



COMMENTS ON PROCESSING TRADE, PRODUCTIVITY, AND PRICES: EVIDENCE FROM A CHINESE PRODUCTION SURVEY

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PROCESSING TRADE AND PRODUCTIVITY

- Revenue productivity measure: low productivity
- Physical productivity measure: high productivity

- Firms engaging processing trade charge lower prices than other types of firms: lower cost of input
→ unexploited aspects between price variations and productivity?

- Comment 1 Markups
 - Do processing trade firms set low markups? (because of nature of product or contract)
 - Low margin+large volume (processing) \Leftrightarrow High margin + low volume (ordinary) ?
 - De Loecker and Warzynski (2012 AER) framework?

2 INFORMATION ON LOCATION AND MARKET ... PRICING TO MARKET?

- Do processing trade firms supply markets with certain characteristics (e.g., long distance, rich)?
- Low price = high productivity or market specific pricing? (Competitive Pressure?)

3 SWITCHER?

- Compare firms doing processing and ordinary trade
- Selection: high cost (=high price) firms are kicked out from the value chain? (that's why hybrid firm share declined?)
- Only low cost firms do processing trade
 - Good firms enter processing trade?
 - Bad firms exit from processing trade?

QUESTION 1: EASY TO LEARN?

- Learning-by-Exporting
- Easy to learn processing trade?
- Any impact of cumulative quantity produced?
- Or simply serial correlation?

QUESTION 2: IMPACT OF WTO

- Is there any difference between 2000-2001 and 2002-2006? (e.g., productivity gains (Brandt, et al 2018 AER, Wakasugi and Zhang 2015 RIETI DP))
- Before WTO, could only processing trade firms enjoy low foreign input price?
- After WTO, did the foreign input price decline for all producers?