

R&D investments, Exporting and Productivity Evolution

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Abstract

This paper estimates a dynamic structural model of a producer's decision to invest in R&D and export, allowing both choices to endogenously affect the future path of productivity. Using plant-level data for the Taiwanese electronics industry, both activities are found to have a positive effect on the plant's future productivity. This in turn drives more plants to self-select into both activities, contributing to further productivity gains. Simulations of an expansion of the export market are shown to increase both exporting and R&D investment, and generate a gradual, within-plant productivity improvement.