

research activities highlights report

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(1) Database and training

WIOD: In May 2009 we started a three year project extending the EU-KLEMS database. The project (World Input-Output Database: Construction and Applications –WIOD) is funded by the European Commission (DG Research) under its Seventh Framework Program (FP7). This project aims to develop databases, accounting frameworks, models and a consistent expert system for research. Project output will include a time series (1995-2006) of linked IO tables in current and constant international prices to take the dynamics of internationalization into account, the development of both environmental and socio-economic accounts to study the relationships and trade-offs between the main socio-economic and environmental trends, and side accounts on different labor-skill types, investment flows, and environmental and resources data.

There are parallels with the GTAP project, but also complementarities. The emphasis is on a panel dataset of linked input-output tables for the OECD economies and a number of other major non-OECD economies, covering the years 1995-2006. The sectoring scheme is different (there is no real breakdown of agricultural products). Target usage is both econometric and computational modeling. It is not clear if there will be support for follow-up work (there is risk this will be a one-off exercise).

The project is being led by the University of Groningen, and includes the Institute for Prospective Technological Studies (Spain), WIIW Wiener Institut für Internationale Wirtschaftsvergleiche (Austria), ZEW Zentrum für Europäische Wirtschaftsforschung (Germany), WIFO Österreichisches Institut für Wirtschaftsforschung (Austria), HTWG Hochschule Konstanz (Germany), TCBE The Conference Board Europe (Belgium), OECD Organisation for Economic Co-operation and Development (France), CPB CPB Netherlands Bureau for Economic Policy Analysis (The Netherlands), ICCS Institute of Communication and Computer Systems (Greece), and CRSA Central Recherche SA (France).

At the wiiw (Vienna) a team led by Joe Francois is coordinating the development of the panel trade dataset. Wiiw is also leading econometric applications of the data. There are also plans at wiiw to map the data into the GTAP data structure (to broaden the user community for the database.)

GIST: In September 2008 we started a four year project devoted to research on trade and investment in services. The Project (Globalization, Investment, and Services Trade – GIST) is funded by the European Commission (DG Research) under its Seventh Framework Program (FP7). The project aims to develop data on service trade and FDI flows, to explore political economy dimensions of service sector integration, and to examine interactions between cross border trade and patterns of FDI in services. The project is by Joe Francois (Linz), and includes University College Dublin, Paris 1, the University of Stockholm, wiiw (Vienna), CEPR, the CPB, the University of Ljubljana, and Centro Studi Luca d'Agliano (Milan). In parallel with WIOD, we are working on a panel dataset of global services trade

and FDI flows, as well as satellite FATS accounts. We are also working, through WIOD and GIST, on better estimation of bilateral transport costs.

ATC quotas: The research on ATC quotas used for estimates of the ATC tax equivalents in the GTAP database will be published (July 2009) in the Journal of International Economics.

(2) Recent Policy Research

Trade and Sustainability Impact Assessments of EU FTAs: The GTAP database has played an important role in modeling prospective EU FTAs with a number of developed and developing countries and regions. These are policy studies done for DG Trade, and in 2008-2009 have included studies of an EU-India FTA, EU-ASEAN FTA, EU-Andean FTA, EU-Central American FTA, and EU-Canada FTA. Institutional project teams have included CEPR, Copenhagen Economics, IIDE, wiiw (Vienna), and ECORYS.

Non-Tariff Measures (NMT) study: In June 2009 the EU will release a large scale study of NTMs affecting trans-Atlantic trade. This follows a year long study including business surveys, gravity modeling of goods and services trade, and CGE modeling (building on a projected GTAP database reflecting trade and production in 2018). The project was led by ECORYS and Joe Francois, and the consortium included ECOYRS, Copenhagen Economics, and IIDE, as well as James Anderson, Peter Egger, and Jeff Bergstrand. The result has been not only estimates (from a mix of survey and econometric evidence) of NTMs affecting goods and services trade, but also an assessment of "actionability," or the extent to which identified barriers can realistically be addressed as part of a process of negotiated mutual reductions and harmonization of regulations.

NAMA tariff reductions: The GTAP database featured in a set of studies (for the German Marshall Fund and for the EC -- DG Enterprise) on the impact of NAMA tariff reductions on trade and production patterns. The German Marshall Fund study emphasized the likely impact on developing countries, and was produced jointly by the Trade Partnership Worldwide (TPW) and the Johann Heinrich von Thünen Institute (JvT), led by Joe Francois and Martina Brockmeier. The second study, led by Joe Francois for wiiw, focused on the possible impact of NAMA on European industry, again with input from JvT. The result is a mapping from tariff-line data to GTAP level data, and mapped into the fully disaggregated GTAP database in a form that can be aggregated with GTAPagg. This also include 2008 JvT estimates of likely scenarios for agricultural protection at the GTAP sector level.

Asian Integration: We finished a large scale project with the ADB in 2008 exploring possibilities for Asian integration. This included the merging of gravity estimates of infrastructure impact on trade, and estimates of services trade barriers, with a projected multi region CGE modeling that builds on the GTAP database. In addition to the ADB report, the project has yielded publications as books and articles, with more in the pipeline.

(3) Conferences:

The European Trade Study Group (ETSG): 2009 is the 10th Anniversary for ETSG. The conference this year will be held 10-12 September 2009 in Rome.

(www.etsg.org). We will have approximately 350 papers, presented over 3 days. Joe Francois is the director of ETSG (together with Ian Wooton and Maurizia Zanardi). This year ETSG will feature a new, annual award from the World Trade Organization (the WTO prize). From the WTO's website: "The annual WTO Essay Award consists of a prize of CHF 5,000 to the author(s) of the winning essay. In the case of a co-authored paper, the prize will be equally divided among the authors. The winning paper will be officially announced at the annual meeting of the European Trade Study Group (ETSG), which is currently the largest conference specializing in international trade. The first WTO Essay Award for Young Economists will be made in September 2009 at the ETSG meetings in Rome, Italy. The winning author(s) will receive funding to attend the meetings." We also will again have an annual prize from the University of Louvain. This year's prize is for the best paper on firm heterogeneity and trade policy.

(4) Related recent publications:

PAN-ASIAN INTEGRATION: Linking East and South Asia, edited by Joseph F. Francois, Ganeshan Wignaraja and P. Rana, Palgrave Macmillan, 2009.

"Economic Implications of Asian Integration," Francois, Joseph F. and Wignaraja, Ganeshan, *Global Economy Journal*: Vol. 8 : Iss. 3, Article1, 2008.

"Producer Services, Manufacturing Linkages, and Trade," Joseph Francois & Julia Woerz, *Journal of Industry, Competition and Trade*, Springer, vol. 8(3), pages 199-229, December 2008.

"Non-linear panel estimation of import quotas: The evolution of quota premiums under the ATC," *Journal of International Economics* 78(2): 181-191, July 2009.

"Market structure and market access," Joseph F. Francois & Ian Wooton, *World Economy*, forthcoming.

"Cross-Border Trade and FDI in Services," Fillat Castejón, Carmen & Francois, Joseph & Woerz, CEPR Discussion Papers 7074, C.E.P.R. Discussion Paper, 2008.