

Table 2
Business cycle synchronization and trade: OLS.

	OLS	OLS	OLS	OLS	OLS	OLS
Dependent variable: quasi-correlation of output growth rates	(1)	(2)	(3)	(4)	(5)	(6)
Trade intensity (gross)	0.040 (1.617)	0.032 (0.875)				
Trade intensity (VA)			0.038*** (2.631)	0.100*** (3.878)	0.078*** (3.006)	0.080*** (3.076)
Banking integration		− 0.053*** (− 4.840)		− 0.053*** (− 4.922)	− 0.056*** (− 5.274)	− 0.056*** (− 5.306)
Similarity in production structures					0.073 (1.303)	0.071 (1.266)
Product of log GDP					− 0.394*** (− 3.571)	− 0.399*** (− 3.616)
Product of log population					− 1.303*** (− 5.899)	− 1.267*** (− 5.702)
Absolute difference in log PPP GDP per capita					− 0.151 (− 1.290)	− 0.152 (− 1.297)
Intra-industry trade (VA)					− 0.067 (− 0.550)	− 0.012 (− 0.097)
Trade intensity × Intra-industry trade (VA)						0.153* (1.905)
Country-pair fixed effects	Yes	Yes	Yes	Yes	Yes	Yes
Year-fixed effects	Yes	Yes	Yes	Yes	Yes	Yes
Observations	17,912	12,326	18,243	12,382	12,341	12,341
R-squared	0.562	0.628	0.560	0.628	0.631	0.631

Sources: Authors' estimates.
Note: Robust t-statistics in parentheses. Standard errors are clustered at country-pair level.

* p < 0.1.
** p < 0.05.
*** p < 0.01.

Table 6

Business cycle synchronization and trade: IV.

	IV = tariff	IV = tariff	IV = PTA	IV = PTA
Dependent variable: quasi-correlation of output growth rates	(1)	(2)	(3)	(4)
Trade intensity (VA)	0.173*** (5.717)	0.180*** (5.602)	0.226*** (8.559)	0.231*** (8.253)
Banking integration	-0.074*** (-6.150)	-0.037*** (-2.671)	-0.060*** (-5.033)	-0.026* (-1.922)
Trade intensity * GFC dummy		0.911*** (11.800)		0.980*** (12.806)
Banking integration * GFC dummy		0.370*** (6.429)		0.379*** (6.540)
Country-pair fixed effects	Yes	Yes	Yes	Yes
Year-fixed effects	Yes	Yes	Yes	Yes
Observations	12,382	11,397	11,397	11,397
R-squared	0.628	0.629	0.635	0.622

Sources: Authors' estimates.

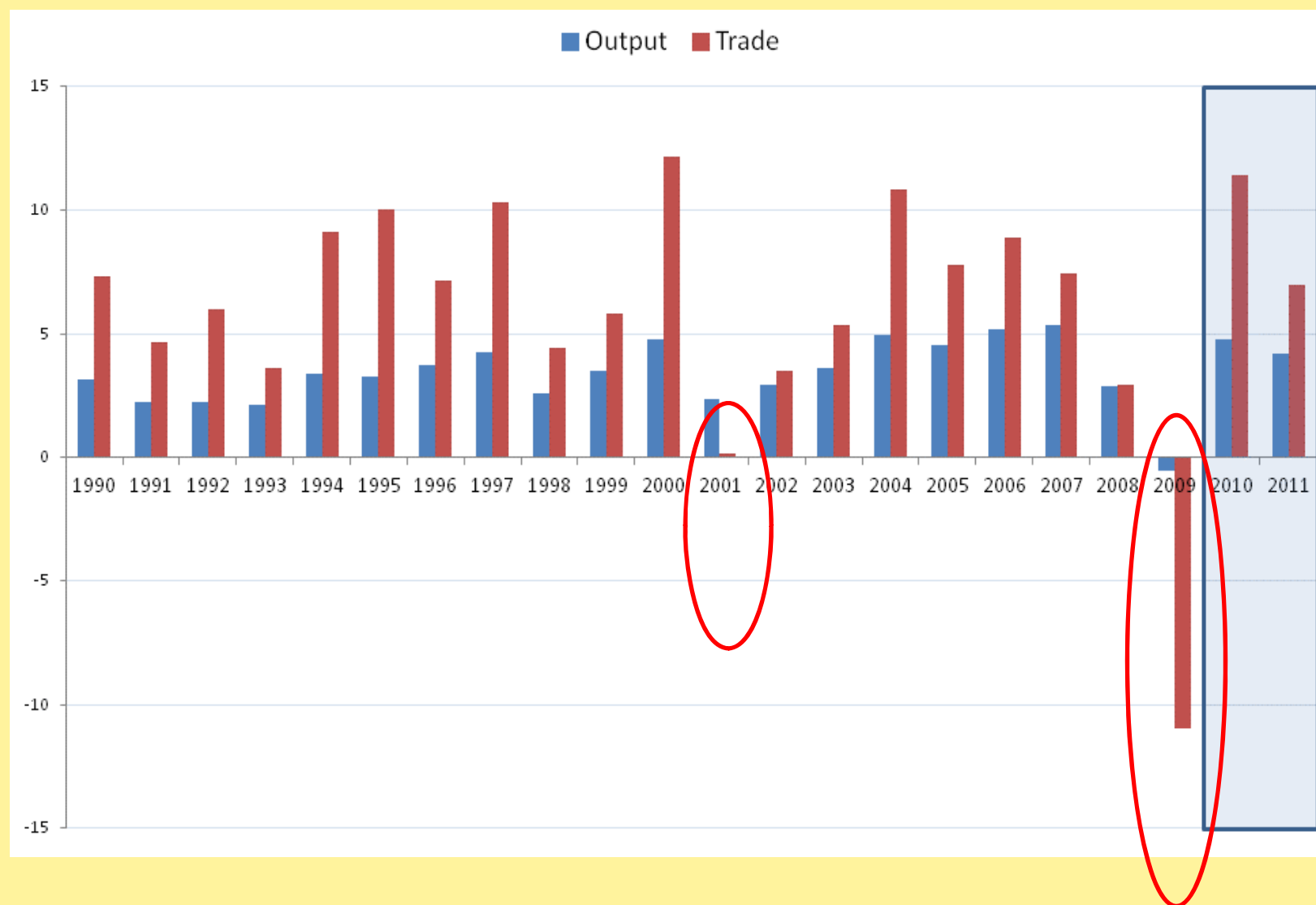
Note: Robust t-statistics in parentheses. Standard errors are clustered at country-pair level.

* p < 0.1.

** p < 0.05.

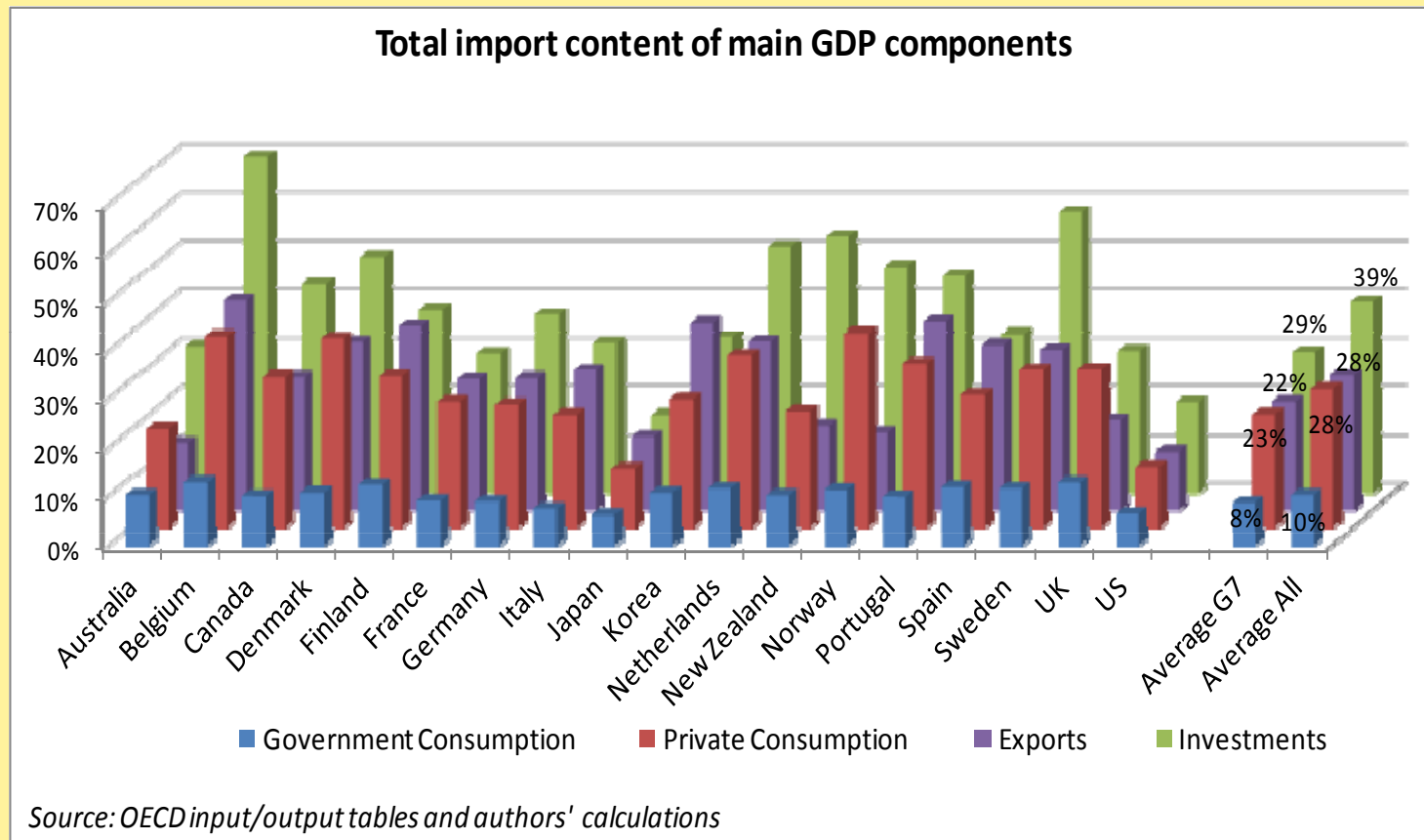
*** p < 0.01.

The Great Trade Collapse (and Recovery)



Source: IMF WEO.

Import Contents: An Example



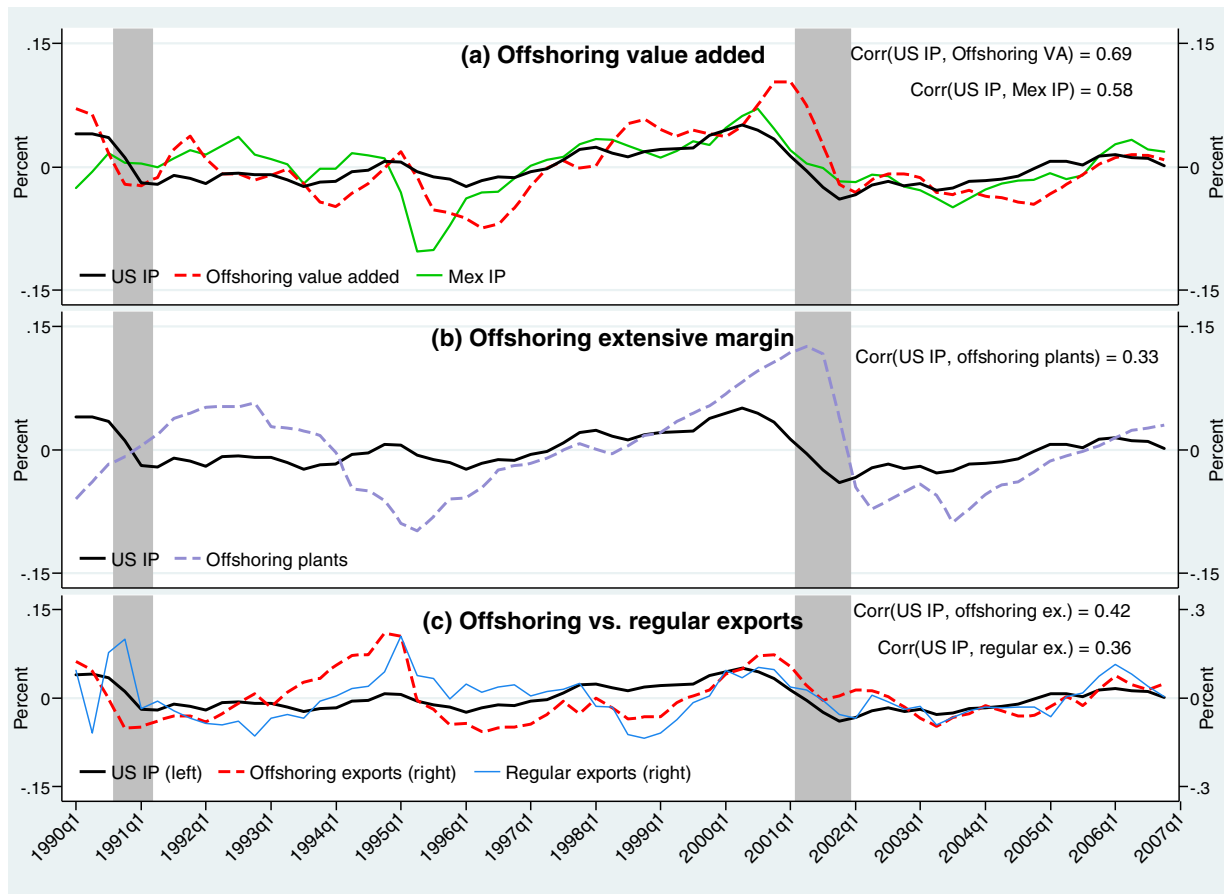


Fig. 1. Business cycle properties of offshoring to Mexico. Note: The data series are from Federal Reserve Board (for the U.S. manufacturing IP and U.S. real GDP), INEGI (for Mexico's manufacturing IP, real GDP, the maquiladora real value added, and the number of establishments), and the International Financial Statistics via Haver Analytics (for Mexico's maquiladora and non-maquiladora exports in dollars, deflated by PPI). The series are seasonally adjusted, converted in natural logs, and expressed in deviations from a Hodrick-Prescott trend. The shaded areas represent the U.S. recessions during 1990:Q3–1991:Q1 and 2001:Q1–2001:Q4, as defined by the NBER. If the U.S. and Mexico's real GDP are used instead of manufacturing IP, the correlations are largely similar: 0.54 and 0.45 for the U.S. GDP with the maquiladora value added and Mexico's GDP; 0.34 for the U.S. GDP with and the number of maquiladora establishments; 0.55 and 0.34 for the U.S. GDP with Mexico's maquiladora and non-maquiladora real exports, respectively.

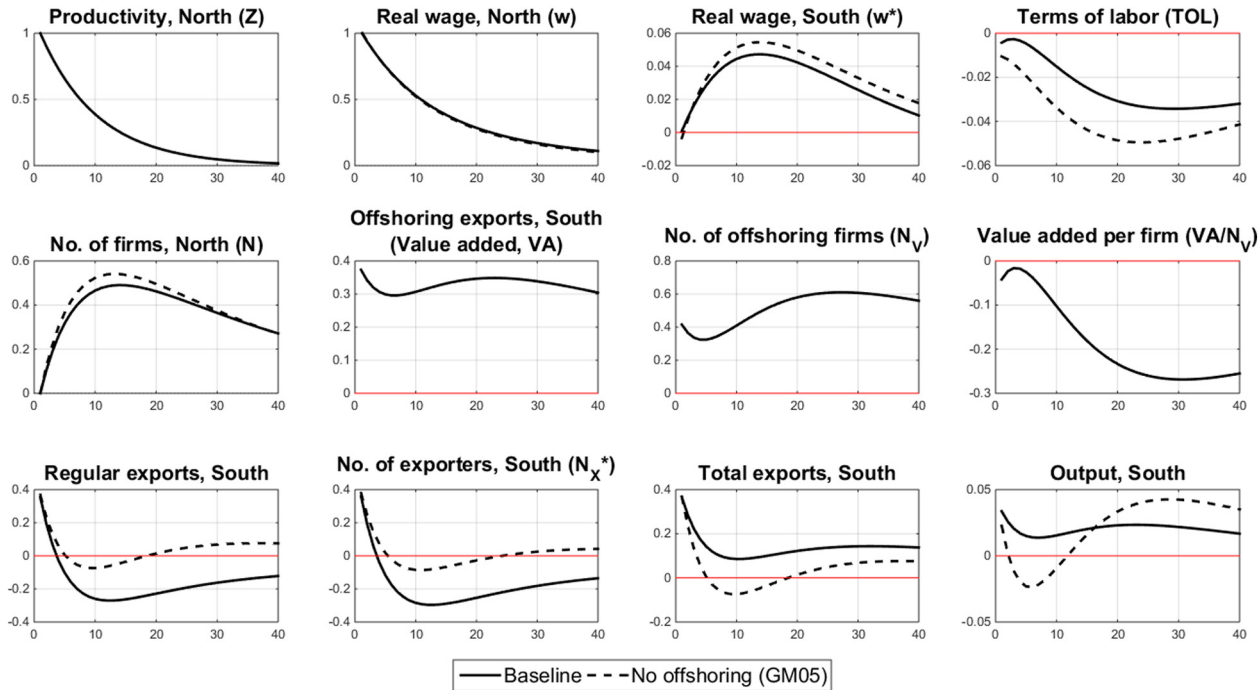


Fig. 4. Impulse responses, (1) baseline model vs. (2) model with no offshoring (GM05).

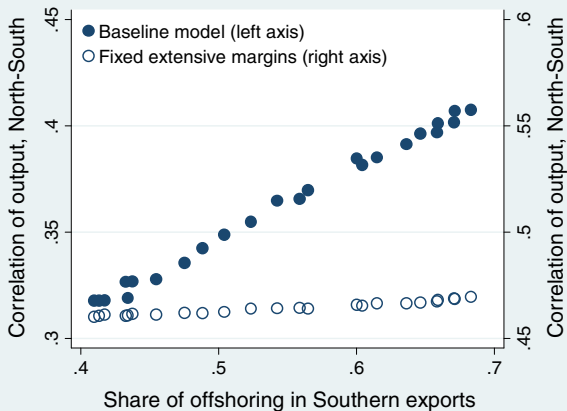
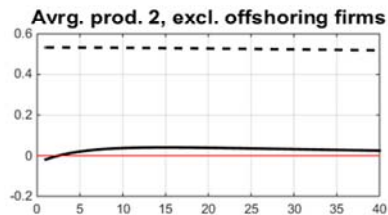
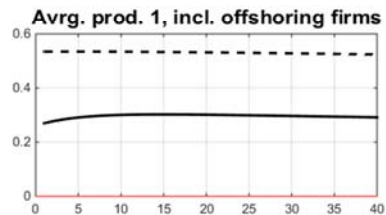
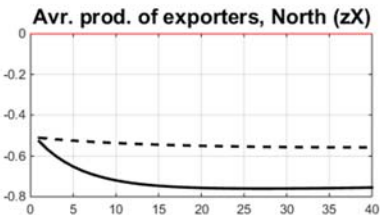
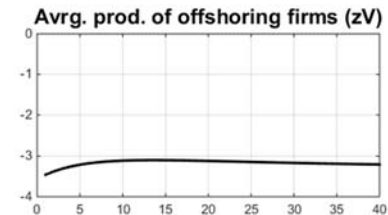
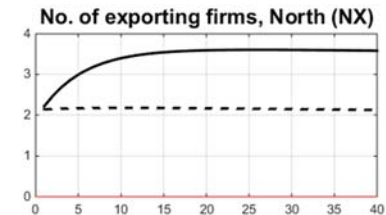
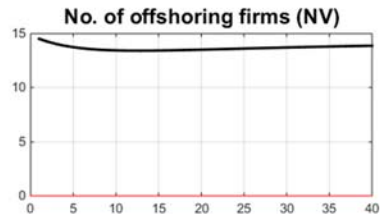
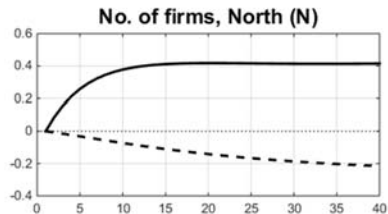
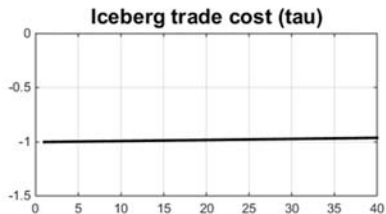


Fig. 7. Offshoring and output comovement. Note: “Fixed extensive margins” refers to the model with fixed firm entry and fixed cutoffs for offshoring and exporting. The alternative calibrations vary the share of offshoring in Southern exports (on the horizontal axis) while keeping the ratios of exports to GDP in the North and the South close to their steady-state levels from the baseline model.



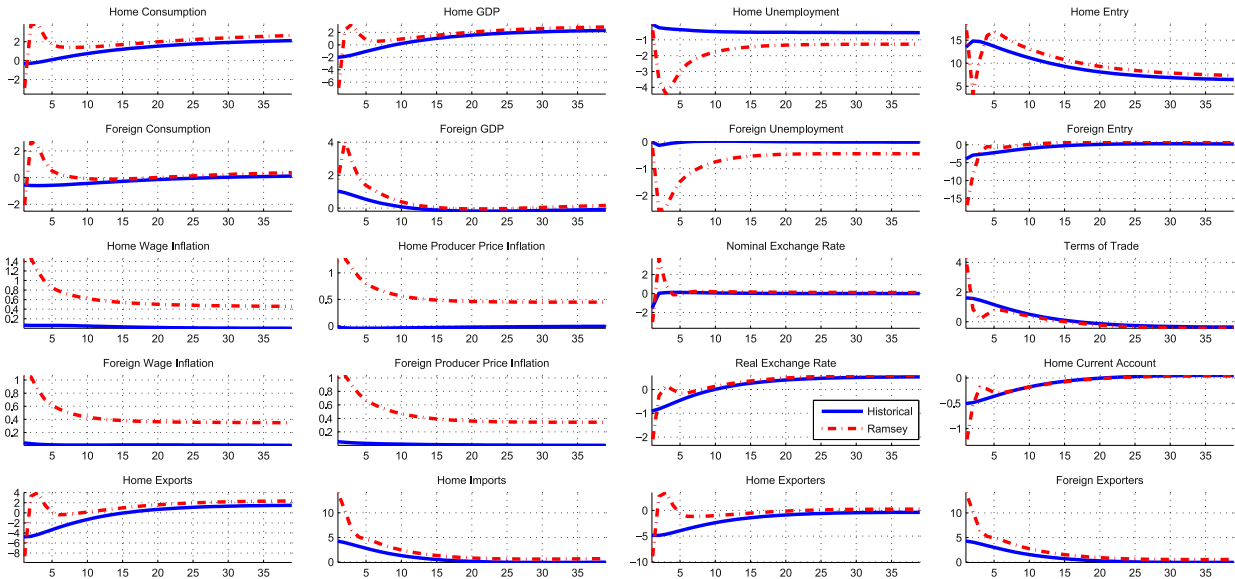
— Baseline - - - No offshoring (GM05)

TABLE 7: TRADE INTEGRATION AND GDP COMOVEMENT

	$\Delta corr(Y_{R,t}, Y_{R,t}^*)$ —Producer Currency Price		
	$\frac{Trade}{GDP} = 0.1$	$\frac{Trade}{GDP} = 0.2$	$\frac{Trade}{GDP} = 0.35$
Historical Rule	0.36	0.45	0.49
Peg	0.05	0.19	0.27
Ramsey	0.07	0.29	0.43
Nash	0.28	0.35	0.48
	$corr(Y_{R,t}, Y_{R,t}^*)$ —Local Currency Price		
	$\frac{Trade}{GDP} = 0.1$	$\frac{Trade}{GDP} = 0.2$	$\frac{Trade}{GDP} = 0.35$
Historical Rule	0.33	0.42	0.47
Peg	0.05	0.20	0.27
Ramsey	0.36	0.53	0.62
Nash	0.28	0.36	0.42

TABLE 6: TRADE INTEGRATION – NON STOCHASTIC STEADY STATE

	Ramsey Gain	Ramsey Inflation
$\frac{Trade}{GDP} = 0.1$	0.34%	1.40%
$\frac{Trade}{GDP} = 0.2$	0.22%	1.20%
$\frac{Trade}{GDP} = 0.35$	0.16%	1.05%



Home product market deregulation, flexible regulation in foreign. Historical policy (solid) versus optimal policy (dashes).

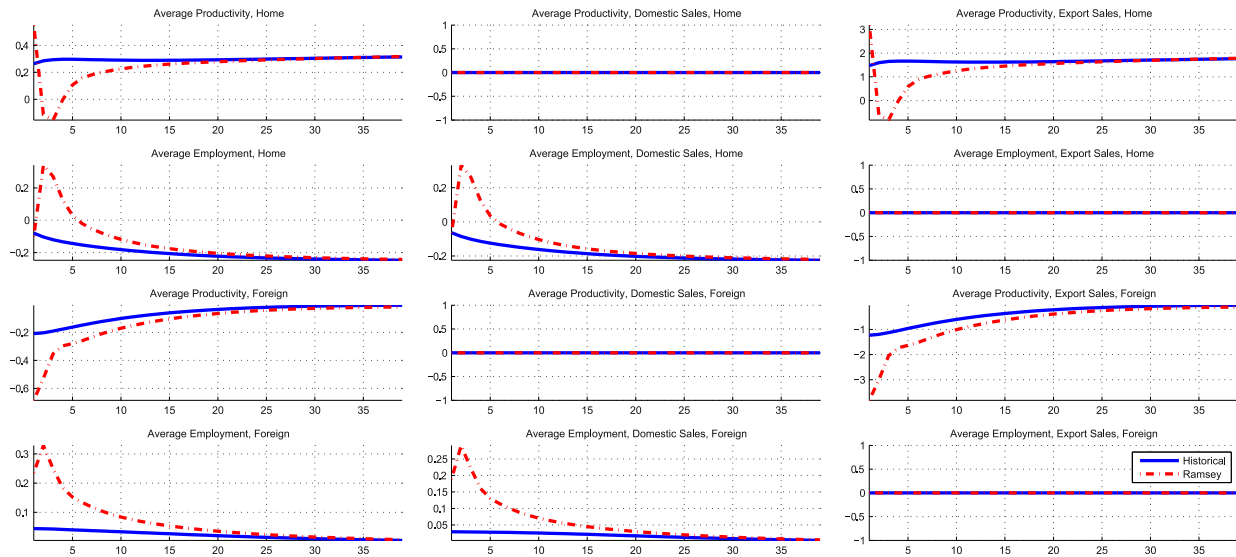


Fig. 2. (b) Home product market deregulation, productivity and labor reallocation effects.

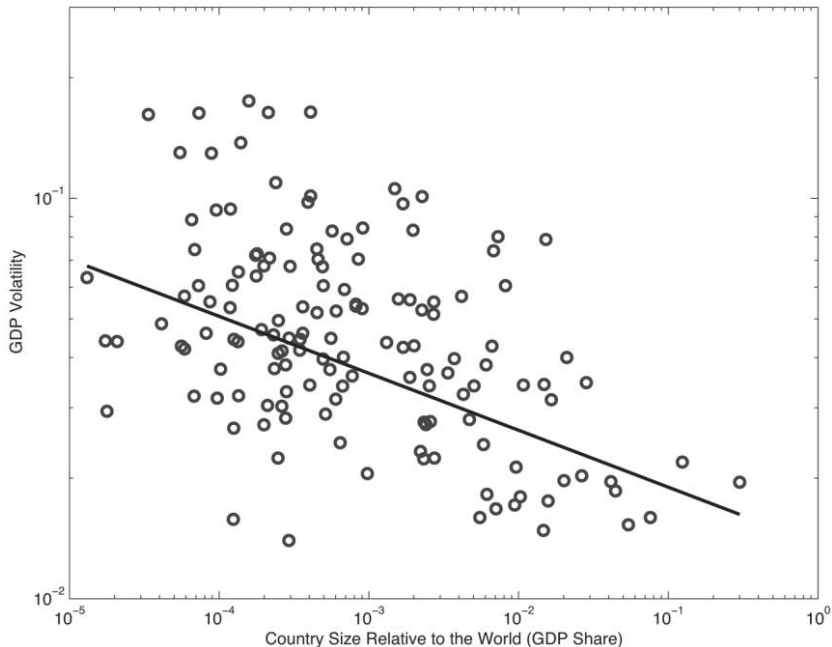


FIG. 1.—Country size and aggregate volatility. This figure reports the partial correlation plot of aggregate volatility, measured as the standard deviation of the annual growth rate of per capita GDP over 1970–2006, on the y -axis against country size on the x -axis, after netting out the impact of per capita income. Both axes are in log scale. Source: World Bank World Development Indicators.

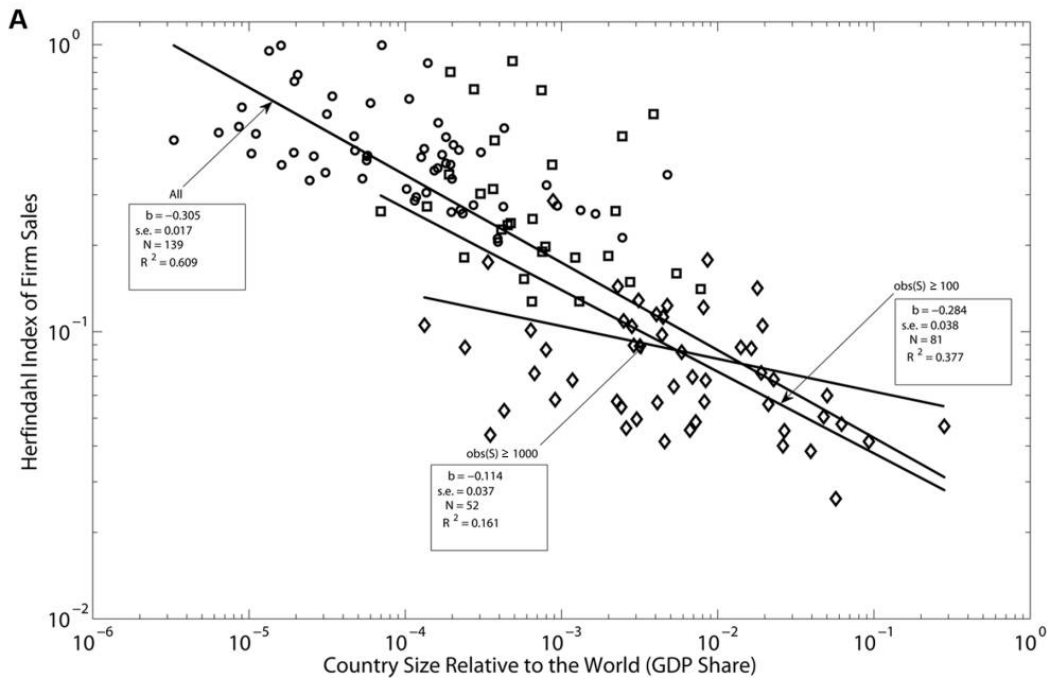


FIG. 3.—Country size, firm sales concentration, and size of large firms. These figures present the scatter plots of log country size and (A) the log Herfindahl index of firm sales, (B) the log size of the 10 largest firms, and (C) the log size of the largest firm, in all cases after netting out per capita GDP. The countries with more than 1,000 firms with sales data are labeled with diamonds, the countries with between 100 and 1,000 firms with sales data are labeled with squares, and the countries with fewer than 100 firms with sales data are labeled with circles. The regression lines through the samples of (i) all countries, (ii) countries with ≥ 100 firms, and (iii) countries with $\geq 1,000$ firms are plotted through the data. Both axes are in log scale. Sources: ORBIS and World Bank World Development Indicators.