Interrelations of Industrial Structures between Core and Peripheral Economies

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Abstract

Past research employing the concepts of dependency/world system theory emphasizes the negative impacts of trade dependency on both economic growth and income distribution of dependent countries. Analyzing the industry-level data of the U.S. (a core country) and Taiwan (a semi-peripheral country) with seemingly unrelated regression method, this paper found connections of industrial employment changes between these two economies between 1954 and 1991. During this period, employment in industries such as food processing, wood products, and basic metals, declined in the U.S., but increased in Taiwan. Thus, this paper argues that the appropriate word to describe the economic relationship between the core and the dependent economies might be 'complementary' rather than one-way 'dependent'.

Previous research also found positive impacts of trade dependence on income inequality in dependent countries. Sociologists explained this as the results of over-expansion of export industries and fair labor compensations received by workers. This paper argues that whether workers are better off in export-led industries needs to be empirically tested. Findings from analyzing Taiwanese data fail to support their arguments. The percentage of export values have no significant effects on labor's share. Previous research may have exaggerated the benefits received by industries producing for core economies and the impacts of trade dependence on national income distribution.