



International Collaborative Initiative For Trade and Employment (ICITE): Project Review

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ICITE Overview

- **ICITE:** Launched in 2010 to analyse from diverse perspectives the complicated relationship between trade and employment.
- **10 Participating IOs:** OECD, ILO, WB, WTO, ADB, ECLAC, OAS, IADB, AfDB, UNCTAD.
- Research organised via cross-cutting **thematic papers** and **country case studies**, following same basic template, from OECD and other Asia, LA, African economies.
- **Scheduled Conference programme:** Manila (done), Santiago (done), Tunis (September), GFT-Paris (November).

Presentation Overview

- ICITE is an ambitious project with many dimensions; can't cover much in 10-15 minutes!
- Thus, I would like to touch on some progress thus far, including ICITE-related cooperation for the G-20; results from conferences held; and fruits of some OECD work that is emerging (lots more by our partners but I can't do justice!).
- Just a sampling, but hopefully will pique your curiosity!
- I should add that, at the OECD Ministerial end-May, explicit strong support for the initiative.

First Fruits: G-20

- The core of ICITE was formed in Spring 2010; G-20 Summit in Toronto mandated the OECD, ILO, WB, and WTO to report to November Summit in Seoul regarding the benefits of trade lib for employment and growth.
- Via an integrated literature review, fresh analytics and new modelling, we concluded that:
 - *Through a number of channels trade liberalisation is good for growth, but the relationship between trade and employment is more complicated.
 - *Literature review and modelling suggest that trade is generally good for employment, but implementation (sequencing, adjustment costs) and distribution issues are critical.
 - *Strong arguments on both equity and efficiency grounds for active labour policies.
- Report was well-received by G-20

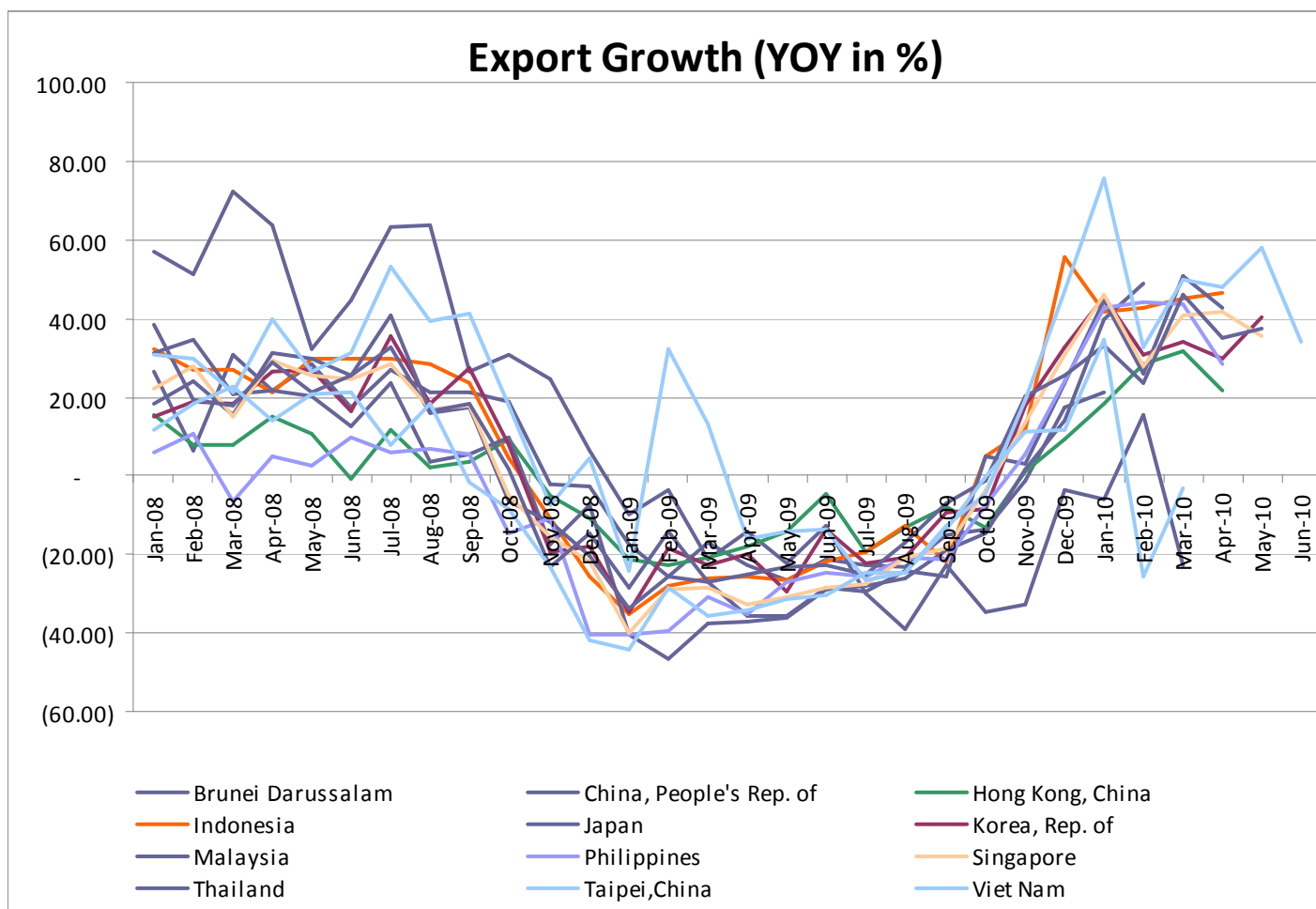


Recent Developments: Conferences

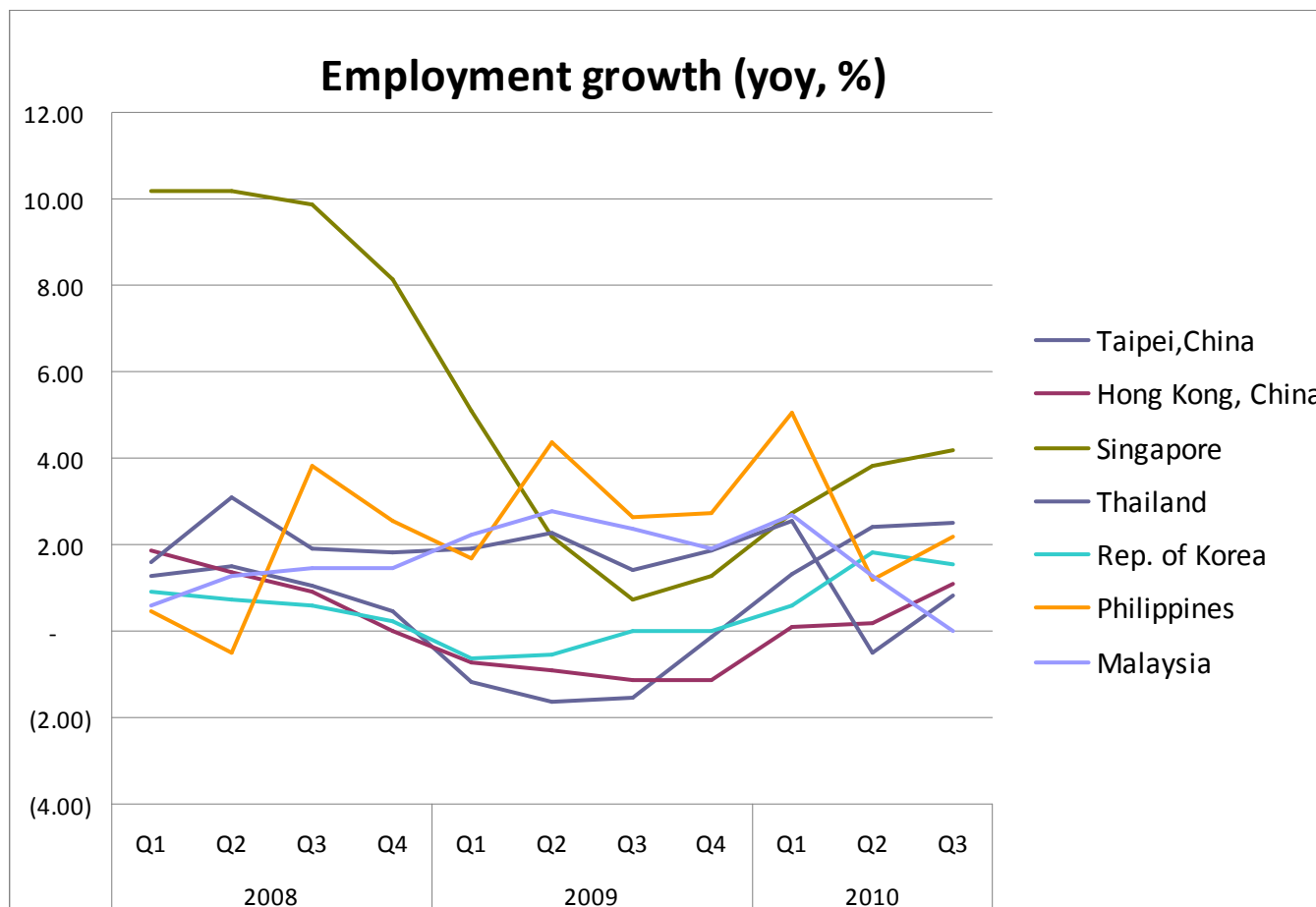
- Manila Conference, 18-19 April
- Held at ADB, with participation from most ICITE-partner IOs.
- Given role of trade in famed Asian growth and its importance in terms of size and as a model, exploring the link with employment is especially important in Asia.
- Indeed:

Exports are rebounding, but:

Slides from Khor (ADB) Presentation



...employment growth still an issue



Summary from ADB Conference Highlights

- Not just due to global crisis
- Tremendous shifts in patterns of employment in Asia for past three decades, both in terms of trade and economic structure
- The inclusiveness of these shifts depends on existing institutions within the country:
 - Labor market
 - Education
 - Social safety nets

Emerging trends and stylized facts

1. Services growing rapidly
2. Wages increased broadly and still robust in Asia
3. Trade did not lead to degradation of labor conditions in Asia: more trade correlated with better conditions and higher wages
4. Increased demand for skilled labor
5. Regional integration
6. The China story is extremely important



Santiago Conference, 14-15 June

- One common aspect of the East Asian development “model” is outward-orientation; one can’t say the same for Latin America, which continues to be characterised by considerable diversity.
- Nevertheless, most economies have become more open and integrated with the international marketplace, which is likely to continue.
- Salient changes influencing LA:
 - *China (again!) and other emerging markets
 - *Financial crisis
 - *increased market volatility and uncertainty
 - *Intra-industry trade and production networks

Some Empirical Evidence from LAC

Slides Adopted from Arbache (BANDES) Presentation

- HO-SS was contested in the past, but now has gained more support.
- Jobs created mostly in the non-tradable areas of the service sector, not in tradable and commodity sectors.
 - Informality, job quality, low productivity
 - Mining and agriculture → becoming capital intensive.
- Wage premium in commodity sector (copper, oil, gas) e.g. Chile, Brazil, Bolivia.
- Exchange rate and NTBs have become more important than tariffs affecting trade flows.
- Bilateral trade agreements.

The Chinese Connection

- The role of China in Asia is well-appreciated; its role in LAC less so, but was frequently discussed at conference.
- South-South relationship that resembles the very typical North-South relationship:
 - Commodity-based exports – Dutch disease?
 - Manufacturing imports
- Main trade partners: Brazil, Argentina, Ecuador, etc
- Exchange rate policy core issue for LAC as well

Emerging OECD Studies

- So far, so good for conferences and associated research. Looking forward to Africa and the Global Forum!
- OECD Secretariat studies thus far include:
 - a paper on trade and wages;
 - scoping for paper on labour market adjustment
- Consultant studies: we have full drafts of 5 studies thus far:
 - 4 countries - France, Japan, Korea, Mexico
 - 1 thematic - Political Economy
- Further country drafts under preparation:
 - Denmark, Germany, Italy, Russia, Spain, United States; Australia (Productivity Commission)

Country Study Drafts: Summary Conclusions

France	Econometric analysis using matched firm-level data set covering, inter alia, trade and employment. Large firms, especially, exploit benefits of liberalisation, but rigidities appear to inhibit ability of labour market to benefit overall.
Japan	Assessment based on input-output tables, taking into account hours and jobs. Exports found to be a positive influence on jobs & total hours, a pattern influenced by increased flexibility, decreased legal work week hours.
Korea	Econometric analysis using plant-level survey data to consider skill upgrading and reallocation of labour. Exporting especially associated with such upgrading, in particular large firms active in R&D.
Mexico	Econometric analysis using Mexican labour force survey including occupation (skills), plus US mirror trade data from US Census and BLS. Find NAFTA promoted demand for relatively unskilled labour, failed to encourage skills biased change perhaps due to bottlenecks (e.g., education)

Cross-Cutting Themes

- Importance of proceeding in an empirical manner, fact-based policy analysis
- For successful labour market impacts of trade liberalisation, need an holistic approach
 - E.g., educational quality, training, labour market flexibility, adjustment assistance, regulations & institutions, attention to political economy
- Rigidities may impede ability to capitalise on opportunities from trade liberalisation

Next Steps

- As first draft reports are being polished, we are exploring various means to publish ICITE-related work.
- Our approach will be flexible and diverse, from a book planned by OECD in 2012 to Working Papers and Policy briefs. Stay tuned!

Thank you for your attention!