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Is there an export or import-led productivity growth in rapidly developing Asian countries? a multivariate VAR analysis

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Abstract

In contra[...]s between trade an[...]a time-series fr[...]on the long-run and [...]rts and producti[...]t impact on prod[...]provide the impo[...]ate that exports [...]vity. The long-run [...]roductivity growth f[...]esting that there is [...]ificant causal e[...] import-led

productivity growth in India, Indonesia, Malaysia, Philippines, Singapore and Taiwan. In addition, the results indicate that imports tend to have greater positive impact on productivity growth in the long run.

Acknowledgement

We would like to thank J. Thampapillai and Shigeyuki Abe for their helpful comments.

Notes

See Rodriguez and Rodrik (1999) for a discussion of the weakness of the various openness measures used in the empirical studies on openness and economic growth.

Other indices used in most studies on openness and productivity growth are World Development Report Outward Orientation Index, Average Black Market Premium, Average Import Tariff on Manufacturing, Wolf's Index of Import Distortions, Average Coverage of Non Tariff Barrier, etc.

The price deflators are collected from the respective countries' Statistical Yearbooks, if it is not available in the World Data or the World Development Indicators.

Total factor productivity (TFP) could be used as one of the measures of productivity.
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In Luinte… study the
causal e… and Masih
(1996) h… etary
aggrega… my. The
sample in the study is comparable to most time series studies related to economic

growth. In addition, most of the output and employment data for the Asian countries are only available from the 1960s and hence all available information is used in the current study.

We can perform three different types of causality test depending on the source of causality. The standard Granger causality test is a joint test on the significance of the short-term lagged difference variables. One could also perform a test of the statistical significance of the lagged cointegrating vector and the error correction term (Luintel and Khan, 1999). This is a test of weak exogeniety. The other test of causality is a strong exogeneity test and is undertaken in the current study; this places greater restrictions on the test for causality.

The strong exogeniety test is only conducted jointly with the lagged difference variables (θ_{ij}) and coefficient of the error correction term (α_{ij}).

The magnitude of the cointegrating vectors will change with the normalizing variable, but the statistical significance will not change with normalization.

The different hypotheses concerning α and β have been discussed at length in Johansen and Juselius (1990) and in Johansen (1991).

When $r = 1$, the test statistic follows χ^2 with one degree of freedom.

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