

Emerging Insights from ICITE

(International Collaborative
Initiative on Trade and
Employment)

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Presentation Overview

- ICITE and G20
- Asia (Manila) Conference Conclusions
- Latin America (Santiago) Conference Conclusions
- OECD Working Paper series
- Next Steps – Global Forum on Trade, OECD Ministerial and Beyond

ICITE Overview

- **ICITE:**
 - Launched in 2010 to pursue further assessment of the complicated relationship between trade & emp.
 - Grew from G20 initiative
 - ICITE: endorsed by OECD Ministers; report due in 2012.
- **10 Participating IOs:**
 - OECD co-ordinates
 - Partners include: ADB, AfDB, ECLAC, IADB, ILO, OAS, UNCTAD, WB, WTO.
- Research: cross-cutting **thematic papers** and **country case studies:** following a basic template, covering OECD and other Asia, LA & African economies.
- **Scheduled 2011 conference programme:** Asia (Manila; done), Latin America (Santiago; done), Africa (Tunis; on-going), Global Forum on Trade-Paris (November).

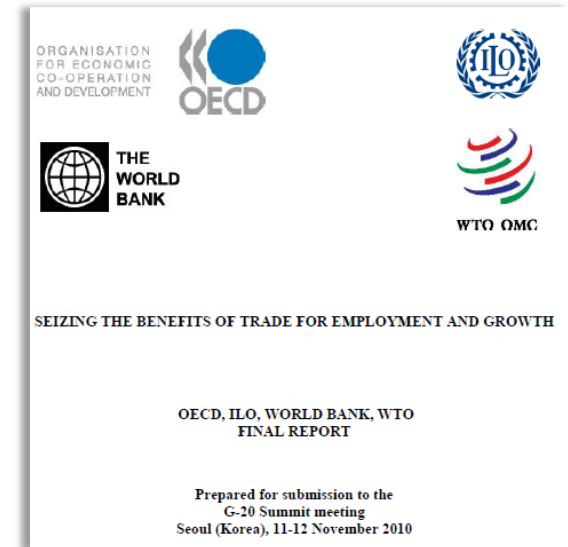
First Fruits: G-20

2010 G-20 Tasking

- G-20 Summit in Toronto: OECD, ILO, WB & WTO to report on benefits of trade lib for employment and growth. Report in Seoul.
- Approach: literature review, fresh analytics and new modelling.

Report Concludes

- Trade liberalisation is good for growth, but the relationship between trade and employment is complex.
- 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.
- Joint report was well-received by G-20.



ICITE: Manila Conference Highlights

- Tremendous shifts in patterns of employment in Asia for past three decades, related to change in in terms of trade and economic structure
- The inclusiveness of these shifts depends on existing institutions within the country:
 - Labour market
 - Education
 - Social safety nets
- Global crisis having an impact

Asia Trade and Labour:

Emerging trends and stylized facts

- Services growing rapidly
- Wages increased broadly and still robust
- Trade growth did not lead to degradation of labor conditions: more trade correlated with better conditions & higher wages
- Increased demand for skilled labor
- Regional integration accelerated
- The China story is extremely important (e.g., supply chain demand for labour)

ICITE: Santiago Conference

- East Asian development “model” tends to be outward-oriented; Latin America characterised by considerable diversity in approach.
- Nevertheless, most LA economies have become more open and integrated with the international marketplace, which is likely to continue.
- Salient changes influencing Latin America:
 - 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 presentation)

- HO-SS stories evident in some cases of trade lib.
- 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 help shape trade flows.

Latin America: 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
- Exchange rate policy core issue for LAC as well

Emerging OECD Studies

- OECD Secretariat developing series of studies:
 - Trade and wage outcomes (highlights negative association of import NTMs and wage developments)
 - Ongoing: labour market adjustment & role of policy
- OECD Consultant studies:
 - 9 countries: Denmark & Spain (comparative), **France**, Germany, **Japan**, Italy, **Korea**, **Mexico**, South Africa, United States
 - 2 thematic
 - * Political Economy of Trade Liberalisation
 - * Recent Literature on Informality
- Further country drafts under preparation:
 - Russia
- Outside contributor papers:
 - Australia (Productivity Commission);
 - Chile Trade & Wages (ECLAC & ILO);
 - Outsourcing and Migration (WTO)

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

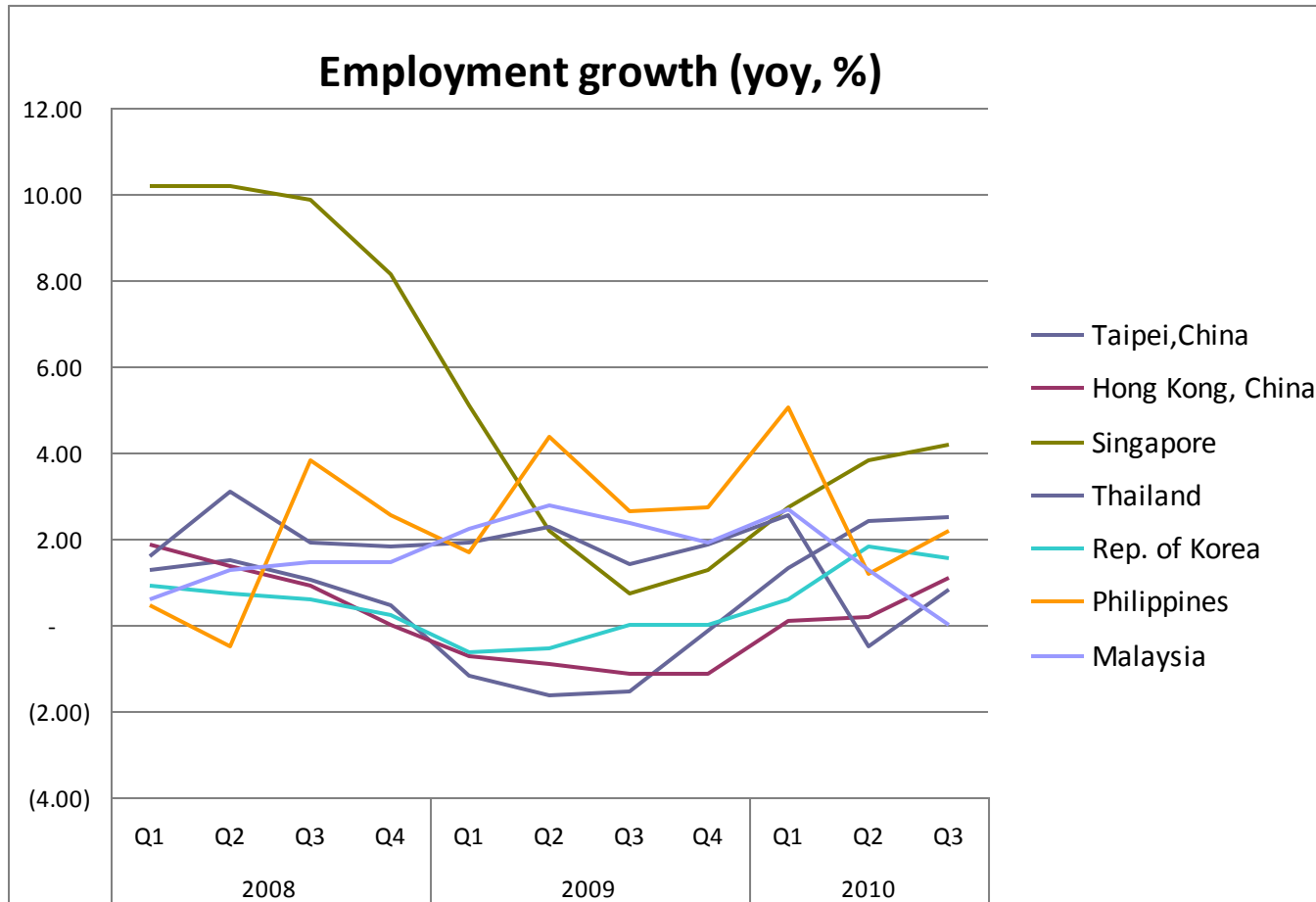
Next Steps

- ICITE Africa Conference Rapporteur's Report
- OECD and Partners: ICITE Working Papers
- Global Forum on Trade: Paris, 8-9 November 2011
- Report to OECD and Emerging Economy Ministers, 2011
- Follow up: ICITE phase II?
 - Sub-regional events? E.g., MENA, ASEAN?
 - Further studies?

Thank you for your attention!

For more on trade and jobs see:
www.oecd.org/trade/employment

...employment growth still an issue



OECD ICITE Country Study Drafts: Illustrative 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) |