

TID Lectures:

Globalization and Firm-level Responses in the Developing World

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This series of lectures explores the ways that firms in developing countries interact with the global economy. The first section introduces several models that explain why different types of firms react differently to trade liberalization. It then reviews the econometric evidence on these models from developing countries. Special attention is given to the dynamic effects of globalization on productivity, exporting patterns, and industrial structure. The second section introduces multinationals. It begins with theories of multinational investment flows, then it reviews the evidence on patterns of multinational investments and their effects on host countries. Time permitting, a final section will treat models of outsourcing trade and the consequences of outsourcing arrangements for firms in developing countries.

1. Trade with Heterogeneous Firms

a. Theory

- * Bernard, A., Eaton, J., Jensen, J., and S. Kortum. 2003. "Plants and Productivity in International Trade," *American Economic Review* Vol. 93, No. 4, pp. 1268-1290.
- * Melitz, M. 2003. "The Impact of Trade on Aggregate Industry Productivity and Intra-Industry Reallocations," *Econometrica* 71(6), pp. 1695-1726.

Melitz, M. and G. Ottaviano. 2003. "Market Size, Trade and Productivity." Harvard University, Department of Economics.

b. Evidence on exporter behavior

Roberts, M. and J. Tybout, 1997. "The Decision to Export in Colombia," *American Economic Review* 87, 545-65.

Das, S., M. Roberts and J. Tybout, 2002. "Market Entry Costs, Producer Heterogeneity and Export Dynamics," NBER Working Paper No. 8629.

Aw, B., S. Chung and M. Roberts, 2000. "Productivity and Turnover in the Export Market: Micro-level Evidence from the Republic of Korea and Taiwan (China). *World Bank Economic Review* 14, pp. 65-90.

Clerides, S., S. Lach and J. Tybout, 1998. "Is Learning by Exporting Important? Micro-dynamic Evidence from Colombia, Mexico and Morocco, *The Quarterly Journal of Economics* 113, pp. 903-47.

c. Evidence on productivity, industrial structure and transition dynamics

Pacvnik, N. 2002. "Trade Liberalization, Exit and Productivity Improvements: Evidence from Chilean Plants," *Review of Economic Studies* 69, pp. 245-76.

- * Tybout, J. 2003. "Plant and Firm-Level Evidence on the 'New' Trade Theories," in E. K. Choi and J. Harrigan, eds., *Handbook of International Trade*, Oxford: Basil-Blackwell.

Erdem, E. and J. Tybout, forthcoming. "Import Competition and Industrial Sector Performance: Interpreting the Evidence," in *Brookings Forum on International Trade*, 2003. (NBER Working Paper No. 9947).

2. Global Fragmentation and Multinational Firms

a. Theory

* Barba Navaretti, G. and A. Venables, *Multinational firms in the World Economy*, forthcoming, Princeton U. Press, Chapters 1, 2, 4, 5.

* Markusen, J. 1995. "The Boundaries of the International Enterprise," *Journal of Economic Perspectives* (Spring) pp. 169-189.

Markusen, J. and A. Venables. 1998. "Multinational Firms and the New Trade Theory," *Journal of International Economics* (December) 183-204.

* Helpman, E., M. Melitz and S. Yeaple, forthcoming. "Export versus FDI with Heterogeneous Firms," *American Economic Review*.

Helpman, E. and P. Krugman, 1985. *Market Structure and Foreign Trade*, MIT Press. Chapters 12 and 13.

Grossman, G. and E. Helpman. 2002. "Integration versus Outsourcing in Industry Equilibrium," *Quarterly Journal of Economics*, vol.117, no.1, pp, 85-120 .

Antras, Pol, 2003. "Firms, Contracts and Trade Structure," *Quarterly Journal of Economics* 118(4), pp. 1375-1418.

b. Empirics

Brown, D., A. Deardorff, and R. Stern. 2002. "The Effects of Multinational Production on Wages and Working Conditions in Developing Countries," in R. E. Baldwin and L. A. Winters, eds., *Challenges to Globalization*, manuscript under review.

Blomstrom, M. and A. Kokko. 1997. "How Foreign Investment Affects Host Countries," World Bank Working Paper 1745.

Brainard, L. 1997. "An Empirical Assessment of the Proximity-Concentration Tradeoff Between Multinational Sales and Trade," *American Economic Review*. pp. 520-44.

Carr, D., J. Markusen and K. Maskus. 2001. "Estimating the Knowledge Capital Model of the Multinational Enterprise," *American Economic Review*, pp. 693-708.