

# Comments on “Pricing Market in Chinese Foreign Trade”

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# Content of this paper

- \* The Chinese exports PTM behavior are studied.
- \* Authors estimate the effect of RMB exchange rate on Chinese export prices using commodity-level data.
- \* Authors conduct detailed analysis by countries and sectors.

# Empirical Framework

- \* Regression model

$$\ln P_{it} = \theta_t + C_i + \beta_i \ln r_{it} + u_{it}$$

- \*  $P_{it}$ : Price of product,  $\theta_t$ : time effect,  $C_i$ : country effect,  $r_{it}$ : RMB exchange rate
- \* Authors estimate this model for more than 5000 products (HS96-6digit level).
- \* Measure of degree of PTM  
Number of products that exchange rate has a significant effect

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Total number of products

# Conclusion of authors

- \* (1) There is no PTM features in export products.
- \* (2) Most Chinese export products don't have a country heterogeneity of export pricing. When these products don't have the PTM features, their pricing power will be severely weakened in the target market country.
- \* (3) The Chinese export enterprises caused by TFP improvement will be offset by the input factor's price increases.

# Contribution of this paper

- \* Authors obtain rich results from relatively simple framework.
- \* Especially, relationship between PTM behavior and product category(low-end or high-end) is interesting.
- \* There is huge scope for future extension.

# Comment 1

- \* Conclusion (2)

In case of products with PTM behavior, prices are tend to be affected by country heterogeneity.

- \* Do These results imply that the degree of differentiation about these products are relatively high ?

# Comment 2

- \* About conclusion (3)
- \* The absence of time effect can imply that improvement of TFP is offset by factor price increase.
- \* But, empirical results of this paper are consistent with other scenarios.
- \* More supporting evidence are needed.

# Comment 3

- \* To time effect, information about direction or size of this effect is needed.
- \* For example, ratio of positive coefficient to total number of products is easy to obtain.



Thank you for your attentions