



Discussion: “Exports-at-Risk”: the Effect of Multi-Market Contact in International Trade

Zhi Wang

United States International Trade Commission

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Summary of the paper

- **Theoretical Motivation:**

Multimarket contact (MMC) “a situation where firms compete with each other simultaneously in several markets” may create interdependence among firms in such a way that competition could be reduced tacitly or in a coordinate way. Therefore, it is predicted by theory that contact in multiple markets may enhance firms’ abilities to collude and consequently achieve higher prices and profits.

- **Empirical measure of MMC used in this paper:**

Exports-at-Risk (XAR): the export sales that exporter A to market B has in all *other* markets where exporter A will face the *same other exporters in market B*. These export sales are “at risk” from retaliation by other exporters for competitive actions of exporter A made in market B.



Summary of the paper

- **Purpose:** Empirically test the importance of EAR on price of imports.
- **Econometric specification**
$$\ln P_{ij} = a + b \ln RXAR_{ij} + c \ln \text{Importer Income} + d \ln \text{Exporter Income} + \text{Product Fixed Effects} + e$$
- **Data:** 10 highly-traded 4-digit HS products (fats and oils) for 5 major exporters in each of the 20 leading import markets.
- **Results:** coefficient b is positive and significant, but small. doubling of trade-weighted MMCs would lead to a 3% increase in import prices.



Praise

- An interesting paper, overcomes data limitation to construct proxy measure that is empirically testable for a well established theoretical prediction;
- Careful thinking about what data could fit the context;
- Econometric work is carefully done.



Suggestions

- Not firm level or transaction level trade data. Whether the select data set has the properties the author claim is critical to the validity of the test.
 - The same firm (or group of firms) in a country is responsible for all of that country's exports within the HS Section selected;
 - This firm does not export in any products from other HS Section, otherwise there would be other MMCs that are missed, lead to specification errors.
- “The choice of fats and oils is based largely on that HS 15 is self-contained, with a reasonable likelihood that exporters of that product are relatively specialized.”
- Will be better to check for the major exporting countries such as US,



Comments

- Is the assumption of the competition from domestic firms is negligible at each destination market reasonable?
- If there are multinationals exporting the same product to the same market from different countries, what impact to the results?
- Causalities are not clear: There is no direct evidence for the direction of causalities. There could be different interpretations of the positive correlation between unit value and Exports-at-Risk measure.