ESSAYS ON INTERNATIONAL TRADE AND EXPORT PERFORMANCE

SUMMARY

Historical evidence shows that countries can successfully develop by opening up to trade and pursuing manufacturing export-led strategies. Trade promotes efficient allocation of resources according to comparative advantage, with imports acting as a vehicle for technology transfers and productivity growth while exports are key to relaxing balance-of-payments constraints and supporting domestic revenue mobilization efforts. By spurring growth, trade has the potential of alleviating poverty and delivering better livelihoods. Drawing on the case of Cambodia where the garment industry provides the bulk of manufacturing jobs and accounts for the lion's share of the export bundle, Chapter 2 provides micro evidence of the welfare-enhancing potential of trade openness through manufacturing exports. It relies on propensity score matching estimators to show that the textile and apparel sector enhances the welfare of households in the bottom 40 percent of the income distribution, boosting consumption, asset ownership and the proportion of
children attending school, while curbing exposure to food insecurity and lowering the incidence and depth of poverty. Based on instrumental variables, we also show that remittances from the export-oriented garment industry relax household budget constraints, increasing expenditures in education, health and productivity-raising investments in agriculture. Chapter 3 adopts a macro approach to investigate the determinants of episodes of strong and sustained export growth. Institutional quality underpinned by macroeconomic stability, a depreciated exchange rate, export diversification, global value chain participation and market-oriented agricultural reforms show up as strong predictors of export takeoffs. Lowering barriers to competition in network industries and lifting capital movement restrictions mainly bolster services exports, while foreign direct investment inflows are conducive to goods export accelerations. Applying the synthetic control method to the illustrative cases of Brazil and Peru yields evidence of higher real GDP per capita and lower unemployment and income inequality in the years following the export surge. Our results point to significant complementarities between goods and services, and suggest that lowering barriers to trade in services is likely to support trade in goods. Chapter 4 quantifies a new source of domestic trade costs related to import processing times at the border that generate supply chain unreliability by exposing importing firms to unexpected delays in the provision of critical inputs, ultimately undermining their export performance. Using the Poisson-pseudo-maximum-likelihood estimator, we find that uncertainty in the time required to clear imported inputs through Customs impacts neither the entry nor the exit rate of manufacturing firms, but translates into lower survival rates for new exporters. This effect is heterogeneous across export industries, grows larger over time owing to rising reputational costs to input-importing exporters, and is mainly driven by South-North trade, possibly reflecting the time-sensitivity of buyers in developed countries. It is also attenuated by sunk costs of entry in foreign markets.

KEYWORDS

International trade in goods and services, manufacturing, household welfare, growth, export accelerations, import uncertainty, supply chain unreliability, trade costs.

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