



# Trade Flows and Trade Policy Analysis

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# Firms in international trade

## Stylized facts about firms in international trade

- Firms are heterogeneous
- The extensive and intensive margin of trade at the firm level
- Only few firms export
- Exporting is concentrated
- Exporters are different
- Most productive firms self-select into exporting
- Trade liberalization raises industry productivity
- Evidence on importing firms
- Overview of major trade theories
- Melitz (2003) in a nutshell

## Firms are heterogeneous

- Across all the US plants in 1992 ([Bernard et al., 2003](#)) :
  1. A plant one standard deviation above the mean size is 167% bigger than the average
  2. A plant one standard deviation above the mean plant productivity level is 75% more productive

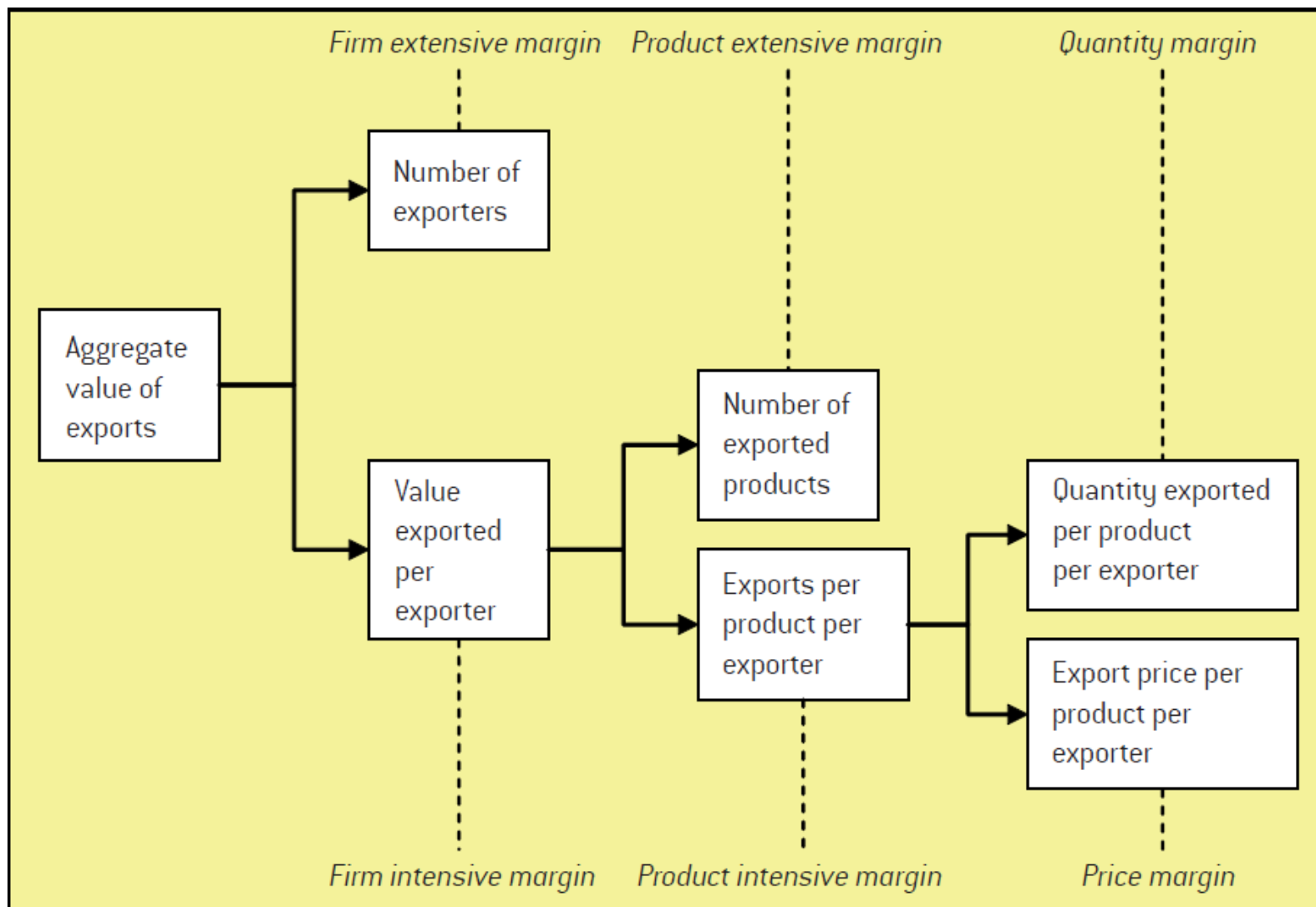
## Firms are heterogeneous (ct'd)

- The distribution of firms size is dispersed, even within sectors (evidence of heterogeneity across firms)

Table 1: Heterogeneity of firms (standard deviation of log sales)

| Country     | Producers | Overall | Within sector |
|-------------|-----------|---------|---------------|
| France      | 76,456    | 1.82    | 1.7           |
| Italy       | 39,704    | 1.33    | 1.29          |
| Spain       | 31,446    | 1.26    | 1.18          |
| US (plants) | 224,009   | 1.67    | -             |

## The extensive and intensive margin of trade at the firm level



Source: Mayer and Ottaviano (2007)

## Only few firms export

Table 2: Share of exporters in total number of manufacturing firms

|               | Year      | Share of exporters in total number of manufacturing firms |
|---------------|-----------|---|
| United States | 2002      | 18.0  |
| Norway        | 2003      | 39.2  |
| France        | 1986      | 17.4  |
| Japan         | 2000      | 20.0  |
| Chile         | 1999      | 20.9  |
| Colombia      | 1990      | 18.2  |
| Indonesia     | 1991-2000 | 19.0  |

Sources: [WTO \(2008, Table 5\)](#); [Amiti and Cameron \(2012\)](#) for Indonesia

## Only few firms export (ct'd): Heterogeneity across sectors

Table 3: Heterogeneity of US firms ([Bernard et al. 2007](#))

| Sector                        | Per cent of firms | Per cent of Firms that export | Mean Exports as a per cent of total shipments |
|-------------------------------|-------------------|-------------------------------|---|
| Food manufacturing            | 6.8               | 12                            | 15  |
| Beverage and tobacco products | 0.7               | 23                            | 7   |
| Textile mills                 | 1                 | 25                            | 13  |
| Textile product mills         | 1.9               | 12                            | 12  |
| Apparel manufacturing         | 3.2               | 8                             | 14  |
| Leather and allied product    | 0.4               | 24                            | 13  |
| Wood product manufacturing    | 5.5               | 8                             | 19  |
| Paper manufacturing           | 1.4               | 24                            | 9   |
| Printing and related support  | 11.9              | 5                             | 14  |
| Petroleum and coal products   | 0.4               | 18                            | 12  |
| Chemical manufacturing        | 3.1               | 36                            | 14  |
| Plastics and rubber products  | 4.4               | 28                            | 10  |
| Nonmetallic mineral products  | 4                 | 9                             | 12  |
| Primary metal manufacturing   | 1.5               | 30                            | 10  |

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