

Effects of trade liberalisation on innovative activities

An analysis of the Uruguayan food industries

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Abstract

There are studies in the international bibliography that analyse the factors explaining R&D activities at the firm level (Cohen y Levin, 1989). Nevertheless, most of the studies are for developed countries, while studies for developing countries have received less attention.

This work attempts to gather empirical evidence on some factors that affect innovative activities, of the firms belonging to the Uruguayan Food Sector. In particular we are interested in evaluating the impact of the deepening in the trade liberalisation process as a result of the creation of the Southern Common Market (Mercosur), in 1991, which implied an important fall in tariffs and consequently an increase in import competition. Also, we want to investigate the impact of multinational presence on the innovative activities of domestic firms. Innovative activities are approximated through formal R&D and quality control activities. The data sources are the Annual Industrial Surveys for 1990 and 1994. We estimate a qualitative response model for R&D and quality control for both years, which allows making comparisons before and after the creation of Mercosur.

The main finding is that the probability of undertaking innovative activities is higher for bigger and older firms, as expected, pointing out the importance of size and learning processes. On the other hand, increased competition for imports after the creation of Mercosur decrease the probability of undertaking innovative activities. Finally, there is no evidence of positive effects of multinational presence on innovative activities.

Thus, if firms exposed to increased import competition tend to reduce their investments in innovation, there is scope for active industrial policies aimed to promoted the creation of a local innovative capacity.

