

RIETI-CASS-CESSA Joint-Workshop @ RIETI

Industry-level Exchange Rate and Asian Integration

- Focus on the relation between China and Japan -

Changing Comparative Advantage, Real Exchange Rate Impact and Sino-Japanese Trade Fluctuations

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Yuki Masujima (Discussant)

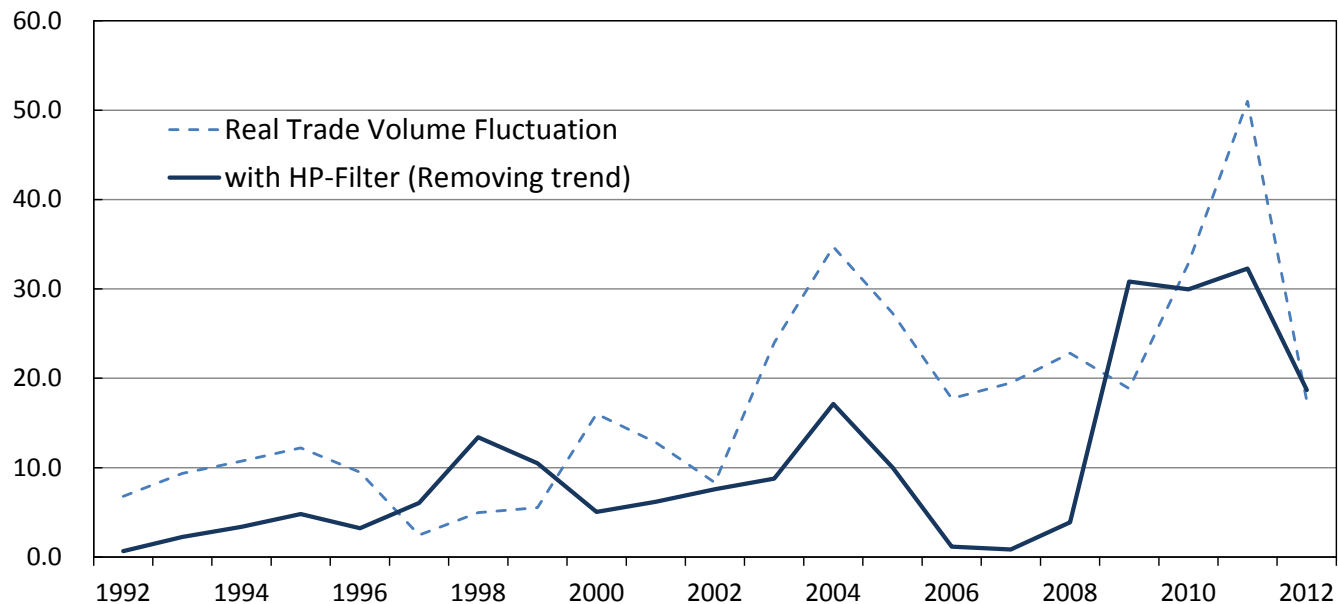
Japan Center for Economic Research

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Contribution of this paper

- ◆ Evaluate impacts of industry level REER
- ◆ Apply HP-filter to remove trend of Sino-China trade fluctuation

【Sino-Japan Trade Fluctuation (Import+Export)】



Source: Ministry of Finance(Japan), BEA, (USA) FRB, JCER estimation

Major Critique

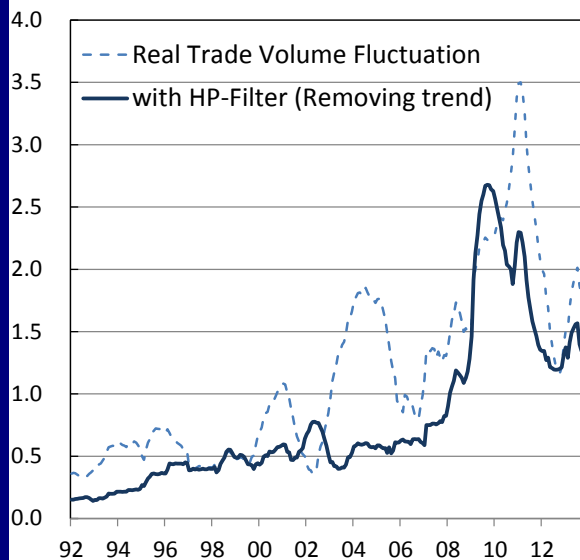
- Is trade fluctuation determined solely by China' s productivity and capital labor ratio? Not by Japan' s factors?
- Some concern about Reverse Causality (Simultaneous Bias) between trade fluctuation and real exchange rates
 - > See Forbes (2005)
- Frequency, and Timing of Political events
 - > Are higher frequency and different window period applicable?
 - > The impact of political events on trade fluctuation may depend on timing

Major Points

Diff. Timing, Higher Frequency?

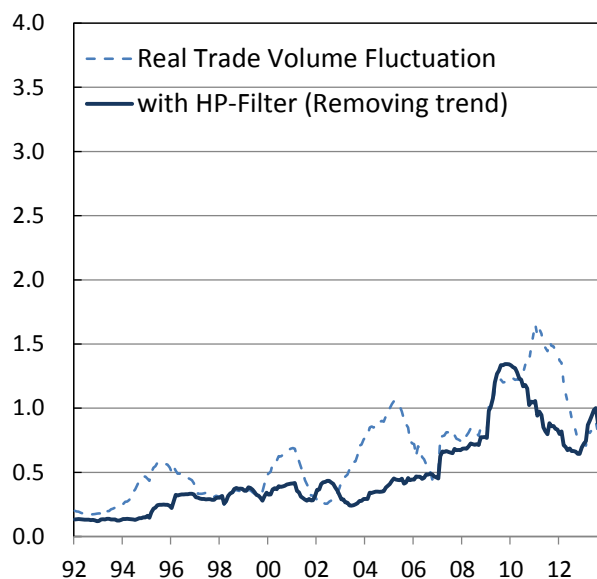
Also, using percent change (normalized S. D.) rather than level may generate better results

【Sino-Japan Trade Fluctuation (Import+Export)】



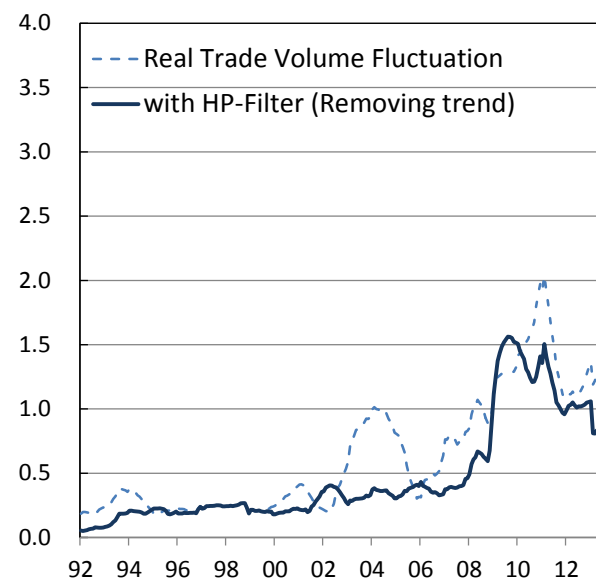
Source: Ministry of Finance(Japan), BEA, (USA) FRB, JCER estimation

【Sino-Japan Trade Fluctuation (Export)】



Source: Ministry of Finance(Japan), BEA, (USA) FRB, JCER estimation

【Sino-Japan Trade Fluctuation (Import)】



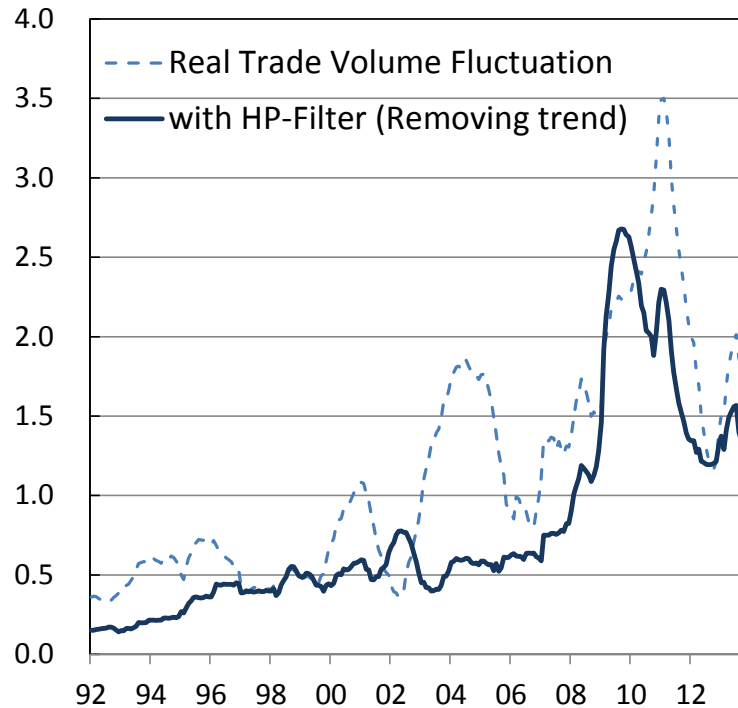
Source: Ministry of Finance(Japan), BEA, (USA) FRB, JCER estimation

Major Points

Diff. Window Period?

【2-year Window】

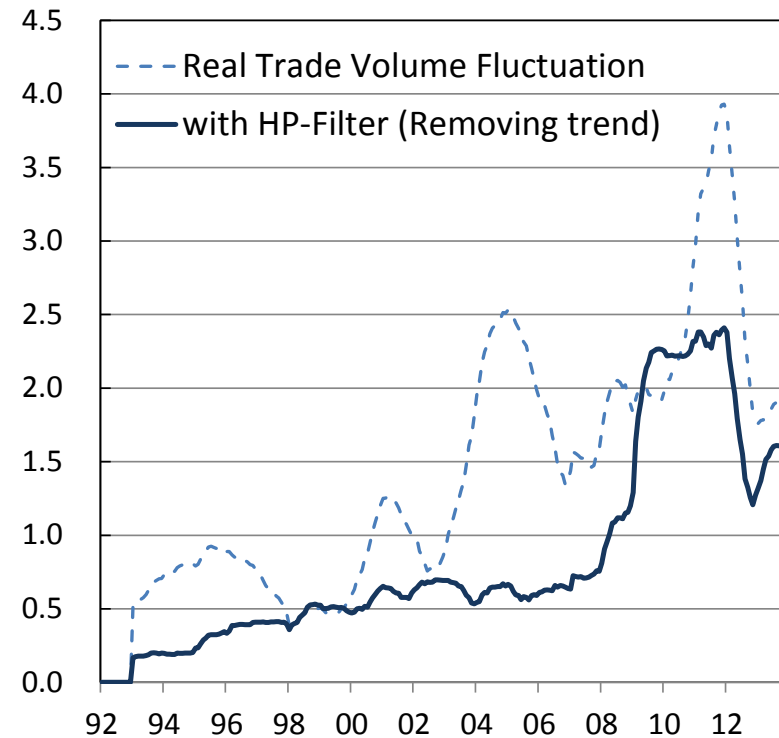
【Sino-Japan Trade Fluctuation (Import+Export)】



Source: Ministry of Finance(Japan), BEA, (USA)
FRB, JCER estimation

【3-year Window】

【Sino-Japan Trade Fluctuation (Import+Export)】



Source: Ministry of Finance(Japan), BEA, (USA)
FRB, JCER estimation

Minor Points

- Third Country Trade via Hong Kong
 - See Feenstra et al (2005)May try NBER–United Nations Trade Data 1962–2000
- Definition of trade fluctuation (p.15) could appear in introduction to read smoothly
- Some missing references (e.g., [Naknoi 2013])

Reference

Feenstra, R. C., Lipsey, R. E., Deng, H., Ma, A. C., & Mo, H. (2005). World Trade Flows: 1962-2000. *National Bureau of Economic Research Working Paper Series, No. 11040*.

Forbes, Kristin J. 2000. "A Reassessment of the Relationship between Inequality and Growth." *American Economic Review*, 90(4): 869-887.