

Discussion on
“Non-price Competitiveness of
Exports from emerging countries”

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New Industry-Level Analysis in Asia and Europe:
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Junko Shimizu, Gakushuin University, Japan

Summary of this paper

- What kind of factors explain the large gains of emerging economies world export share?
 - Their increased competitiveness relative to advanced economies affects them.
 - Changes in non-price aspects, such as “quality” or “consumer tastes” of exported goods over time plays an important role.
- This paper’s contributions are as follows:
 - Construct an export price index that adjusts for changes in the set of competitors (variety) and changes in non-price factors (quality in a broad sense) for ASEAN+3 countries.
 - As a result, China shows a huge gain in international competitiveness due to non-price factors.
 - Critical views against the RMB’s undervaluation may be over-stressing.

Related studies on non-price factors

- Cardoso, Correa-Lopez and Domenech (2012)
 - “Spanish paradox” can be explained by non-price determinants.
 - To explain the change of market share variation in advanced economies, non-price determinants has been more important than movements in international relative prices.
- Di Comite et al. (2012) proposed micro- based methodology to extract the information on the quality and non-cost competitiveness of EU Member States' exports.
 - These additional indicators may enhance our understanding of the determinants of a country's external position, thus providing better guidance for policymaking.

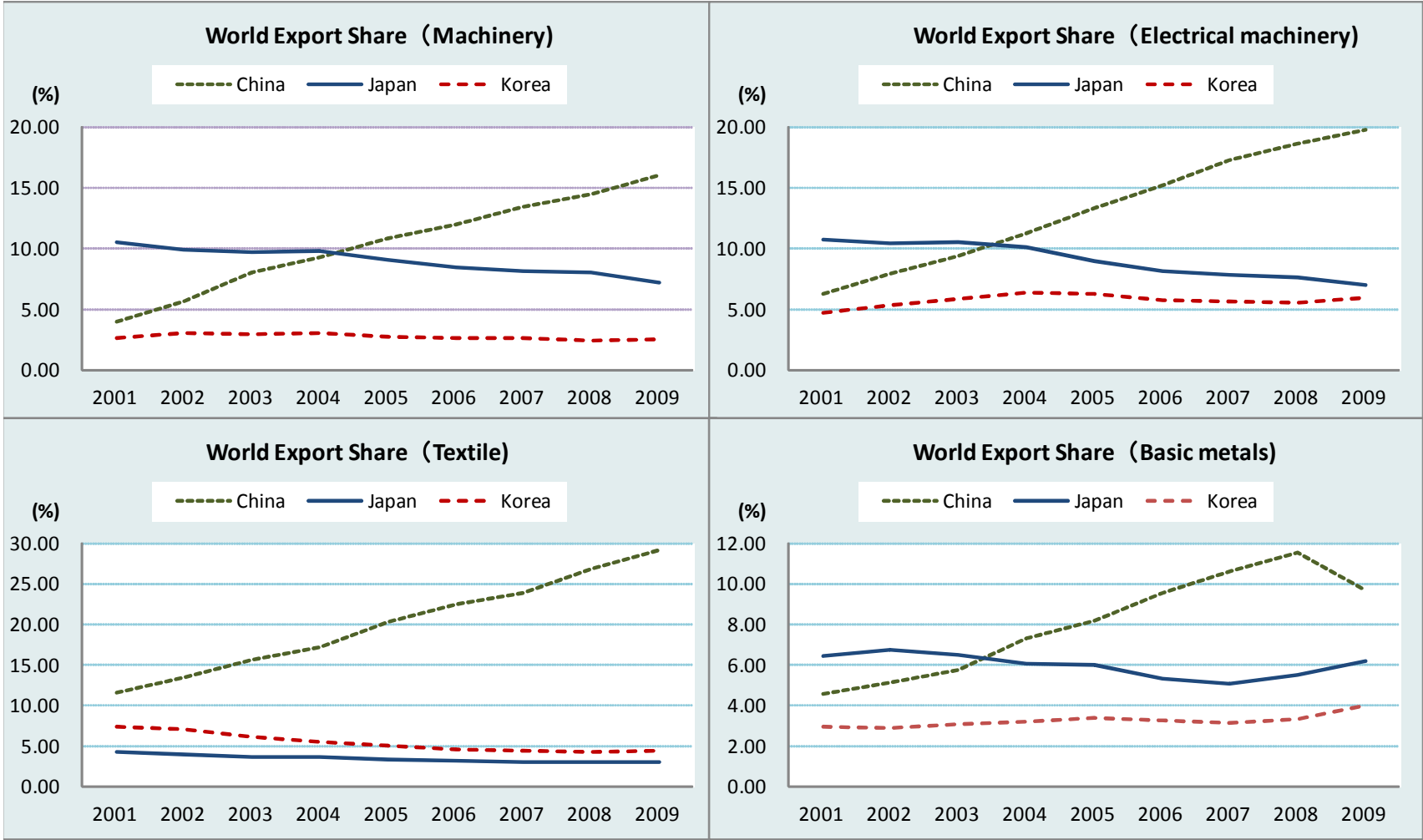
Comment 1.

- Is “Quality” really separated from price factors?
 - The authors use “unit value indices (dollars per kilogram)” as a proxy for prices, however it is also regarded as a quality index.
 - Quality is correctly measured within advanced countries since there are not so large quality differences, but the absolute differences of quality level might be large between ASEAN+2 countries.
 - Can “made in China” really compete with “made in Japan”?
 - Is relative quality measurement really important to adjust the export competitiveness among Asian countries?

Comment 2.

- Chinese non-price competitiveness calculation depends on the gain of Chinese export volume.
- However, the increase of Chinese export are mainly supported by Asian supply chain management.
 - The large gain of Chinese export includes neighboring countries' intermediate goods export, so the authors might overstate the improvement of Chinese non-price competitiveness.
 - As the authors noted, the value-added data should be applied to calculate the export competitiveness.

Chinese Export Share



Source: Un Comtrade

Comment 3

- Comparing the results of contribution of non-price factors to competitiveness gains/loss in individual sectors and industry-specific REER (SSSZ, 2013), we can confirm the followings:
 - In the case of China, most industries' REER are below BIS REER, while most industries REER except electrical machinery are above BIS REER in the case of Japan.
 - Both results confirm that there are considerable differences across industries.
 - The results of REER calculated by industry-specific PPI of Japan and China are similar to those of non-price factors adjusted competitiveness gains and losses.
- These results suggest that the quality improvement at the same cost means the production cost cut at the same quality.

Comment 4.

- What kind of policy implications extract from non-price competitiveness among ASEAN+3 countries?
 - The authors mention that the critical views against the RMB's undervaluation may be over-stressing, but this implication might be overstate.
 - Chinese government have supported Chinese firms' international competitiveness by damping, subsidies in addition to the RMB's undervaluation.
- Problems are not only the differences between China and Japan, but also the differences among ASEAN+2.
 - How can the “looser” countries improve their non-price competitiveness?
 - In order to answer the above question, the authors should investigate the factors to improve Chinese non-price competitiveness.

References

- Cardoso, Correa-Lopez and Domenech (VOX columns, 24 Nov, 2012)
- Di Comite, F., (2012) "Measuring quality and non-cost competitiveness at a country-product level Economic Papers 467.
- Kiyotaka Sato, Junko Shimizu, Nagendra Shrestha and Shajuan Zhang (2013) "[Exchange Rate Appreciation and Export Price Competitiveness: Industry-specific real effective exchange rates of Japan, Korea, and China](#)," RIETI Discussion Paper, 13-E-032.