

1. What is the question?

What's the trade liberalization influence of the intermediate goods over firms' technology choice decision and productivity in the developing countries? Authors construct the dynamic model of intermediate goods to explain three empirical findings. First, by importing new inputs through trade, the productivity of the intermediate goods firms has been gradually grown. Second, the trade liberalization increases the competition between intermediate goods firms, and that induces sufficiently increase in the productivity of firms. Finally, the pricing ability of the firms decreases due to the rise of competitors.

2. Why should we care about this?

It is important to develop the mechanism of the intermediate goods on trade liberalization. There are two reasons. First, the traditional trade theory sheds the light on final goods as usual; on the other hand, this paper focuses on the intermediate goods. Second, this mechanism may match more precisely with empirical data. Moreover, the assessment of the model might lead us understand the social welfare of trade policy such as trade agreement or tax etc.

3. What is the author's answer?

- (1) Trade liberalization leads to a reduction of ranges of export and domestic production, but their effects on the range of imports are generally ambiguous.
- (2) Through trade liberalization, the price of intermediate goods decreases, and more competitors appear in the intermediate goods sector.
- (3) Due to trade liberalization, the productivity of intermediate goods firms increases and the average technology level decreases.
- (4) Numerical Analysis finding: the productivity and total output of the final goods firms increase due to the lower trade tax through trade liberalization.

4. How did the author get there?

Authors construct the dynamic model of intermediate goods trade.

Assumptions and implications:

- (1) Two types of the country: small home country and large foreign country.
Implication: Foreign country determines the price of the trade goods.
- (2) The technical level of home country is relatively lower than foreign country.
Implication: The type number of intermediate goods is less in home country than foreign country. Hence, home country imports intermediate goods from foreign country to support the input demand with higher technical level from final goods firms.
- (3) Both countries consist of two types of sectors: intermediate good sector, monopolistically competitive, and final good sector, producing homogeneous non-traded good with a generalized quadratic production technology.
Implication: We can discuss how the trade liberalization and tax reduction affect the production process for each firm such as technology choice decision, average revenue, and productivity etc.

Example:

擷取自中華經濟研究院 WTO 及 RTA 中心《全球價值鏈發展對開發中國家的影響》

“參與全球價值鏈也存在著風險，全球化和全球價值鏈雖然為開發中國家提供了新的機遇，也同時構成新的威脅。全球價值鏈使開發中國家得以專注在某一特定零件上贏得競爭力，而不需企圖在整個產品上贏得競爭力，但此亦有可能使其深陷於價值鏈底部，僅提供低附加值產品，例如初級商品或廉價勞工，一國如果只從全球價值鏈中獲取較少比重的附加價值，那麼對 GDP 的貢獻就很有限。”

“面對經濟全球化帶來的機會，開發中國家必須透過提升全球價值鏈策略，提升在國際分工中的地位，並帶動自身產業結構升級進步，使全球價值鏈對於國家長期發展發揮正面的作用。對於多數開發中國家而言，長期處於全球價值鏈分工的低端，加上處於經濟起飛階段國內缺乏能夠引致創新的高端需求規模市場，並不利於產業創新升級。因此，開發中國家政府必須有意識地發展全球價值鏈策略，一開始先從低端的加工貿易出發，逐漸累積資本、人才和技術，持續進行能力建構與增加服務業的比重，積極參與國際的競爭與合作，並加強區域層面的產業合作，充分融入世界經濟體系。”

從這兩段的敘述可以呼應到本文提及「貿易自由化或許會造成開發中國家不利技術發展」的結果。