Trade’s Impacts on Production Efficiency and Technology in Pacific Island Countries

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ABSTRACT

Pacific Island countries have relatively high level of openness measured by the trade-to-GDP ratio; yet they are faced with the difficulty of making progress in economic development. This raises the concern whether trade works effectively to enhance economic growth in PICs. Answer to this question is particularly important since these countries have limited domestic sources to boost economic growth. This study aims to provide an answer to the above question by assessing exports and imports’ impacts on production efficiency and technology. The non-parametric data envelopment analysis approach is employed to calculate efficiency and technology levels for seven Pacific Island countries over 1970-2009; this is followed by panel regression analyses to assess trade’s impacts on production efficiency and technology in these countries.

Key words: trade, total factor productivity, production efficiency, technology