del Rosario

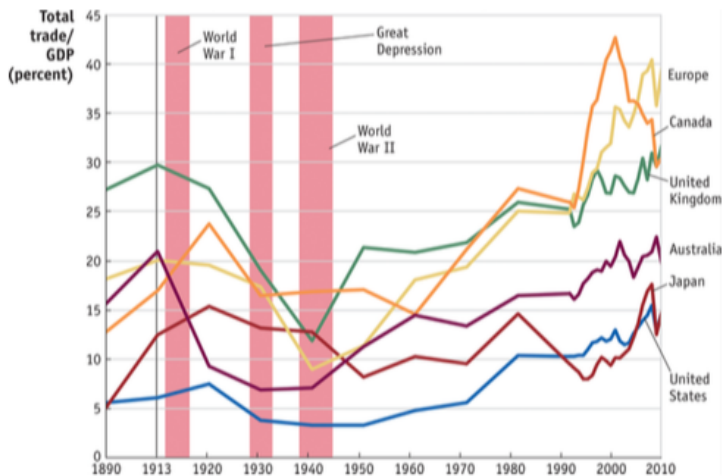
2018 Term 2

Trade Growth



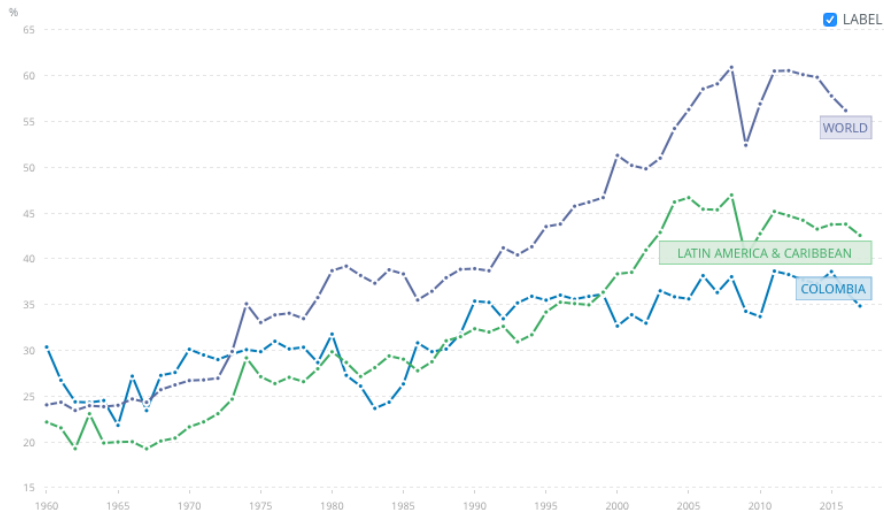
Note: Defined as $(\text{Imports} + \text{Exports}) / \text{GDP}$. Source: WB WDI

Trade in Historical Perspective



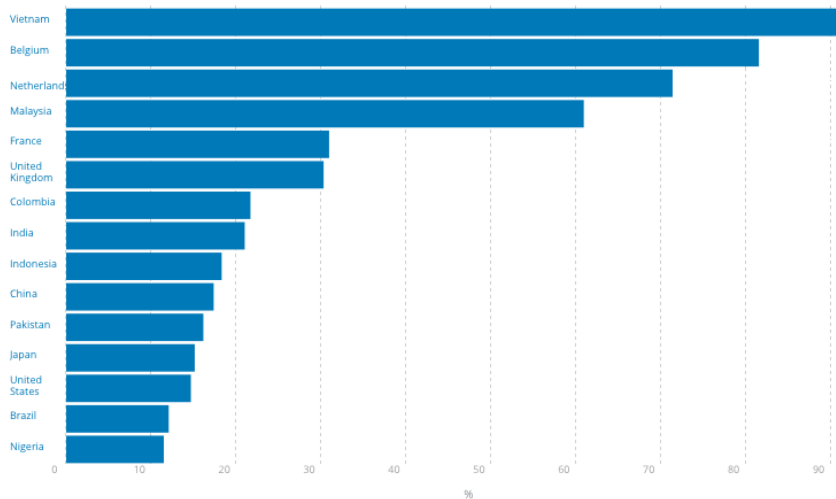
Source: Feenstra (2012)

Trade Growth in LA and Colombia



Note: Defined as $(\text{Imports} + \text{Exports}) / \text{GDP}$. Source: WB WDI

Trade Relative to Domestic Production



Note: Imports/GDP. Source: WB WDI

Trading Regions and Countries

	1948	1953	1963	1973	1983	1993	2003	2016
	Value							
World	59	84	157	579	1838	3688	7380	15464
	Share							
World	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
North America	28.1	24.8	19.9	17.3	16.8	17.9	15.8	14.3
United States of America	21.6	14.6	14.3	12.2	11.2	12.6	9.8	9.4
Canada	5.5	5.2	4.3	4.6	4.2	3.9	3.7	2.5
Mexico	0.9	0.7	0.6	0.4	1.4	1.4	2.2	2.4
South and Central America and the Caribbean	11.3	9.7	6.4	4.3	4.5	3.0	3.0	3.3
Brazil	2.0	1.8	0.9	1.1	1.2	1.0	1.0	1.2
Chile	0.6	0.5	0.3	0.2	0.2	0.2	0.3	0.4
Europe	35.1	39.4	47.8	50.9	43.5	45.3	45.9	38.4
Germany a	1.4	5.3	9.3	11.7	9.2	10.3	10.2	8.7
Netherlands	2.0	3.0	3.6	4.7	3.5	3.8	4.0	3.7
France	3.4	4.8	5.2	6.3	5.2	6.0	5.3	3.2
United Kingdom	11.3	9.0	7.8	5.1	5.0	4.9	4.1	2.6
Commonwealth of Independent States (CIS), including associate and former member States b	-	-	-	-	-	1.7	2.6	2.7
Africa	7.3	6.5	5.7	4.8	4.5	2.5	2.4	2.2
South Africa c	2.0	1.6	1.5	1.0	1.0	0.7	0.5	0.5
Middle East	2.0	2.7	3.2	4.1	6.7	3.5	4.1	5.0
Asia	14.0	13.4	12.5	14.9	19.1	26.0	26.1	34.0
China	0.9	1.2	1.3	1.0	1.2	2.5	5.9	13.6
Japan	0.4	1.5	3.5	6.4	8.0	9.8	6.4	4.2
India	2.2	1.3	1.0	0.5	0.5	0.6	0.8	1.7
Australia and New Zealand	3.7	3.2	2.4	2.1	1.4	1.4	1.2	1.4

Source: WTO ITS, 2017

- In 2016 35% of world trade was between developed countries, 28% between developing and 37% between developed & developing

Trading Firms

Table 3

Exporter Premia in U.S. Manufacturing, 2002

	<i>Exporter premia</i>		
	<i>(1)</i>	<i>(2)</i>	<i>(3)</i>
Log employment	1.19	0.97	
Log shipments	1.48	1.08	0.08
Log value-added per worker	0.26	0.11	0.10
Log TFP	0.02	0.03	0.05
Log wage	0.17	0.06	0.06
Log capital per worker	0.32	0.12	0.04
Log skill per worker	0.19	0.11	0.19
Additional covariates	None	Industry fixed effects	Industry fixed effects, log employment

Source: BJRS (2007)

- Set of trading firms is non-random
- Exporters are relatively rare (18% of manufacturing firms in the US in 2002), large and productive

Globalization More Broadly

Table 1: World multinational production and trade.

	1982	1990	2001	2005	2007
World GDP in current U.S. dollars (bn)	11,758	22,610	31,900	40,960	55,114
As % of world GDP:					
world sales of foreign affiliates	24	25	58	51	58
world gross product of foreign affiliates	5	7	11	10	11
world exports	19	19	23	27	31
As % of affiliates' sales:					
world exports of foreign affiliates	26	26	14	18	19

Exports include goods and non-factor services. Source: World Investment Report, UNCTAD, 2009.

Source: Ramondo (2013)

- Economic globalization is not just about shipping more final goods across borders
 - ▶ Multinational production
 - ▶ Global value chains
 - ▶ Trade in services

Fundamental Questions

Questions you probably solved in previous trade courses:

- Why do countries trade?
- What goods do countries trade?
- What is the effect of trade policies?

Questions we will tackle in this course:

- Which firms do the trading?
- How does trade affect firms?
- How does trade (with firms) affect welfare?
- How is production organized across countries?
- What are the distributional consequences of trade?