

**Doing R&D and Importing Technology:  
an Empirical Investigation on Taiwan's manufacturing firms**  
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the objective of this paper is to identify the determinants of the decision to innovate in Taiwan. Three "innovation strategies" are considered: doing R&D only, importing technology only, and combining both. We estimate a Bivariate Probit on a panel of more than 27000 Taiwanese manufacturing firms observed from 1992 to 1995. Results suggest that the decision to do R&D over the period was influenced by the prior changes in exportations at the industry level, whereas the decision to import technology is affected by the current changes. We identify a non-linear relationship between firm size and innovation. Moreover, older firms tend to innovate less, whereas market structure doesn't affect the decision to innovate. These two results change when only high-tech industries are considered: the effect of firms' age becomes insignificant, whereas a more concentrated market structure is shown to increase the probability to innovate.