

Regional Trade-FDI-Poverty Alleviation Linkages: Some Analytical and Empirical Explorations

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Introduction

- The Context
- Linkages among Regional Trade, FDI and Poverty Alleviation: Some Analytical Insights
- Illustrations from South Asia
- Estimations on Economic Growth Convergence in Different Regional Groupings
- Summing up

The Context

- Trade-Poverty Linkages
- Trade-FDI Linkages
- Regional Context
 - Trade and Investment Integration
 - Poverty Alleviation Efforts
 - Linkages among Trade-FDI-Poverty Alleviation

Linkages among Regional Trade, FDI and Poverty Alleviation: Some Analytical Insights

● Trade-Poverty Alleviation Links

- Literature
- Unsettled debate

● Trade-Investment Links

- Lack of theoretical / conceptual clarity

● Regional Context

- Trade-Development Linkage
- Trade Creation and diversion
- Trade diversion not necessarily bad
- Rules of Origin: Developmental Outcomes
- Trade-Investment Linkages
- Vertical Integration and Horizontal Specialization
- Static and Dynamic Gains

Illustrations from South Asia

- Trade Potential
 - Costs of non-cooperation
 - Distribution of trade gains
 - Dynamic trade gains
 - Employment generation potential
- Investment Potential
 - Trade-investment complementarities
 - Trade deficit and capital account surplus
 - Export Supply Capacities
 - Regional Sectors: Vertical and horizontal specialization
- Services Sector Potential: Trade and Investment (Mode 3)
- Examples of expanding trade and investment linkages (India-Sri Lanka, India-Nepal, Pakistan-Sri Lanka, a.o.)

Estimations on Economic Growth Convergence in Different Regional Groupings

- Growth Convergence: EU-15, NAFTA, ASEAN, SAARC, SADC
- β –convergence and conditional β –convergence
- Panel data (fixed effects)
- $(\log Y_{Tt,i} - \log Y_{0t,i})/nt = \alpha + \beta \text{Log}(Y_{0t,i}) + \varepsilon_{t,i} \dots\dots\dots(i)$
- $(\log Y_{Tt,i} - \log Y_{0t,i})/nt = \alpha + \beta_1 \text{Log}(Y_{0t,i}) + \beta_2 (\text{GC}) + \beta_3 (\text{OP}) + \beta_4 (\text{FDI}) + \beta_5 (\text{INF}) + \varepsilon_{t,i} \dots\dots(ii)$
- Wald Test
- Stationarity tests under panel estimation
 - Levin-Lin-Chu Test
 - Im-Pesaran-Shin Test
 - Hadri Test
 - (Das and Sambamurty, 2006)
- Regional integration leads to growth convergence

Summing up

- Need to enjoin regional trade and investment integration with poverty alleviation efforts
- Forge trade-investment linkages
- Regional Integrated Sectors
- Deeper forms of cooperation
- Examples exist in South Asia
- Regional trade and investment integration contributes to growth convergence
 - Above efforts could strengthen it further



Thank You