The Growth of Intermediate Goods Trade in East Asia

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Abstract

This paper examines what contributes to the trade growth of intermediate machinery goods in East Asia in the 1990s. To this end, this paper regresses the allocation equation to obtain the estimator of border barriers in each country, and then, by using the estimators, the first-difference logarithmic form of the gravity equation is regressed. Our empirical results suggest that border barrier reduction and the production and expenditure growth of intermediate goods are important factors which contribute to the rapid growth of trade in machinery parts in East Asia.

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