

Preface

International trade is a key dimension of the world economy, accounting for more than 30% of world GDP (a very strong increase since 1960). It is a critical factor in raising living standards, increasing employment, and providing a larger variety of goods to the consumers around the world. Despite the strong focus that international trade questions have received in theoretical terms, the empirical aspects of trade are less clear and justify further research.

This gap in the literature was the key motivation to produce this Handbook of Research. It aims to contribute to this area by putting together a group of studies produced by international experts with the objective of shedding light on some of the most important methods and themes used/considered to evaluate multiple dimensions of trade.

Given the importance of the topic, the research developed in the 18 chapters that integrate this Handbook are a significant contribution to understand key dynamics of a globalized world. The *Handbook of Research on the Empirical Aspects of Strategic Trade Negotiations and Management* is a valuable resource to a vast audience, including scholars, students, government officials, policy makers, and managers. Moreover, it is important to stress that, since trade has a myriad of direct and indirect effects, it touches several fields of research, including economics, management, finance, international relations, political science, and sociology, among others, potentiating even more the universe of readers.

Chapter 1, by Nuno Crespo, Nicole Palan, and Nadia Simoes, provides an in-depth empirical analysis of key trends of sectoral trade globalization. This is an important and less studied topic since the focus of the studies is usually concentrated on the evaluation of globalization in overall terms. The authors make use of several measures to conduct their empirical evaluation and explore interdependence and distance as central dimensions of the phenomenon. A vast period – 50 years – is taken as reference, allowing to obtain a clear and detailed perspective on the evolution of sectoral trade globalization. The evidence produced shows that trade globalization has increased significantly in that period (1967-2016), irrespective of the specific characteristics of the individual sectors, although, of course, important differences emerge regarding the pace of the evolution in districting groups of sectors. The authors conclude their analysis with a discussion about the potential impact of the current COVID-19 pandemic on the world trade flows.

Chapter 2, authored by Larry Crump, analyses the advantages, disadvantages, management opportunities, and challenges of regional institutions with an informal structure. In more concrete terms, this chapter considers the case of the Pacific Alliance (Chile, Colombia, Mexico, and Peru) and evaluates the relationship between informal regional structure and national resilience. Based on a detailed and solid empirical exercise, the study concludes that informal regional institutions provide strategic benefits by contributing to member (national) resilience. Additionally, the analysis conducted in this chapter allows

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to investigate if this effect occurs through an adaptation strategy and/or an adaptability (transformational) strategy. The conclusions obtained are important to policy action, namely because they allow to establish key principles to define policies for building informal regional institutions.

Chapter 3 was prepared by Furkan Yıldız. It aims to discuss and test the effects of international trade on CO₂ emissions among trade partners. This is obtained considering the G7 countries and each of their developing trade-partner countries with the highest trade volume as reference. A stochastic convergence methodology was applied using Augmented Dickey Fuller (ADF), Phillips-Perron (PP), and Enders-Lee Fourier unit root tests. The empirical evidence indicates that international trade does not have general/common effects on per capita CO₂ emissions. Several specific results were derived for different pairs of countries, providing a more comprehensive understanding of the impacts under analysis.

Based on the idea – advanced by recent literature – that fiscal discipline is affected by the exchange rate regime (EER) preferences in open economies, Chapter 4, by Mustafa Kiziltan, puts the focus on the study of the impact of the exchange rate regime choice, economic, institutional, and demographic factors on budget deficit. A group of 76 economies (classified into income groups) was studied along a period of more than 20 years. The empirical results presented in this chapter allow us to conclude that flexible exchange rate regimes assure more fiscal discipline. This evidence has significant implications for policy-makers since it highlights the relevance of several factors to ensure fiscal discipline. These include, for example, institutional quality, demographic factors, and inflation. Thus, the impact of EER preferences on fiscal discipline depends on the characteristics of each country. In this context, the study stresses that a high level of trade openness makes the country more vulnerable to exchange rate shocks, leading to uncertainty in fiscal policy.

Chapter 5 is authored by Maria Paula Fontoura, Nuno Crespo, and Nadia Simoes, and is dedicated to the measurement of regional centrality, adopting a world-level perspective. This is a vital issue because accessibility is a critical determinant of firm location. The authors discuss the importance of centrality for international economic trade and propose two methods to decompose the level of centrality exhibited by each region/country into several components with economic interpretation. More specifically, the decomposition methods suggested by the authors allows to take into account the influence of: (i) internal and external factors; (ii) economic and geographical aspects. Four components are identified and, from each of them emerge specific and concrete guidelines for policy action. The chapter presents abundant evidence for a total of 171 countries, concerning not only their overall level of centrality but also regarding the respective sources, allowing to know the weak and strong points of each country in what concerns centrality. It is interesting to emphasize that the methods discussed in this chapter are valid and can easily be extended to other levels of geographical analysis.

Niels Søndergaard is the author of Chapter 6. In this interesting chapter, it is analyzed the participation of the agricultural G-20 coalition within the Doha Round of the World Trade Organization. The chapter makes a detailed evaluation of important aspects such as the strategies, the modes of operation, and the (internal and external) articulations of the group from its inception during the run-up to the Cancun Ministerial to its dissolution, in 2008. The conclusions of this study are based on a detailed documental analysis and on interviews with stakeholders in the negotiation process, providing an interesting perspective about the contextual conditions and factors that allowed the rise of the G-20. This analysis is extremely interesting and useful since the outcome of trade negotiations can shape the links that are formed between national economies and global markets.

Chapter 7 of this Handbook deals with the topic of economic complexity and trade diversity, being authored by Jorge Falcón Gómez and Fernando Martín Mayoral. International trade opens to the

countries important opportunities to expand markets and, thus, seize scale economies. However, these opportunities are not well explored by many developing countries, making this topic an important aspect of public policy. While empirical studies suggest the existence of an inverse U relationship between trade diversification and level of development, the most commonly used trade diversification measures do not take into account differences in complexity of exports and complexity indices only consider products with comparative advantages. This chapter aims to overcome these shortcomings of the literature. It evaluates the determinants of trade diversification taking the complexity of products into account. The period between 1962 and 2017 is considered as reference. An important conclusion from this study is that, when economic complexity is considered, the inverted U relationship mentioned by previous studies is no longer valid.

Chapter 8 is devoted to the analysis of the geostrategic approach followed by China in order to increase its worldwide influence. This study, produced by Guy Maurille Massamba, concentrates on the method adopted by China to increase its global power, not only through international trade but also through the development of military capacity. In what regards international trade, the study emphasizes the growing centrality of China, which is caused by the increase importance of China in terms of trade partnerships and their significance. This chapter is an important contribution to understand the circumstances that are vital for the ascendant of China as a central player in the global trade network. These include, for example, historical, geographic, and behavior components. Based on the analysis conducted in this study, the author concludes with a group of key policy recommendations.

Chapter 9 is still concentrated on the central role of China in international trade and, in a broader sense, in terms of economic and political influence in the 21st century. In this chapter, elaborated by Maria João Tomás, abundant evidence is analyzed in order to demonstrate the economic emergence of China in the last years. The central argument of the chapter is that China has been preparing its way to become the world leader in the next years. Several strategies that have been adopted by this country are discussed and it is shown why we will assist in the next decades to the consolidation of China as the world's first economy. This process already made (and will continue to make) significant modifications in terms of the world geopolitics. The author also provides an interesting discussion about the way the different economies (or groups of economies) are reacting to the emergence of China.

Chapter 10, authored by Anusha Thakur, puts the focus on the analysis of the importance of the cultural dimension on trade. Culture includes several components, such as food, language, clothing, values, traditions, and beliefs, which differ from region to region. The existence of remarkable differences between origin and destination countries is a barrier to trade and investment. Therefore, the purpose of this chapter is to understand in more detail the differences among three key areas at the world-level: Europe (evaluated through the specific case of UK), Asia-Pacific (captured through the case of Japan), and North America (analyzed through the specific case of U.S.A.). The study makes use of the Hofstede's six dimensions of culture in order to conduct its empirical research and complements the discussion with an analysis of the cultural challenges raised by globalization.

Chapter 11 is authored by Somesh Kumar Mathur and Naman Agrawal. The goal of this chapter is to assess the effects caused by trade liberalization of India with specific groups of economies. The simulations produced in the study allow us to retain several key conclusions. The most important results is the fact that maximum gains occurs when India liberalizes with all these groups, that is, when it liberalizes multilaterally.

Chapter 12 is authored by José Vargas-Hernández. The main goal of the chapter is to analyze the implications of regionalism in North America region on Mexican exports and, more specifically, on the

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agricultural exports of the region of Sinaloa. The study evaluates the turbulence experienced in the last years, namely with the possibility, raised by Trump administration, of exit by the U.S.A., and discusses the advantages and disadvantages of renegotiation.

The next chapter – Chapter 13, prepared by Iulia Monica Dumitrescu – is a survey covering three key areas. First, it analyses the most important trends of the world economy over the last decades. In this context, the author discusses important dimensions, such as globalization, regionalization, international agreements, and the emergence of new economic poles in international arena. Second, the chapter presents a comprehensive overview of some critical determinants of specialization. To that end, the main body of theories of international trade are covered and their main implications are emphasized. Finally, still with the objective of providing a survey of the main determinants of specialization, the chapter reviews some groups of factors, including demographic change, advances in technology, investment, and energy and natural resources.

Chapter 14 is dedicated to the empirical study of the Greenfield FDI determinants in MENA region (Middle East and North Africa). The authors of this chapter are Youssra Ben Romdhane Loukil, Souhaila Kammoun, and Imen Ouerghi. The importance of this study is high because it allows us to retain some important conclusions regarding a geographical area characterized by recent important political and economic transformations. Beyond the investigation of the determinants of Greenfield FDI in this region (taking inflation, trade freedom, and investment freedom as macroeconomic variables and political instability as an institutional variable), this chapter aims to identify which environmental sector may affect this mode of foreign investment in MENA region. The period between 2010 and 2018 is assumed as reference and a total of 13 countries are included in the empirical exercise. The results support the idea that trade openness stimulates foreign investment in MENA region. Additionally, the evidence emphasizes the fact that the lack of inflation control may disrupt the inflow of Greenfield FDI (because it expresses the economic stability/instability of the countries). A final key conclusion is that there is a positive relationship between Greenfield FDI and environmental sectors. Adequate guidelines for policy intervention are also derived from the analysis.

Somesh Kumar Mathur and Sachin Angural are the authors of chapter 15. This chapter makes use of GTAP (which is a powerful Computable General Equilibrium model) to investigate the potential impact of a liberalization process between India and several major economic groups. The study starts with the characterization of each of these groups from an economic point of view and, based on that, it identifies the products in which India and these groups would benefit in case of a real liberalization process. Three scenarios were tested and compared, namely: (i) a reduction of 10% of the tariffs applied by India; (ii) a similar reduction but now applied by both India and the economic group under analysis in each specific case; (iii) the complete elimination of tariffs between the two economies/groups. As the title of the chapter makes clear, the objective of the authors is to propose a roadmap to this process of liberalization between India and other economies.

Chapter 16, from José Vargas-Hernández and Mario Guadalupe Zazueta-Félix, provides an interesting discussion about the characteristics of the entrepreneur, seen as a critical element for the success of international businesses. In fact, there is a vast literature emphasizing not only the importance of innovation but also the fundamental role of the leader for the success of the firm. The study builds an analytical relationship between entrepreneurial profiles and other critical factors, like strategic thinking, innovative environments, and competitive forces. Beyond a discussion in more general terms, a differentiation element of this study is the fact that it discusses the specific case of entrepreneurship in the gastronomic sector through the consideration of a case study. In a final section, this chapter produces

some recommendations and highlights some key aspects that should be kept in mind when considering the role of the entrepreneur in international businesses.

Chapter 17 is also dedicated to the role of the entrepreneur and was elaborated by Vítor Ferreira and Tomás Luís. In specific terms, this study aims to evaluate the impact of the entrepreneur personal characteristics on new firm growth. This chapter makes two critical contributions. First, it provides an extensive survey of the main characteristics of the entrepreneur that can be founded in the literature. Some of the characteristics discussed include motivation, intention, need for achievement, locus of control, leadership, commitment and determination, risk propensity, proactivity, tolerance of ambiguity and uncertainty, spirit of opportunity, innovative spirit, confidence, and resilience and adaptability. Complementing this survey, the second contribution of this chapter is the empirical test of the relevance of these factors. Based on a questionnaire applied to Portuguese entrepreneurs and interviews (with the purpose of complementing the information of the collected data with a qualitative approach), the evidence reveal that leadership, the need for achievement, proactivity, resilience, and adaptability are among the characteristics with more impact on the growth of the startups analyzed.

The final chapter of this Handbook – Chapter 18 – is authored by Mikail Kar. The focus of this chapter is a critical element for the firms – pricing strategy. The chapter examines pricing methods and price indices and evaluates the determination of the pricing method commonly used in a market based on the causality relationship between the producer and consumer price indices. The study emphasizes the importance of supply factors (costs of production), demand factors (willingness to pay of the consumers), and competition in the identification of the price.

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