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Effects of International Trade and Intellectual Property Rights on Innovation in China

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Abstract

In this study, we develop an open-economy R&D-based growth model with two intermediate production sectors that use domestic and foreign inputs, respectively. We find that strengthening intellectual property rights (IPR) has a positive effect on innovation in the sector that uses domestic inputs but both positive and negative effects on innovation in the sector that uses foreign inputs. We test and confirm these theoretical results using an empirical analysis of matching samples that combine Chinese provincial IPR data with patent database, industrial enterprises database and customs database of China.

JEL classification: F43, O31, O34

Keywords: Intellectual property rights; imports; knowledge spillovers; innovation

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