

Wrap up and conclusions

**ARTNeT Capacity Building Workshop on
“the Use of Gravity Modelling”**

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Using gravity models for policy research

1. Make explicit reference to the theory and recent literature as much as possible
 - At least, appropriate dimensions of FE must be included in the gravity models.
2. OLS may not give an efficient estimates if
 - existence of zero trade flow
 - endogeneity problems
 - multi-dimension data
3. Make all possible attempts to correct the endogeneity problems.

Using gravity models for policy research

4. Asking questions that gravity can answer well

- Gravity model should be used for describing sensitivity of trade flows to particular factors, not for discussing economic welfare

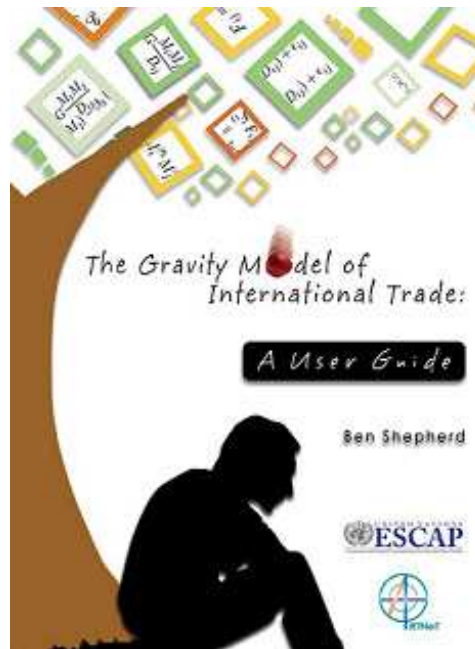
5. Being modest when using the gravity results in your analysis

- Should not to be a primary tool for forecast / counterfactuals
- Can give ideas about the relationships, but do not expect precise number
- If an analysis really need number, do it for a range rather than a single number (\pm SD)
- Treat the results as association, not causal links

Using the gravity model for policy research

4. Should apply gravity analysis in conjunction with other approaches such as CGE if discussing the general equilibrium implications (ie. welfare, resource allocations,...).
5. Research that does not use the latest models and techniques does not represent a sound basis for drawing policy conclusions.
 - Do robustness check to ensure results are robust to estimation using different techniques

Thank you and good luck



<http://www.unescap.org/tid/publication/tipub2645.asp>