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Trade Barrier and Misallocations: The Case of the Photovoltaic Manufacturing Industry in China

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Abstract

We measure resource misallocations among Chinese photovoltaic (PV) exporters before and after the EU imposed antidumping duties (ADs) and countervailing duties (CVDs) in 2011. We find that improvements in total factor productivity can be attributed to improvements in the production efficiency of state-owned enterprises (SOEs) and the convergent returns of labor and capital inputs between SOEs and non-state-owned enterprises (NSOEs) after 2011. Surprisingly, our results indicate that improvements in extensive-margin misallocations due to exiting zombie SOEs do not contribute substantially to improving industry-level production efficiency, and we conclude that reallocating inputs among existing firms is more important.

Keywords: Antidumping duty, Countervailing duties, Photovoltaics industry, Resource misallocation, State-owned enterprises

JEL classification

F12; F13; O24; O25

1 Introduction

Spurred on by imminent climate change and by increasing knowledge about low-carbon environments, all major economies have shown a growing demand for and interest in developing clean energy, such as wind and solar natural power and LED energy-efficient illumination.

Newly industrialized China, which is equipped with cheap labor and strategic governmental support, thinks of itself as a giant player in the clean energy arena.²

¹ Statements or opinions in this article are those of the authors. Nothing in this article should be construed or interpreted as being the position or policy of the MOEA R.O.C.

² Those supportive industry policies include pushing the PV industry to increase exports and revenue under the last three Five-Year Plans for Chinese SOEs.

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