

**WTO/ESCAP Second ARTNeT Capacity Building Workshop on Trade Research,
17-21 April 2006, Bangkok, Thailand**

Suggested Advance Reading List for Participants (as of 29 March 2006)

The list is organized in three sections. Readings in section 1 are recommended readings for participants with minimal or no experience in regression/econometric analysis. Participants who would like to familiarize themselves with gravity models prior to the meeting are encouraged to read documents in section 2. Section 3 provides a selection of gravity model applications to trade policy issues.

1- Introduction to regression analysis

The two following papers are non-mathematical introduction to regression analysis:

- Sykes Alan O., *An introduction to regression analysis*, 1993,
http://www.law.uchicago.edu/Lawecon/WkngPprs_01-25/20.Sykes.Regression.pdf
- Reber Sarah, *Introduction to regression analysis*, 2006,
http://www.law.ucla.edu/kang/aajclass/Reber_Regression.pdf

A more comprehensive and slightly more analytical introduction:

- Boex Jamie, Robert McNab and Mary Beth Walker, *A review of statistics and regression analysis*, Andrew Young School of Policy Studies, 2001 <http://isp-aysps.gsu.edu/fprc/fpa/fpa6/fpa6doc.pdf>

2- Introduction to gravity models

Head Keith, *Gravity for Beginners*, 2000.
<http://strategy.sauder.ubc.ca/head/gravity.pdf>

Dean A. DeRosa and John P. Gilbert, *Predicting Trade Expansion under FTAs and Multilateral Agreements*, IIE Working Paper Series, NUMBER WP 05-13, OCTOBER 2005

3- Selected applications of the gravity model to trade and investment issues

- Results from a keyword search on “gravity” in the ARTNeT Trade publication database at www.artnetontrade.org:

<p>1. Assessing Protectionism and Subsidies in Agriculture: A Gravity Approach http://www.imf.org/external/pubs/ft/wp/2005/wp0521.pdf Author: Claudio Paiva Source: IMF Type of Publication: Working Paper Year: 2005, Summary: This paper provides the first comprehensive empirical analysis of agricultural trade using a gravity model. The data set covers bilateral trade in agricultural goods for 152 countries over the periods 1990–93 and 1999–2002.</p> <p>2. Infrastructure and Trade http://www.wto.org/english/res_e/reser_e/ersd200404_e.htm Author: Hildegunn Kyvik Nordås, Roberta Piermartini Source: WTO Type of Publication: Working Paper Year: 2004, Summary: This paper explores the role that quality of infrastructure has on a country's trade performance, estimating a gravity model that incorporates bilateral tariffs and a number of indicators for the quality of infrastructure.</p> <p>3. INDIA'S GLOBAL TRADE POTENTIAL: THE GRAVITY MODEL APPROACH http://www.icrier.org/wp151.pdf Author: AMITA BATRA Source: ICRIER Type of Publication: Working Paper Year: 2004, Summary:</p> <p>4. Explaining Foreign Direct Investment in Central and Eastern Europe: an Extended Gravity Approach http://edata.ub.unimaas.nl/www-edocs/loader/file.asp?id=929 Author: J.W.B. Bos, M. van de Laar Source: RePEc Database Type of Publication: Working Paper Year: 2004, Summary: In this paper, we question whether there is a catch-up effect or announcement effect in Foreign Direct Investment (FDI) from the European Union (EU) to the ten EU accession countries. We study FDI outflows from the Netherlands, a small open economy with few historical ties to Eastern Europe, and compare FDI in the transition countries in Central and Eastern Europe to FDI in other regions - most notably to transition countries in Central Asia. In our analysis we try to impose as little structure as possible on the data and allow for heterogeneity within the different regions. In an effort to improve on past studies in the same area, we use a very broad sample of countries, we present country-specific results and test how robust regional dummies are, we check for omitted variable bias and we try to correct for possible non-linearity in the gravity relationships. We find that many of the differences in results of previous studies can be attributed to these specification problems. There is no evidence that an overall catch-up effect or announcement effect exists. Rather, economic fundamentals explain differences in inward investment in the region. FDI and trade are mostly complementary and there is no evidence that there is crowding out between regions.</p>

- **Other papers:**

Philippa Dee and V. Jyothi Gali, *The Trade and Investment Effects of Preferential Trading Arrangements*, NBER Working Paper No. W10160.