

LOCAL EXPORT SPILLOVERS IN FRANCE AND DESTINATION COUNTRY MARKET ACCESSIBILITY

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NON-TECHNICAL SUMMARY

We investigate the impact of the local industrial environment on French firm-level decision to export. While macroeconomic factors (exchange rate, energy price, etc...) have proven insufficient to explain the evolution of French exports, the focus has progressively shifted towards microeconomic determinants of firms' behaviour. Theoretically, trade models include the following three types of bilateral trade determinants in gravity-type equations: exporter-specific variables, bilateral variables and importer specific variables.

The performance of exporters is determined by the following factors: firm-level characteristics (size, productivity, innovation, etc...) and local environmental factors that might impact firms' export behaviour. We are specifically interested in the role of export spillovers. In a previous paper (Koenig, Mayneris et Poncet (2009)), we showed that the number of firms exporting a given product to a given country increases the probability that neighboring firms start exporting the same product to the same country. No such spillovers effect was found on the exported volume. Here, we investigate whether the impact of export spillovers on the probability to start exporting is heterogeneous according to the firms' and destination countries' characteristics.

We assume that spillovers operate through two different channels: one the one hand, for a given export cost they can reduce for some firms their productive disadvantage. In this case, we expect spillovers to be stronger when firms are initially less productive. On the other hand, for a given productivity, spillovers reduce the fixed export cost. Assuming that the fixed export cost

depends on the destination country, it is higher when the destination country is far, has a different language or a different administrative culture. Moreover the underdevelopment of distribution networks in countries where demand is low or not oriented towards the goods a firm produces would make it more difficult for this firm to export to this country.

In both cases, we expect that the less accessible the destination country, the stronger the export spillovers effects.

We use French firm level export data over 1998-2003 at the product and destination-country level. Country-level market accessibility is measured by three main types of indicators : the ICRG index measuring economic, political and financial risk, the demand after controlling for trade barriers and competition (Redding and Venables, 2004)) and export costs in terms of documents and time provided by the World Bank "Doing Business" dataset.

Spillovers do not seem to have a differentiated impact according to firms' performance (productivity, size). However, the effect of export agglomeration economies are stronger when the destination country is less accessible. Our results show that an increase in the number of neighbouring exporters has a greater impact on the probability that a firm starts exporting when the targeted country is riskier, is characterised by a lower weighted demand and imposes numerous and costly administrative formalities for foreign exporters. Our findings suggest that collective actions and experience sharing promoted by French public authorities in the last past years are all the more important when firms try to conquer difficult foreign markets.

J.E.L. Classification: F1, R12, L25.

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