

# Comments on the paper: “Pricing to Market in Chinese Foreign Trade”

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# The Paper could gain 3 conclusions

- Both export products without comparative advantage and with comparative advantage do not have obvious PTM features,
- Chinese export products do not have a country heterogeneity of export pricing, and
- The price fluctuations of the export enterprise is not obvious with the deduction of the time.

# Good trial to handle and examine huge trade data, but...

- PTM is one of the explanations for exchange rates path through (ERPT).
- Although the authors might be able to capture imports price stickiness affected by the exchange rate fluctuations, (they could estimate the elasticity of local-currency import prices with respect to the local-currency price of foreign currency), small changes/stickiness in import prices could not be explained only by PTM theory.

# How could we define the effect of PTM?

- As Krugman (1989) has shown his examples of French wine and German car, the PTM theory can explain very limited phenomenon in specific industries, in specific countries, or in specific time-period.
  - Which products can be priced by the PTM strategy of exporting company/industry?
    - High-value added products or Low-value added?
    - Consumption goods, intermediate goods, or raw materials?
  - Which country?
    - Developed, emerging, or developing?
  - Do the PTM features reveal in a long-run or a short-run?

# Conclusions 1 & 2 are too simplistic statements.

- Why did not the authors focus on specific industries: electric machinery and transportation equipment?
  - PTM features had been shown in only a few industries from 96 industries.
  - “too little” products in the sense of Krugman (1989), should be omitted from samples.

Could be the empirical results reflected recent changes of production process in Asia?

- Production processes are now getting complicated.
  - Could empirical study in this paper consider production networks /supply chains in Asia?
- Which stage of production can companies put strategic pricing into their products?
  - Transportation equipment: China -> Japan -> US/EU/ASEAN
  - Electric machinery: Japan -> China -> US/EU/ASEAN
- The reason for “Conclusion 3” might come from missing parts in their model.

## 2 More primitive comments

- Did not the input VAT in China and its refund to exporting company affect export pricing?
- There were several regime switches in Chinese exchange rate policy during 2000-2010:
  - 2000-2005.7: Dollar pegged
  - 2005.7-2008.7: Managed floating (Basket Peg)
  - 2008.7-2010.6: Dollar pegged
  - 2010.6- : Managed floating (Basket Peg)