newsletter

Leverhulme Centre for Research on Globalisation and Economic Policy Issue 19 Autumn 2006

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Leverhulme Centre for Research on Globalisation and Economic Policy

GEP Strategic Advisory Board

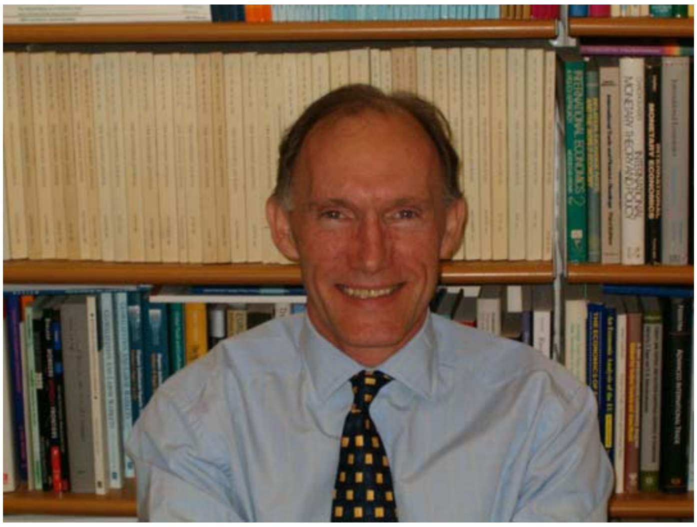
by David Greenaway

Director of GEP

In May, GEP's new Strategic Advisory Board had its inaugural meeting in London. This was chaired by Sir Nicholas Stern and attended by 11 of its other Members: Sir Richard Brook (Director of the Leverhulme Trust); Professor Carl Davidson (Michigan State University); Mr Peter Dodd (DTI); Dr Sebastien Jean (OECD); Professor Ravi Kanbur (Cornell University); Dr Andrew McLaughlin (Royal Bank of Scotland); Professor Peter Neary (Oxford University); Mr David Smith (*The Sunday Times*); as well as Professors Daniel Bernhofen, Alan Duncan and David Greenaway and Dr Udo Kreickemeier (University of Nottingham).

The Board received presentations from David Greenaway, Daniel Bernhofen and Udo Kreickemeier, ranging over recent developments in research and dissemination and the Centre's medium term priorities. In addition to reflecting on the current research agenda and strategies for improving the effectiveness of GEP outreach activities, Board Members also offered advice on the evolution of the Centre's research priorities over the coming years. These included the geographical focus of current research and whether this should extend further to embrace a broader economic development agenda and the impact of multilateral institutions.

Members welcomed the launch of the



Professor David Greenaway, Director of GEP

GEP Strategic Advisory Board, continued

Centre's new Programmes on 'Theory and Methods' and 'China and the World Economy' and saw both as central to the continued vitality of the Centre's activities and its relevance to major changes underway in the world economy. Members also welcomed the scope and breadth of GEP's dissemination and outreach activities, with Sir Richard Brook noting how well this aligned with Viscount Leverhulme's original vision for better connecting higher education with the world in which it operated.

A report from the Board meeting has been presented to GEP's Management Committee and will inform the development of new strategic initiatives. The Board will meet again in May 2007.

Sir Nicholas Stern, Chair of the GEP Strategic Advisory Board

Nottingham Lectures in International Economics

Carl Davidson

Professor of Economics, Michigan State University

on "Trade with Unemployment"

31st October, 1st and 2nd November 2006, University of Nottingham

James R. Markusen

Professor of International Economics, University of Colorado

on "Multinational Firms"

20th, 21st and 22nd February 2007, University of Nottingham

For further information contact sue.berry@nottingham.ac.uk

The Path to Global Free Trade: Spaghetti Bowls as Building Blocs

In June 2006 GEP hosted The World Economy Annual Lecture. The speaker for this year's lecture was ***Richard Baldwin****. In his lecture he argued that the political economy forces that have driven post-war tariff liberalisation will push the world economy to a state of near duty free trade. This near-free-trade status, however, will be underpinned by a motley assortment of regional, unilateral and multilateral arrangements – a 'spaghetti bowl' using the terms coined by Jagdish Bhagwati's. His talk was aimed at stimulating thinking on the final steps -- how the world could move from near-free-trade to real free trade. In this article Richard offers a brief summary of the Lecture. Richard is Professor of International Economics at the Graduate Institute of International Studies in Geneva*

Start with three facts: 1) Regionalism is here to stay. A large fraction of the world trade is conducted under a motley assortment of free trade agreements and the list of agreements is lengthening at an accelerating pace. 2) This motley assortment is a poor way to run the world trade system and getting poorer. 3) The World Trade Organisation (WTO) has been little more than an "innocent bystander" in this process.

Continue with two conclusions: 1) The WTO risks a serious erosion of its relevance if it continues in its "innocent bystander" role. 2) The WTO is probably the only international organisation that is well-placed to help tame the tangle of free trade deals at the global level; it is probably the only international organisation that has a clear incentive to do so. My aim here is to suggest some ways in which the WTO might help 'tame the tangle' of free trade deals by fostering a multilateralisation of preferential trade agreements. Consider two examples.

"The WTO risks a serious erosion of its relevance if it continues in its 'nnocent bystander' role ."

Multilateralising regionalism: two examples

Europe redressed its motley assortment of free trade deals in 1997 by 'multilateralising' the tangle of FTAs in Europe; the vehicle was the Pan-European Cumulation System (PECS). In the late 1990s, European industrial trade was almost duty-free on paper thanks to 80-or-so free trade deals. This matrix of unilateral, plurilateral and bilateral agreements, however, did not reproduce regional free trade. The reason stemmed from highly technical features of the FTAs known as 'rules of origin' and 'rules of cumulation.' What PECS did was to multilateralise the FTAs by imposing a common set of rules of origin and allowing so-called diagonal cumulation within the area.

Interestingly, it was the EU producers who lobbied the EU to tame the tangle – including some of those who had pressed the EU to implement complex rules of origin in the first place. The EU's change of heart was due to two factors. First, the sectors protected by the complexity were downsized by new competitive pressures and by off-shoring of production; this reduced their political power to resist liberalisation. Second, the global trend towards unbundling production processes and off-shoring labour intensive production stages meant that many of the EU firms that formerly benefited from the protectionist complexity were now victims of the complexity. Unbundling meant that "us" had become "them", so to speak.

The Information Technology Agreement (ITA)

World trade in Information Technology (IT) goods was almost duty free in the mid-1990s due to a motley assortment of unilateral trade liberalisation (especially in East Asia), regional trade liberalisation in Europe and North American, and multilateral tariff cutting. This did not make the world into a free trade zone for IT goods, however, due to bilateral cumu-

Global free trade and spaghetti bowls, continued.

lation and mismatching rules of origins. Obeying all these rules made it hard for IT producers to optimise their production networks globally. In 1996, the major IT-producing nations met under the WTO's auspices and agreed to bind their MFN tariffs at zero for a specific list of IT goods. Interestingly, much of the pressure came from firms that had formerly benefited from the idiosyncratic rules of origin and cumulation. Again, the global unbundling of production – a phenomenon that occurred on a truly global basis in IT goods – meant that 'us' had become 'them'; former beneficiaries of complexity were now victims. Just as with PECS, the ITA created a domino effect as smaller nations signed up to the ITA as a means of boosting the attractiveness of their nation as a base for foreign IT producers.

What can the WTO do?

The two examples stand in stark contrast with respect to the WTO's role. PECS was conceived, negotiated and implemented by one of the world's trade hegemons – the EU. The WTO was an "innocent bystander" in the process. Although the PECS club members adhered to the letter of the law, and the WTO's lack of engagement was in line with historical precedent, there are good reasons for thinking that it should have been otherwise. Recent research has demonstrated that PECS harmed the export interests of WTO members excluded from the club (Augier, Lai and Gasiorek 2005). The original GATT was set up quite precisely to discipline such 'spillovers' so one might have thought that PECS would have been a natural topic for WTO discussions.

"Regionalism is here to stay. The way forward seems to be the multilateralisation of FTAs."

What role could the WTO have played? Given its limited mandate, the WTO could not have influenced the PECS talks in any direct manner, but it might have helped in its 'fair broker' role. The main issues involved in the multilateralisation of FTAs (rules of origin and cumulation) are immensely complex and involve a very subtle economic and legal logic. The WTO could help by providing unbiased research on the impact of such arrangements, especially concerning the impact on excluded WTO members. Solid, non-partisan research on such issues could ensure that future PECS-like arrangements take better account of excluded nations. It would also alert the dominant members of the WTO that these seemingly regional and seemingly technical issues may have broader implications that merit multilateral discussion. For example, the political economy forces that led the EU to multilateralise its tangle of FTAs may eventually induce the US to impose a PECS-like solution on the tangle of FTAs in the Western Hemisphere. As with PECS, such a move would be likely to harm the export interest of excluded WTO members and induce/force WTO members in the Western Hemisphere to follow the hegemon's initiative.

The WTO's role in the ITA was very different and the outcome was non-discriminatory; any nation is free to join the club. Lessons can be drawn from the structure of the ITA initiative. The ITA was very much in the spirit of the original GATT. It was driven by the world's major IT exporters, but it was done within the WTO context. Given this, the ITA naturally took into account a much broader range of concerns about 'spillovers' than might have been the case if it had been, for example, a US-led initiative outside of the WTO's framework. The original signatories agreed, inter alia, to consult with other participants as requested and to encourage other WTO members to accede to the deal. Perhaps PECS might have included such elements if the WTO had been more involved.

More generally, the ITA's reliance on negotiations – as opposed to legal routes – would seem to hold many lessons for how the WTO could most effectively guide the multilateralisation of regionalism. One of the WTO's great assets is its role as a convenor. Regional attempts to multilateralise FTAs – attempts that may well occur in East Asia and the Western Hemisphere in the future – would seem like an excellent opportunity for the WTO to convene discussion among the major players on this topic. It is quite clear that there are 'spillovers' on excluded WTO members; negotiations or even discussions on the issues might well reveal areas where mutually beneficial agreements might be found.

An example can be found in the issue of the harmonisation of rules of origin. To date, this has been done primarily in a

Global free trade and spaghetti bowls, continued.

regional, hegemonic manner – by the EU in Europe and by the US in North and Central America. In East Asia, the emerging harmonised rules of origin are the so-called ASEAN rules, but these are largely untested since the utilisation rate of these rules is extremely low (applied, unbound MFN rates are so low that exporters rarely bother with the paperwork). While rules of origin in some sensitive sectors are political landmines, it would seem possible to develop global standards for preferential rules of origin in less sensitive sectors. Moreover, given the trend to unbundling and off-shoring manufacturing stages (also called 'fragmentation') such negotiations might attract support from multinational firms based in the most powerful WTO member states. As globalisation proceeds, resistance to such harmonisation is likely to recede in non-sensitive sectors while the gains from such harmonisation are likely to multiply. As discussed above, the gains from cooperation multiply in a world where 'us' is increasingly confused with 'them.' A well-timed initiative by the WTO might set up a negotiating framework that might become increasingly useful in the future. After all, if globalisation proceeds apace, more sectors may come to resemble the IT sector.

The two roles suggested here for the WTO – providing clearer information and a deeper understanding on the effects of the multilateralisation of regionalism on the one hand, and setting up a negotiating forum for the coordination/standardisation/harmonisation of rules of origin and cumulation on the other – might be usefully augmented by a third. One of the most noxious aspects of regionalism for the world trade system is its tendency toward the law of the jungle. In multilateral trade negotiations, the principles of reciprocity and MFN, and the presence of multiple hegemons curb the power of nations with big markets to force/cajole small-market nations into accepting less-than-fully even-handed deals. For example, it is remarkable to see how developing nations are willing to accept disciplines in FTAs on intellectual property rights, investment measures, government procurement and agricultural that they reject at the WTO level. While there may be many reasons for this, one key element is the enormously asymmetric dependence of these nations on the hub's market compared to the hub's dependence on the spoke's market. Just think of Costa Rica and the US.

Since this marked asymmetry is observed in all regions of the world, it might be appropriate for the WTO to convene a forum of 'spokes' that would explore that possibility of mutually advantageous cooperation on hub-spoke FTAs. Given the political economy realities of regionalism, such a forum could not hope to reverse the asymmetries in bargaining power, but it might achieve useful scale economies in the more technical aspects of FTA evaluations. Faced with the massive legal and economic analytic resources of a hub economy like the EU and US, small-nation FTA partners may find that their 'hand' at the negotiation table is even weaker than it need be. This suggests the setting up of something like the WTO's Advisory Centre on WTO law but one specifically devoted to North-South and South-South FTAs. A corresponding economic analysis service might also be useful to developing members of the WTO.

Regionalism is here to stay. The way forward seems to be the multilateralisation of FTAs. The WTO is well-placed to play a constructive role in this process. Indeed, it is hard to think of any organisation that could play this role better than the WTO.

Further readings:

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Baldwin, Richard (2006). "Multilateralising regionalism: Spaghetti bowls as building blocs on the path to global free trade," *The World Economy* 2006 lecture.

Bora, Bijit (2004). "The Information Technology Agreement and World Trade," pdf file.

Leverhulme Globalisation Lecture 2006

Will Hutton

Chief Executive

The Work Foundation

"The Writing on the Wall:

Will it be China's Century?"

9th November 2006

5 pm, University of Nottingham

For further information contact sue.berry@nottingham.ac.uk

GEP November Workshop

The Impact of International Competition on Firms and Workers

9th November 2006
University of Nottingham

Speakers include:

Peter Egger
University of Munich

Ingo Geishecker
Free University of Berlin

Alexander Hijzen
OECD

Francis Kramarz
Centre de Recherche en Économie et Statistique, Paris

Udo Kreickemeier
GEP, University of Nottingham

Steve Matusz
Michigan State University

Pedro Martins
Queen Mary, University of London

For further information contact sue.berry@nottingham.ac.uk

Conference Report: China and the World Economy

Citizens, policy makers and scholars in the West show considerable concern about the implications of a China increasingly integrated in the world economy, but an equally interesting question is the implications of that integration for China. This latter question was the subject of the fifth conference jointly organised by the Leverhulme Centre for Research on Globalisation and Economic Policy (GEP) and the Murphy Institute at Tulane University. In this article ***Chris Milner*** *and* ***Doug Nelson*** *summarise the papers presented and their main findings at the conference, which took place at the University of Nottingham on 23rd and 24th June 2006. Chris is Professor of International Economics at the University of Nottingham and co-ordinator of the GEP programme" China and the World Economy"; Doug is Professor of Economics in the Murphy Institute at Tulane University and Professorial Research Fellow at the University of Nottingham.*

Not surprisingly, a number of the papers dealt with foreign direct investment (FDI) in China. FDI has played a significant role in China's recent development. While most of these papers dealt with the implications of FDI for the Chinese economy, two of the papers dealt with reasons for FDI. Mary Lovely (Syracuse University) presented a paper, jointly authored with Xuepeng Liu and Jan Ondrich, on the role of low wages in attracting FDI to China. Where previous work had been unable to find such a link, Liu, Lovely and Ondrich identify a link using a control function approach to estimate the relationship between wages and investment location. Specifically, they find that investors from OECD countries investing in unskilled labour-intensive production are sensitive to wages; and that ethnic Chinese firms exporting unskilled labour-intensive products to OECD markets from China tend to be wage sensitive when they face competition from firms in other low wage countries. Sandra Poncet and Olena Havrylchyk (CEPII) examine the role of distorted local capital markets in attracting FDI. In addition to standard variables, Havrylchyk and Poncet focus on imperfections in the banking sector and government investment policies. They find that state owned enterprises (SOEs) seek investment from foreign firms to escape from constraints imposed by the state-controlled local banking system and that foreign firms are most active in the acquisition of SOEs from sectors with extensive state intervention. The authors conclude that, as the state disengages from the financial system, Chinese demand for FDI may decline.

One potentially important channel of impact, that has been considered in a number of other countries, runs from FDI to technology. Sourafel Girma, Yundan Gong and Holger Görg (University of Nottingham) examine the relationship between FDI and innovative activity in SOEs using a panel of 30,000 firms from 1999-2003. The firm-level data permit the authors to examine the impact of FDI conditional on the economic activity of the SOEs. Specifically, they find that FDI has a positive impact on innovative activity for SOEs that export, have previous experience with innovative activity, or that already invest in R&D and human capital. Yasuyuki Todo (Aoyama Gakuin University), Weiying Zhang and Li-An Zhou (Beijing University) also take advantage of firm-level panel data, but in this case the firms all have R&D facilities in a Chinese science park. The authors identify spillover effects from R&D activity of foreign firms, but do not find evidence of spillovers from production. Furthermore, the spillovers are not found for firms from Hong Kong, Macau and Taiwan. This leads the authors to conclude that spillovers are larger, the larger is the technology gap between the foreign and the domestic firms. Finally, Linda Yueh (Oxford) examines the role of intellectual property protection in supporting the transfer of innovation. Specifically, the paper explores whether the patent law system has stimulated innovation in China during the re-

China and the World Economy, continued.

form period. It concludes that patent laws have been associated with the formally captured innovation accompanying China's growth, despite the imperfections in the property right system.

Huiya Chen and Deborah Swenson (University of California at Davis) consider the role of FDI in supporting the export behaviour of Chinese firms. Using highly disaggregated data on exports from Chinese cities, the authors find that exports from cities with rapid growth in FDI generated more new trade links. In addition, drawing on the Melitz model of the relationship between exporting and quality, and taking unit values as an indicator of quality, the authors find that unit values of Chinese exports are higher in sector/cities with FDI in the same sector/cities. Furthermore, it would appear that these effects are strongest for sectors producing relatively homogeneous goods.

Shifting from microeconomic analysis to macroeconomic analysis, Shujie Yao and Kailei Wei (Middlesex University), analyse the link between FDI and growth. After developing a formal framework, the authors estimate growth regressions using panel data on 29 provinces and municipalities for 1979-2003. The authors are interested in the effect of FDI in moving production toward the efficient frontier and in moving the frontier itself. The authors find that FDI as a share of total investment is significantly associated with growth in GDP.

Lina Song and Simon Appleton (University of Nottingham) draw on social survey data to examine the extent and determinants of social discontent in urban China. Perhaps not surprisingly, the authors find that income and economic growth reduce social discontent, as do membership in the Communist Party and political participation. Unemployment and exclusion from state welfare provision increase social discontent. These results provide very interesting social context for the work of Xiaolan Fu (University of Cambridge), whose paper focuses on the link between globalisation (including FDI) and interprovincial income distribution. This paper finds that globalisation (increased exporting and inward investment) have contributed to increasing regional inequality in China; increasing growth in incomes in the coastal regions and attracting more mobile labour away from the inland regions.

Finally, the conference benefited from two papers on the broader context of globalization and reform. Will Martin (World Bank),presented a paper, jointly authored with Kym Anderson and Dominique van der Mensbrugghe, on the implications of China's accession to the WTO and the implications for China of the Doha Round. China's accession, following a long and involved negotiation of the terms of that accession, involved substantial liberalisation. One important result of this paper is a clear presentation of the fact that, independently of what happens in the Doha round, China and the rest of the world have benefited from China's accession. Not surprisingly, once this liberalisation is taken into account, the magnitude of gains from the Doha Round is likely to be small.

An essential background condition to reaping the benefits of globalisation is the increasingly important role of privatisation. Barry Naughton (University of California at San Diego) provides a very interesting analysis of the structure of this policy, focusing on the role of the State Asset Supervision and Administration Commission (SASAC) that has gained control of the privatization programme. Naughton makes clear that any predictions about the future of this essential policy must rest on an understanding of the operation of SASAC.

All of the papers received thoughtful and constructive comments from the local discussants and there was stimulating debate of each paper among the participants. In short, this was an exciting start to GEP's new programme of research on 'China and the World Economy', and an excellent start to building an international network of researchers with shared interests.

An Experimental Investigation of the 3x3 Competitive Ricardian Model

Experimental economics in international trade offers new and exciting research opportunities. In this article ***Baboo Nowbusting*** *reports on some recent results he obtained testing the law of comparative advantage. Overall his results suggest that, at least in this experiment, the law of comparative advantage is not robust when both the number of goods and countries are increased simultaneously. Baboo is Research Fellow at GEP.*

The Ricardian Model (RM) generalises easily to more than two of either goods or countries though not quite so easily to more than two of both together (Deardorff 2005). However, Jones (1961) provided a complete specification of the patterns of specialisation and trade in the RM with many goods and countries. He showed that an efficient assignment of countries to goods in a many-good, many-country RM would minimise the product of countries' unit labour requirements. Thus, in addition to satisfying the bilateral comparative advantage, an efficient assignment pattern requires minimisation of the product of labour coefficients.

Noussair et al (1995) observed the law of comparative advantage in an experimental environment motivated by the 2 x 2 RM. We created an experimental environment motivated by the 3 x 3 RM. Ultimately, we are interested in the robustness of the RM. There are three countries (country 1, country 2 and country 3), three final goods (*X*, *Y* and *Z*) which can be produced by a single input *L*. Countries differ in their endowment of *L* and have different production functions. *L* is mobile across sectors in a particular country but immobile across countries. Without loss of generality, country 1 produces and exports good *X*, country 2 produces and exports good *Y* and country 3 produces and export good *Z*. Under an autarkic situation, goods are produced for home consumption only. All countries produce the three goods in different quantities. However, the wage-price ratios are identical to that of the competitive model.

The Experiment. All markets were organised through the computerized *Multiple Unit Double Auction* (MUDA). The experimental parameters described the utility function, the number of consumers and producers, level of endowments and production technologies. The experiment featured three "*countries*" (country 1, country 2 and country 3), three final goods (*X*, *Y* and *Z*), one factor, *L*. There were two types of agents in each country: Type C and Type P. Agents were divided equally among countries and each country has equal number of Type C and Type P agents. *L* is immobile among countries whereas *X*, *Y* and *Z* can be traded in all countries no matter where they are produced.

Type C traders are endowed with *L* and have induced preferences for consuming *X*, *Y* and *Z*. So they sell *L* to Type P in their respective country and then buy units of *X*, *Y* and *Z*. Type P traders produce *X*, *Y* and *Z* according to their respective production schedule, which they sell to Type C traders. Type C traders gain utility from consumption of goods *X*, *Y* and *Z* and from profits made in market activities. Type P traders yield utility from production/trading activities only.

Five experimental sessions were conducted in the CeDEx laboratory at the University of Nottingham with a subject pool of 12. Each experimental session was divided into five periods of ten minutes. No subject participated in more than one session. Instructions were given to both types. All market transactions are denoted in an experimental currency, 'francs'. Subjects were given 100,000 francs at the start of each period. Subjects were paid according to a conversion rate; we used 4000 francs to £1 for some sessions and 3000 francs to £1 for others

Hypotheses and Findings. The following hypotheses were tested: Hypothesis 1: Aggregate production patterns converge to the predictions of the RM. Hypothesis 2: The law of comparative advantage accurately predicts trade pattern. Hypothesis 3: Individual consumption converges to the predictions of RM. Hypothesis 4: Output prices converge towards the predictions of RM. Hypothesis 5: Input / Output price ratio converges toward the marginal physical product.

We applied a simple statistical dynamic model known as Ashenfelter-El-Gamal model and used first in Noussair et al (1995) to check for convergence. Although we failed to accept the competitive model as a representation of the experimental data, considerable amount of market activities occur at disequilibria. Production of *X* in country 1 was 19.2 units compared to 24 (not statistically different from the predicted value, indicating proof of strong convergence). As more sessions were run production of *Y* and *Z* declined towards zero. On the other hand, no evidence of convergence was found for production of *Y* and *Z* for country 2 and country 3. Out of nine production variables, the RM succeeded to predict only five.

Statistically, net exports of good *X* was not different from the prediction of the RM. The flow of international trade is not only in the direction predicted by the law of comparative advantage but the magnitude converged to the predicted value. However, this was not the case for country 2 and 3. We failed to accept the null that the observed net export values are similar to the predicted value at $p<0.001$ level of significance. As such, the law of comparative advantage is not consistent with the observed trade patterns.

The mean deviation statistics and the standard deviation statistics were used to analyse individual consumption patterns. Evidence of convergence required that the absolute value of these statistics in later periods are smaller than that of the early periods. Individual consumption in period *t* was pooled across sessions and the difference between the observed and predicted consumption value were computed for each good. There was proof of convergence towards the individual competitive equilibrium consumption level. The RM, however, fails to predict one output price.

Since the marginal physical product is a constant, the ratio of factor price to output price, when compared to the marginal physical products, can be used to determine whether the input conditions are satisfied. There was only evidence of convergence in country 1. This relationship also emerged in the laboratory economy created by Noussair et al (1995), Riedl and Van Winden (2001) and Noussair et al (2003). Noussair et al give the Risk Compensated Input/ Output Price Adjustment Property as an explanation of this observation. In their experiments, as in ours, producers purchased inputs that had no value other than for production purposes. However, they do not have information about the price they will earn for these produced goods, hence they face a risk. To compensate for this risk, producers earned a premium over the amount they will earn in the competitive equilibrium.

Conclusions. We mimicked a three- goods three- countries RM in our experimental environment. Convergence is present in 6 out of the 12 quantity variables and 5 out of the 6 price variables. Convergence is both quicker and stronger for prices when compared to quantities. Jones (1961) argued that regardless of the number of countries or goods, the law of comparative advantage should hold if the product of labour requirement in the efficient assignment of commodities to countries is be less than the corresponding product in all other possible assignments that allocate the same number of countries to each commodity as does the efficient assignment. Although our theoretical model satisfies this condition, we do not observe evolution of the law of comparative. While, Noussair et al (1995) observed the law of comparative advantage in a laboratory setting motivated by the 2x2 CRM, our results reveal that when we increase the dimension of goods and countries, the laboratory data fails to obey the law of comparative advantage. As such, the robustness of the law of comparative advantage is weak when both number of goods and countries are increased, at least in this laboratory setting.

Further readings:

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Jones R. W. (1961) "Comparative Advantage and the Theory of Tariffs: A Multi-Country, Multi-Commodity Model." *Review of Economic Studies*, Vol 28, pp. 161-175.

Jones R. W. (1985) "Ricardo-Graham World Transformation Surfaces" *Osaka City University Economic Review*, Vol 20, pp. 27-33.

Noussair C. N, Plott C. R. and Riezman R. G. (1995) "An Experimental Investigation of the Patterns of International Trade." *American Economic Review*, Vol 85, pp. 462-491.

Plott C. R. (1991a) "A Computerized Laboratory Market System and Research Support Systems for the Multiple Unit Double Auction." Working Paper No. 783, California Institute of Technology.

Riedl A. and Winden F. V (2001) "Does the Wage Tax System cause Budget Deficits?" *Public Choice*, Vol 109, pp. 371-394.

Conference Report: Globalisation for Teenagers

by Jo Morgan

On the 27th of June 2006, GEP sponsored a sixth form conference on globalisation. Its purpose was to provide an interesting and informative day for sixth formers from schools and colleges in Nottinghamshire, Derbyshire, Leicestershire and Yorkshire. This new venture also allowed students to experience a taste of what it would be like to study economics at university.

The programme of lectures was as follows:

How economics changed the way we view the world: evidence from the Nobel Laureates

Daniel Bernhofen

What are the Economic Benefits of Globalisation?

David Greenaway

Globalisation and Africa

Oliver Morrissey

World Commodity Prices and Markets

Wyn Morgan

China: The Challenges and Opportunities for the British Economy

Chris Milner

Daniel Bernhofen began proceedings with a talk on inflation, social organisation and past Nobel Laureates, at times brandishing a £20 note, which quickly caught the students' attention (though they were ultimately disappointed to leave empty handed!). David Greenaway talked about what globalisation is, its benefits and controversies, using the example of a shirt whose manufacture involved at least a dozen different countries to illustrate the integration process; while Oliver Morrissey discussed the effect of globalisation on African trade. Wyn Morgan began his talk on world commodity prices by finding a link between a robbery in Derby and Chinese economic policy, and Chris Milner ended the day with a lecture on China's dramatically increasing role in the world economy.

The theme of globalisation was a prime factor in the popularity of the conference as it now features strongly in the A level syllabus. Teachers were glad to have some extra input on this subject for their students and all the talks were uploaded on the GEP website to be accessible to all those who attended.

Feedback from both students and teachers was extremely favourable and everyone found it a valuable event, not only for the content of the lectures but also for the experience of coming to a university and being a student for the day.

The highlight of the day for some students, however, seems to have been the buffet lunch, which surpassed their expectations of 'soggy tuna sandwiches'. As the conference was such a success, GEP will make it an annual event.

Visitors to GEP 2006

June 2006	October 2006	November 2006
Professor Richard Baldwin *Graduate Institute of International Studies, Geneva* Professor Jurgen Meckl *University of Giessen*	Professor Carl Davidson *Michigan State University* Professor Vitor Trindade *University of Missouri*	Will Hutton *The Work Foundation* Professor Horst Raff *Christian-Albrechts University* *Steve* Matusz *Michigan State University*
December 2006	**February 2007**	**March 2007**
Gavin Menzies *Author of '1421: The Year China Discovered the World'*	Professor James Markusen *University of Colorado at Boulder*	Martin Wolf *The Financial* Rimes

New GEP Research Papers

http://www.gep.org.uk/research_papers

2006/21	David Greenaway, Aruneema Mahabir, Chris Milner	Has China Displaced Other Asian Countries' Exports?
2006/20	Manuel Cabral, Rod Falvey and Chris Milner	Skill Content Tests of Endowment Models of Inter-and Intra-Industry Trade: Evidence for Some High IncomeCountries
2006/19	Spiros Bougheas , Paul Mizen and Cihan Yalcin	An Open Economy Model of the Credit Channel Applied to Four Asian Economies
2006/18	Baboo M Nowbutsing	Fragility of Comparative Advantage in Higher Dimensions: An Experimental Investigation
2006/17	Udo Kreickemeier and Pascalis Raimondos-Møller	Concertina Reforms with International Capital Mobility
2006/16	Sara Maioli, Ben Ferrett, Sourafel Girma and Holger Görg	The market disciplining effects of FDI: Does the mode of entry matter?
2006/15	Paulo Bastos, Udo Kreickemeier and Peter	Open Shop Unions and Product Market Competition
2006/14	Hartmut Egger, Peter Egger and David Greenaway	The Trade Structure Effects of Endogenous Regional Trade Agreements
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