



# The Global Repercussions of International Economic Policies

The workshop co-organized by the Globalization Chair on the [Global Repercussions of International Economic Policies \(GRIEP\)](#) at Galatasaray University in Istanbul, Turkey on 21-22 November 2024 invited researchers from universities, institutions, international organizations, and central banks, to discuss the impacts of international policies on various aspects of the economy, including the labor market, trade, global value chain, migration, offshoring and welfare, etc. This brief summarizes a selection of novel and insightful results of the workshop related to trade and integration.

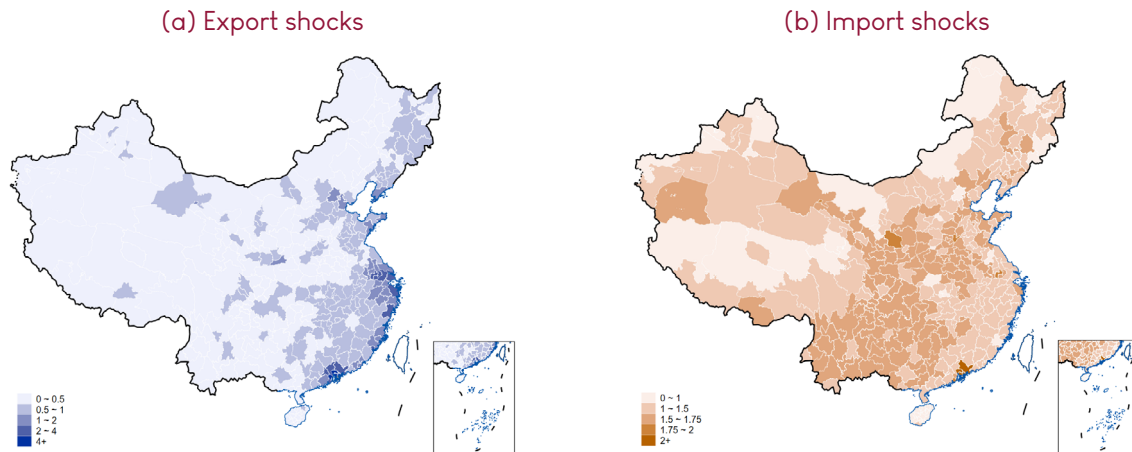
The first session featured two papers examining labor market outcomes related to international trade. Dan Xie from the Paris School of Economics presented research on trade liberalization and firms' labor market power. While previous studies primarily concentrated on firms' product market power, this work shifts focus to input market power, specifically labor monopsony power. The authors employ state-of-the-art methodology to estimate firm-level markdown—defined as the marginal revenue product of labor divided by wage. The study investigates

China's World Trade Organization (WTO) accession and subsequent firm responses in local labor markets. The findings reveal that a one percentage point decrease in input tariffs corresponds to approximately a 2.3% reduction in firm labor market power. This pattern is elucidated through an analysis of local exposure to international trade.

The research demonstrates that export opportunities increase the number of firms, while import competition reduces firm presence in local labor markets. Spatial heterogeneities are particularly

notable: coastal regions experience more positive effects from export shocks, whereas inland regions bear a greater burden from import shocks, as illustrated in [Figure 1](#). Ultimately, the net average effect is an increase in the total number of firms, which correlates with a diminished monopsony power among firms.

Figure 1.  
Export and import trade shocks in China, 2003



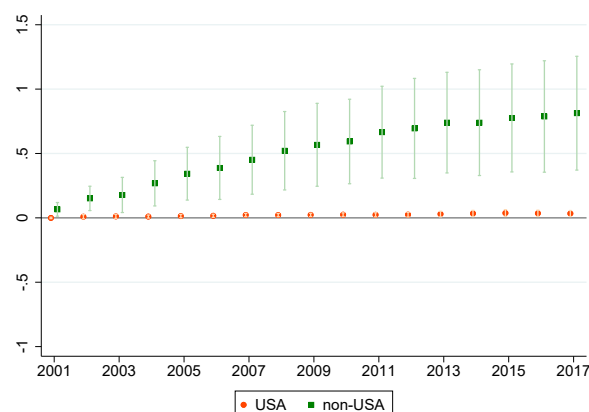
Source: Qian and Xie, 2024.

In addition to the local impacts, international trade policies can generate significant spillover effects that extend beyond local and direct participants. Brian McCaig from Wilfrid Laurier University conducted research investigating the long-term employment dynamics triggered by new export opportunities in Vietnam. The study focused on the U.S.–Vietnam Bilateral Trade Agreement (BTA), which strategically reduced U.S.

import tariffs on Vietnamese exports. The research revealed that employment growth accelerated most rapidly in industries with the greatest exposure to U.S. tariff reductions. This expansion was principally driven by foreign multinational affiliates entering the Vietnamese market (Figure 2). Notably, these foreign entrants demonstrated sustained employment growth, continuing to expand their workforce even 16 years after

initial market entry. Previous research, which predominantly examined short-term impacts, captured only 60% of the total economic effects. The study found that most foreign entrants were exporters originating from East Asia, underscoring a critical insight: the opportunities created by bilateral trade agreements are not confined solely to the direct signatory countries.

Figure 2.  
Changes in foreign entrant employment shares in Vietnam  
for US and non-US foreign entrants and BTA tariff cuts, 2000–2011



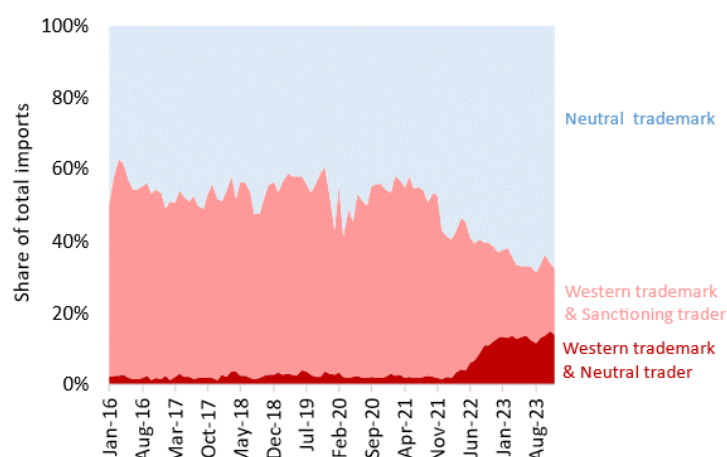
Source: McCaig et al., 2023.

Session 2 delved into economic sanctions and trade policy, a topic of intense geopolitical scrutiny in the current global landscape. Alexander Plekhanov from the European Bank for Reconstruction and Development (EBRD) presented a comprehensive analysis of the trade sanctions imposed on Russia, revealing profound transformations in the country's import dynamics. Using transaction-level import

records from economies outside the Eurasian Economic Union (EEU), the research documented significant shifts in import composition, trade routing, and unit values. Following the sanctions' implementation in March 2022, the study uncovered a dramatic decline in imports bearing "Western" trademarks, in stark contrast to imports with "neutral" trademarks (Figure 3). A notable finding was the

strategic trade adaptation: a substantial portion of Western-trademark goods were re-routed through intermediaries in neutral economies. This redirection was accompanied by a marked price impact, with unit values of Western-trademark goods experiencing price increases up to 35 percentage points higher than those of neutral-trademark goods.

Figure 3.  
Share of Russia's monthly imports by type of trademark and trader



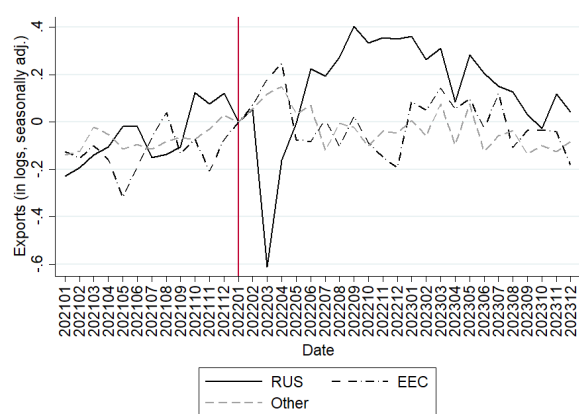
Source: Chupilkin et al., 2024.

Banu Demir from the University of Oxford presented research on international trade dynamics in the context of geopolitical disruptions, focusing on Turkey's trade following Russia's invasion of Ukraine and subsequent Western sanctions. The study developed a nuanced model considering the risk of nonpayment, potential reputational risks and punitive measures, and increased costs associated with established trading practices. Empirical findings revealed

significant trade adaptations, with Turkish exports to Russia increasing sharply, especially in sanctioned products, and Turkish firms implementing higher markups and prices (Figure 4). A notable shift occurred in transaction practices, including a rise in cash-in-advance transactions and a higher proportion of invoicing in Turkish liras instead of dollars. The research documented substantial trade diversion, particularly for products with high pre-

war European market shares. However, firms with substantial Western connections through ownership or trade experienced either stagnant or declining export volumes. By examining these intricate trade responses, the study provides insights into how countries adapt to geopolitical disruptions and economic sanctions, highlighting the complex strategies employed by firms to navigate challenging international economic landscapes.

Figure 4.  
Monthly Turkish exports by destination



Source: Corsetti et al., 2024.

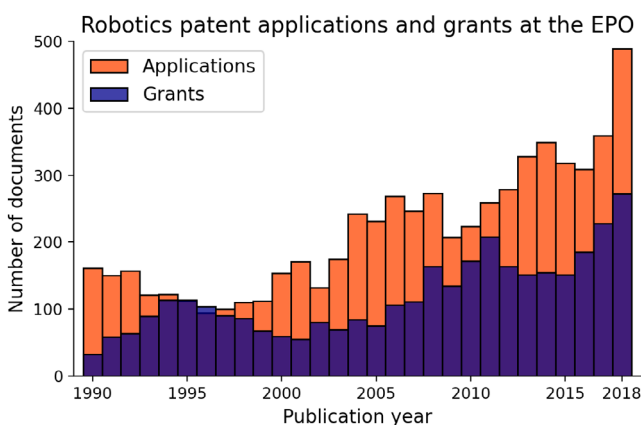
The keynote lecture was given by Christina Gathmann from the Luxembourg Institute of Socio-Economic Research (LISER). It discussed AI and robotics technologies' impact on labor markets covering repercussions on tasks, workers and firms. In particular, the talk focused on the difference between AI and robots. Robotics technology has taken off earlier but is concentrated in a few

manufacturing industries. AI technologies, in turn, are still in the infancy but have started to diffuse into a broader range of industries very recently. She presented a study combining patent-based measures with administrative data from the European Patent Office's (EPO) PATSTAT database on establishments in Germany to investigate the impact of the two distinct technologies on

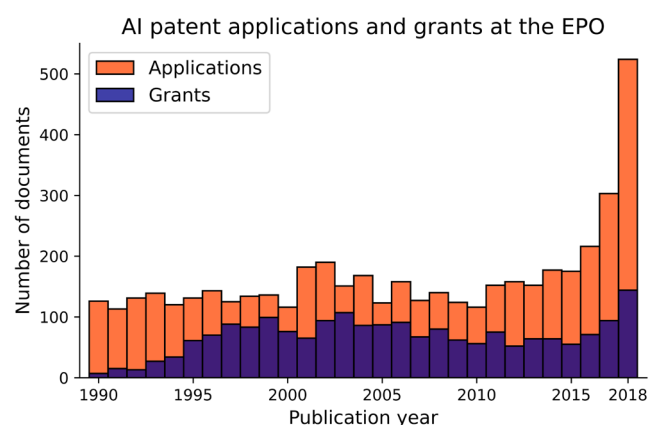
the labor market. A shift-share design is used to estimate overall employment and wage effects in local labor markets. The findings show differentiated impacts: AI generates positive employment effects, particularly in services sectors, while robotics tends to have more negative automation-related consequences. Wage variations appear limited at local and sectoral levels.

Figure 5.  
Number of patents in robotics and AI in Germany, 1990-2018

(a) Robotics Patents



(b) AI Patents



Source: Gathmann and Grimm, 2023.

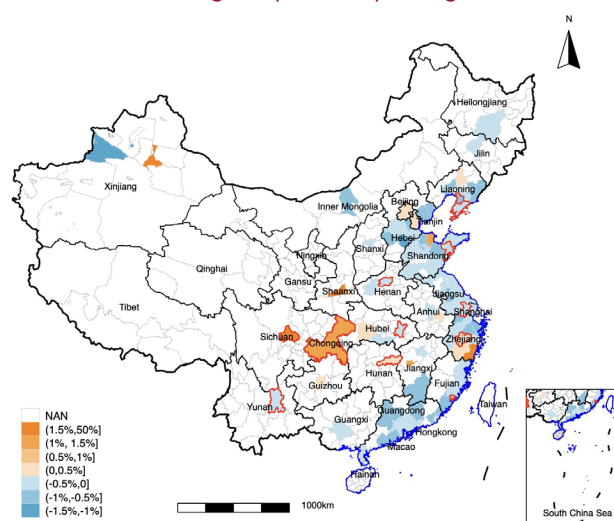
The first day of the workshop concluded with a round table discussion on global economic policy, coordinated by Cem Özgüzel from the OECD. The panel included Claire Honore Hollweg from the World Bank, Alexander Jaax from the OECD, and Alexander Plekhanov from the EBRD. Panelists explored a range of global economic issues, drawing on examples from destination countries. Topics included gender dynamics, global value chain development, greenhouse gas reduction in transportation, infrastructure investment, geopolitical tensions, the EU's Carbon Border Adjustment Mechanism (CBAM), potential policy directions, and industrial strategies. The discussion featured specific regional insights, with Turkey serving as a case study. Panelists examined how the green transition might impact employment

across genders, recent railway infrastructure projects, and challenges related to workforce unemployment, retirement, and retraining.

The workshop's second day began with a session on trade and transport infrastructure. Yawen Zheng from Peking University presented research on the China-Europe Railway Express (CRE), examining transcontinental rail connections and their impact on Chinese exports to Europe. The empirical findings suggest that newly connected Chinese cities experienced increased exports, primarily driven by rail transport. Positive spillover effects were observed across other transport modes, cities, and firm-level economic indicators. Export growth was concentrated among products with medium value-to-weight ratios and

moderate time sensitivity. Rail connection benefits were more pronounced for peripheral regions, with effects diminishing with distance from directly connected prefectures. Using a multi-sector heterogeneous firms' model with a detailed trade cost specification, the researchers analyzed a unique dataset of trade flows between Chinese cities and evaluated the impact of the transcontinental railway connections on China's exports to Europe and local welfare effects. The welfare impact analysis showed varied outcomes among the 100 connected cities. Chongqing, Chengdu, Xi'an, and Urumqi emerged as the primary beneficiaries, while Dalian, Yingkou, Zhengzhou, and Wuhan experienced welfare losses (Figure 6). The average welfare gains were calculated at 0.66%.

Figure 6.  
Welfare change: top 100 exporting cities in China



Notes: Cities with China-Europe Railway Express are outlined in red, and coastal cities are outlined in blue.

Source: Mau *et al.*, 2024.



In summary, the workshop explored a comprehensive range of international economic policy topics, providing nuanced insights through diverse country-specific studies. The presentations yielded rich empirical findings and meaningful theoretical advancements that deepen our understanding of contemporary global economic mechanisms. International economic policies have become increasingly critical in our interconnected global economy, with significant implications for future economic interactions and development.

## References

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★ **Dan Xie** is a postdoctoral fellow funded by the Globalization Chair. As a trade economist, she is working on the impact of trade and environmental policies on manufacturing pollution at the firm level, with a particular focus on China. Her recent work also covers trade and labor market power, port development and cross-border investment.