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EXPORT QUALITY AND INCOME DISTRIBUTION

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Export Quality and Income Distribution

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Abstract: Given the increasing sensitivity of buyers in richer countries towards the quality of the goods that they consume, low-quality exports largely constrain the export growth of developing countries. This Element documents attempts to estimate cross-country quality variations and reviews the demand-side and supply-side explanations for the low-export-quality phenomenon. It examines how trade policies can incentivise export quality upgrading and discusses the underlying channels through which a reverse causality – export quality causing within-country income or wage inequality to worsen – may develop. This issue of wage inequality assumes relevance because export-promotion policies may be difficult to sustain in such situations, particularly in large democracies where political risks from inequality-driven conflict are quite high.

Keywords: Export quality, income distribution, low-export-quality phenomenon, trade policies, labour market implications

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