



Economic Research Institute for ASEAN and East Asia

## Invitation to Submit a Proposal

### ERIA Microdata Research Fiscal Year 2014

The Economic Research Institute for ASEAN and East Asia (ERIA) invites submission of research proposals for the ERIA Microdata Research Project for Fiscal Year 2014. This project is under the ambit of one of the three research pillars of ERIA, namely: *Deepening Economic Integration*. The theme of this fiscal year's research project is *Trade Policy Change and Firm Adjustment: A Search for the Underlying Mechanisms*. This project comprises country studies by authors mainly from ERIA member countries.

Research proposals should be submitted by email to Dionisius Narjoko ([dion.narjoko@eria.org](mailto:dion.narjoko@eria.org)) not later than **15 August 2014**. Early submission is encouraged.

The authors will be notified of the decision about the proposal selection process not later than 3 September 2014.

ERIA provides financial support of USD 9,000 per paper for the selected proposals. In addition, ERIA covers the travel costs of one author per paper for attending the workshops of the project.

#### ■ Theme of the Research

As well understood, recent theoretical literature on heterogeneous firms and trade has emphasized a couple of new mechanisms through which changes in trade policy (trade liberalization) increase aggregate productivity and welfare, namely: (1) allocative efficiency gains associated with shifting labor and capital out of small, less-productive firms into large, more-productive firms, and (2) productive efficiency gains associated with trade-induced innovation (Melitz and Redding 2012; Melitz and Trefler 2012). A growing body of empirical studies utilizing firm- or plant-level micro data provides evidence in support of these theoretical predictions. While this development has certainly revolutionized our view of how an economy responds to trade and trade policy changes, it is also true that we still have only a partial understanding, in particular, of how trade policy changes affect aggregate productivity and welfare, and of the mechanisms through which the impacts are realized. Better understanding of the mechanisms is likely to be very important for a policy point of view.

Against this backdrop, the ERIA Microdata Project for Fiscal Year 2014 aims to empirically examine the effect of *trade policy* changes on aggregate productivity and welfare and, more importantly, discern the *mechanisms in operation* through which the effects are realized. We particularly focus on clarifying various mechanisms through which trade policy changes affect welfare gains from trade. Depending on the country context, it is likely to be valuable to focus on a particular mechanism put forward by existing literature and examine whether and why (or why not) that particular mechanism works. However, we expect that this project will uncover new

mechanisms through which an economy responds to trade policy changes. For example, while most existing literature focus on firm's productivity or export status as determining heterogeneous effects of trade policy changes, it could be that the real world is much more complex, bringing in a rich range of other dimensions along which firm responses are heterogeneous.

The authors are expected to raise their own specific questions closely related to the theme of this project in the context of their own country. Authors *must* employ micro data (i.e., firm-, plant-, or product-level datasets) and conduct a publication-quality empirical study complemented with descriptive analyses. Explicit consideration of some policy variables such as tariff is a must. Analyses of other trade and foreign investment policy variables are also welcome.

#### ■ **Project Schedule**

- **15 August 2014:** Deadline for the submission of proposals.
- **3 September 2014:** Notification of the selected proposals
- **Within the second half of November 2014** (dates to be confirmed): **First workshop**, to discuss the first draft of the report. The discussions focus on results of the studies.
- **Third week of February 2015** (dates to be decided): **Second workshop**, to discuss the draft of final report.
- **Mid March 2015:** deadline for the submission of final report.
- **31 March 2015:** submission of the project's report to ERIA.

Members of the project are expected to attend the two workshops scheduled above.

## ■ Proposals

Research proposals should be about five to eight pages long. It should contain the following:

- research question(s);
- objective and background;
- brief literature review;
- description of data and methodology;
- expected value added;
- policy relevance;
- references.

## ■ Others

The research should be an original one. The final report will be included in an edited project report which will be submitted to ERIA. Some of the completed research papers may be posted as working papers for the ERIA Discussion Paper series.