



ASIA-PACIFIC RESEARCH AND TRAINING NETWORK ON TRADE

Seminar Series

Asia-Pacific Research and Training Network on Trade (ARTNeT), Trade, Investment and Innovation Division and Macroeconomic Policy and Financing for Development Division are pleased to invite you to a seminar on:

"THE DETERMINANTS OF BILATERAL TRADE AND SPILLOVERS FROM TARIFFS"

Speaker: Ms. Margaux MacDonald, IMF

**Wednesday, 10 April 2019
10.00 to 10.45 hours
Meeting Room G, UNCC, Bangkok**

Please confirm your participation by email to ARTNeT Secretariat at artnetontrade@un.org no later than 5 April 2019.

About speaker



MARGAUX MACDONALD is an Economist in the Research Department of the IMF where she works in the Multilateral Surveillance Division. Previously, she worked in the African Department on IMF program countries and external sector issues. Her research interests include international macroeconomics and finance, and her recent work focuses on cross-country spillovers from monetary policy, banking, and trade. She holds a Ph.D. in Economics from Queen's University.

THE DETERMINANTS OF BILATERAL TRADE AND SPILLOVERS FROM TARIFFS

The presence of large and rising bilateral trade balances has raised concerns that asymmetric obstacles to trade may distort the international trade system. This chapter examines the drivers of bilateral trade balances and also examines how, through their impact on the ways production is organized within and across countries, tariffs affect productivity, output, and employment. Three main findings emerge: (1) The evolution of bilateral trade balances since the mid-1990s reflects mostly macroeconomic forces known to determine aggregate trade balances at the country level. (2) Changes in bilateral tariffs played a smaller role than macroeconomic conditions in explaining the evolution of bilateral trade balances over the past two decades, reflecting tariffs' already low levels in many countries and the fact that reciprocal tariff reductions had offsetting effects on bilateral trade balances. But other policy distortions—such as supply policies—may have played a role. (3) Declining tariffs have lifted productivity by allowing greater international division of labor and further specialization by countries, including through participation in global value chains. These findings support two main policy conclusions. First, the discussion of external imbalances is rightly focused on the macroeconomic factors—for example, fiscal policy—which tend to determine trade and current account balances at the aggregate level. Targeting particular bilateral trade balances will likely only lead to trade diversion and offsetting changes in trade balances with other partners. Second, multilateral reductions in tariffs and other non-tariff barriers will benefit trade and, over the longer term, improve macroeconomic outcomes.