

Contents

Preface	VII
Chapter 1 Introduction	1
1.1 Why Low-quality Exports?	2
1.2 Quality of Exports and Employment	3
Chapter 2 Dimensions of Quality Problem in the Developing Countries	5
2.1 Low-Quality Phenomenon	5
2.2 High-Technology Exports	5
2.3 ISO-Series Certification	11
2.4 Dirty Exports and Environmental Standards	15
2.5 Conclusion	19
Chapter 3 Theories of Quality Choice	21
3.1 Introduction	21
3.2 Choice of Product Quality by Firms	21
3.3 Low-Quality Phenomena in LDCs: Application of the Benchmark Model	34
3.3.1 Technology Asymmetry and Role of Research & Development	
3.3.2 Income Disparity	35
3.4 Unobservable Quality, Information and Reputation: Alternative Explanations	44
3.4.1 Asymmetric Information and Product Quality	
3.4.2 Reputation, Contestability and Information Externality	44
3.4.3 Quality Standards, Product Labeling and Information	46 49
3.5 Conclusion	50
Appendix	51

XII Contents

Chapter 4 Income Distribution, Trade Policy and Export Quality	59
4.1 Introduction	59
4.2 Quality Selection and Wage Determination in a Small Open Economy	60
4.3 Trade Policy and Export Quality	67
4.4 Quality Regulation and Income Distribution	68
4.5 Capital Mobility and Market Diversification	70
4.6 Conclusion	75
Chapter 5 Wage Policy, Standards and the Labour Market	77
5.1 Introduction	77
5.2 Minimum Wage, Quality Standards and Employment	79
5.3 Selective Wage Policy	81
5.3.1 Minimum-Wage Restriction in the Traditional Traded Sector	82
5.3.2 Minimum-Wage Restriction in the Non-Traded Sector	84
5.3.3 Choice of Selective Minimum-Wage Policy	86
5.4 Conclusion	87
Appendix	88
Chapter 6 Inter-Linkage Between Skill Formation and Export Quality	91
6.1 Introduction	91
6.2 Export Quality and Skilled Wage: Fixed Supply of Skill	92
6.3 Skill Formation and Export Quality: Two-Way Causation	95
6.3.1 The Skill Formation Process	95
6.3.2 Selection of Quality under Skill Formation	99
6.4 Foreign Trade Pattern and Supply of Skill	101
6.5 Capital Accumulation and Skill Supply	102
6.6 Conclusion	103

Chapter 7 Dirty Exports and Environmental Standards	105
7.1 North-South Trade and the Environment	105
7.2 Ecological Dumping and Optimality of Trade Sanctions	106
7.3 Consumption Pollution and Northern Regulations	111
7.3.1 Environmental Quality in North under Autarchy	112
7.3.2 Trade Liberalization in the North	117
7.3.3 Welfare Implications of Environmental Standards	120
7.4 Environmental Regulation and Employment in the South	125
7.5 Conclusion	131
Appendix	131
List of Figures	135
List of Tables	137
Bibliography	139
Index	147