



# LINKAGES BETWEEN TRADE, FDI, JOBS, PRODUCTIVITY AND EQUALITY: MYTHS AND EVIDENCE

Expert Group Meeting on Inclusive and Job-Enhancing  
Trade: Asia-Pacific Opportunities

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# Introduction

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- Linkages are many and not well understood:
  - Trade generally thought to be growth enhancing but notable exceptions reported.
  - Productive firms tend to export rather than exporting creating productive firms.
  - Inequality thought to be more a function of SBTC but trade can be a vector of technology transfer.



## Inclusive trade

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- Broad concept – access to opportunity.
- Can relate to labour markets on numerous levels:
  - Wages
  - Income (including transfers)
  - Formality
  - Quality of work
  - Distribution of returns (between types of labour as well as between capital and labour)



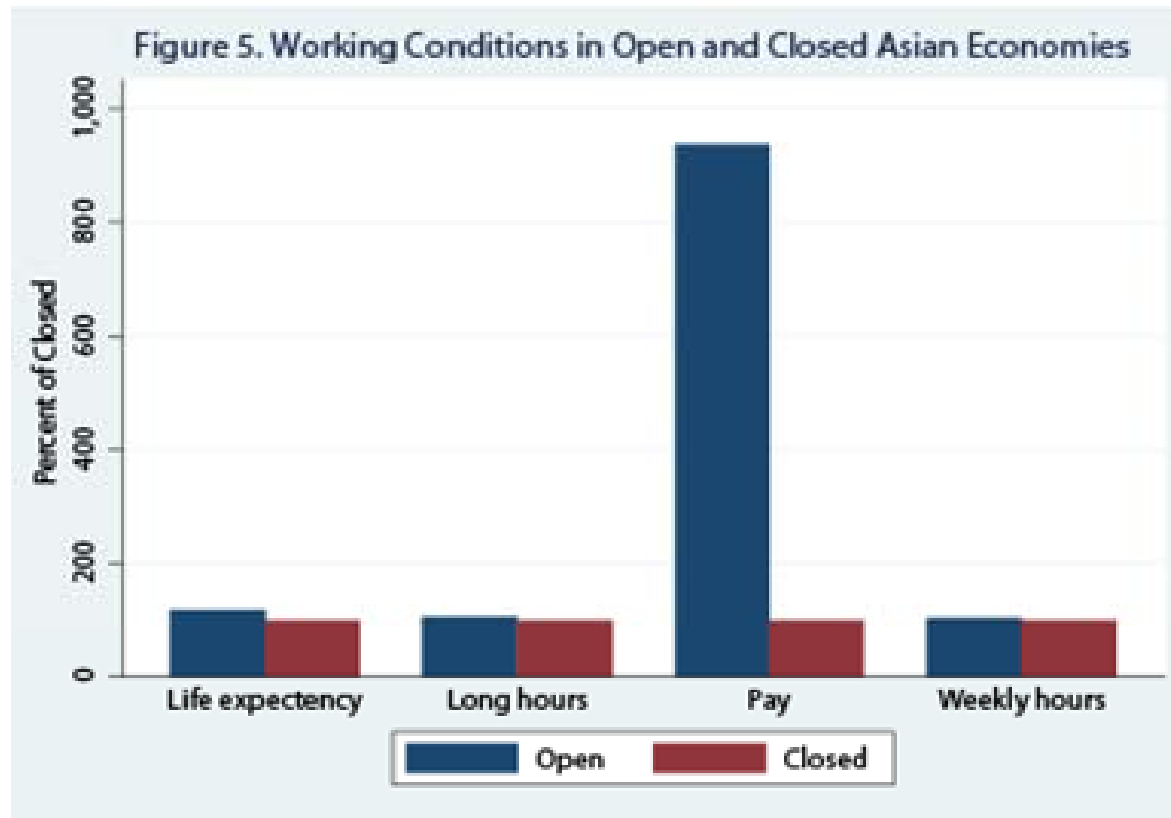
# Links – Some ‘Facts’

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- Trade generates jobs and raises incomes.
  - Neither rising trade integration nor financial openness has been found to have a significant impact on either wage inequality or employment trends within the OECD countries (OECD 2011).
- FDI can lead to spillovers in both economic activity and technology adoption.
  - Being a foreign affiliate has been positively linked with technological innovation and productivity increases (Hallward-Driemeier, et al. 2002) .
- Participation in international activity (both importing and exporting) can lead to productivity gains.
  - Intermediate imports have been empirically linked to firm level productivity gains (Stone and Shepherd 2011).



# Market Openness Yields Benefits for the Labour Market



Source: Flanagan and Khor (2011)



# Market Openness Yields Benefits for the Labour Market

**Table 4. Labor Conditions - Recent Developments**

	2008		Percent Change Since 1999	
Working Conditions	Asian	Non-Asian	Asian	Non-Asian
Hourly compensation	37.0	19.43	236.6	152.6
Annual Work Hours	2156	1914	2.3	.2
Job Accident Rate	5.9	n.a.	-22.2	n.a.
Labor Rights	Asian	Non-Asian	Asian	Non-Asian
Child Labor				
Civil Liberties	4.5	2.0	-8.1	-22.3

Note: Labor force weighted estimates.

Sources: See Appendix A.

Source: Flanagan and Khor (2011)



## Other Findings for Asia

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- Broad improvement in labor conditions in Asia and other countries accompanied globalization of late 20<sup>th</sup> and early 21<sup>st</sup> century (Hoekman and Winters 2007).
- Main influence of increased trade flows on labor conditions is indirect through its impact on per capita GDP.
  - Advances in per capita GDP advance labor conditions (Flanagan and Khor 2011).
- Poor labor conditions do not attract disproportionate shares of world FDI.
  - Market size and investment risk are the dominant influences on FDI (OECD 2008).



## – Some ‘Myths’

stitution preserves domestic  
nt (*McMillan, et al. 2010*).

leads to technology spillovers.

on in GVCs leads to economic  
(*Harrigan and Reshef 2012*).

growth leads to improved labour  
comes.

from China shows exporters pay lower  
l are less productive than non-exporters  
11).

e to assign ‘blame’ for economic  
exclusively on the shoulders of trade.