

NOTES ON FIRMS IN INTERNATIONAL TRADE
Bernard, Jensen, Redding, Schott, JEP, 2007

EMPIRICAL RESEARCH

- I. FIRM EXPORTING IS RELATIVELY RARE
- II. EXPORTERS ARE DIFFERENT
- III. TRADE IS CONCENTRATED
- IV. NUMBER OF PRODUCTS AND DESTINATIONS
- V. EXPORTERS AND IMPORTERS SHARE MANY CHARACTERISTICS
- VI. DISTANCE EFFECTS: EXTENSIVE MARGIN (number of firms and products) AND EXTENSIVE MARGIN (value per product per firm).
- VII. FIRMS AND TRADE LIBERALIZATION

I. FIRM EXPORTING IS RELATIVELY RARE

Only 4% of Firms are engaged in Exporting in the US (2000)
Within manufacturing Industry in US, 18 % export (2002 census)
Exporting occurs in all manufacturing Industries.
Table 2 presents data.

II. EXPORTERS ARE DIFFERENT

Exporters are larger
Exporters pay higher wages
Exporters are more capital and skill intensive (even in LDC's see Alvarez and Lopez)
Exporters are more productive (issue of causality)
These differences are not only driven by size
Table 3 presents data.

III. TRADE IS CONCENTRATED

Top 1% of trading firms (by value i.e. imports + exports) account for over 80% of the value of total trade.

Top 10% of trading firms account for over 95 % of the value of total trade

IV. NUMBER OF PRODUCTS AND DESTINATIONS

US data (2000):
Firms serve a very small number of destinations.
Firms exporting to 5 or more destinations account for 13.7% of exporters but 92.9 % of export value.

Multiproduct exporters are very important (firms exporting 5 or more products account for 98 % of export value).

Very small number of firms dominate US exports (they ship many products to many destinations)

Tables 4 and 5 present data.

V EXPORTERS AND IMPORTERS SHARE MANY CHARACTERISTICS

US 2002 census

Firm Importing is relatively rarer than Firm exporting

41 % of exporters also import

79% of importers also export

Imports share many characteristics with exporters: they are bigger, more productive, pay higher wages and more capital and skill intensive than non exporters and non importers.

Offshoring has something to do with this.

Tables 7 and 8 present data.

VI . DISTANCE EFFECTS: EXTENSIVE MARGIN (number of firms and products) AND EXTENSIVE MARGIN (value per product per firm).

Number of exporting firms and number of exported products are:

Decreasing with distance to destination country

Increasing with importer's income

Average Export Value is:

Increasing in distance

Decreasing in importer income

Table 6 presents data.

VII FIRMS AND TRADE LIBERALIZATION

Effect: growth and expansion of high productivity firms and reallocation of resources across activities within plants.

Pavnik (2002, Chile):

2/3 of 19% productivity increase following trade liberalization in 70-80's is due to the relatively greater survival and growth of high productivity firms. Main effect is within plant productivity gains.

Other studies in LDC's confirm that within-industry reallocations of resources dominate across industry reallocations.

Trefler (2004, Canada in late 80-90's). FTA with US increased productivity (those industries most affected by tariff cuts showed a larger productivity gain than other industries). Main effect: tariff cuts make low productivity plants go out of business, surviving ones increase productivity.

Bernard, Jensen, Schott (US 2006). Link between falling trade costs and within- plant productivity growth.