

Evolution of Knowledge on Trade and International Integration

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Why it matters: trade is everywhere

- New sourcing opportunities
 - Changes in relative prices: purchasing power
 - Increased variety of consumer goods and intermediates
- International diffusion of knowledge and technologies
 - Development path of many developing/emerging economies
 - Technological catch up
- Polarization of economies
 - Within country rising inequalities of primary income and individual opportunities
 - Within country rising spatial inequalities and urban concentration
 - Winners and losers are geographically concentrated
- Two decades of a fascinating research agenda delivering clear-cut policy conclusions

Trade is shaping the private sector

- Empirics:
 - Repeated evidence that businesses are heterogenous
 - Micro data availability:
 - French CASD: pionner in open data rooms
 - Compnet: EU linked firm level data
 - World Bank: Enterprise Surveys from 125,000 establishments in 146 countries
 - Longitudinal Business Database of the US Census Bureau
 - Etc...
- Theory: « Happy few » businesses
 - Concentration of exports on superstar exporters
 - Multi-product
 - B2B networks

From micro to macro ... to micro

- Granularity of the economy: exporters (MNEs) are bigger
- Micro to macro
 - Individual firm performance shapes comparative advantages
 - Idiosyncratic shocks to individual firms do not wash out in the aggregate
 - International transmission of shocks
 - Business cycles
- Macro to micro
 - Large businesses react differently to common shocks
 - GFC
 - Covid
 - Energy crisis in Europe
 - Adjustment of big players may dampen or worsen the consequences of the shocks
 - Because they are more involved in GVCs
 - Because they react differently to a demand shock

Implications for the research agenda

- Critical moment:
 - Micro databases increasingly available
 - New analytical tools (e.g. networks, granular instrumental variables, machine learning,...)
 - More uncertain business environment
 - New policy agenda: safety belts (supervision, emergency funds), vertical industrial policy (massive subsidies, tax exemptions)
- Critical objects:
 - Aggregate elasticities used to parametrize trade models and their relation to micro adjustments
 - Competition issues to be faced by emerging economies businesses
 - Happy few highly exposed to shocks of a new type: CSR, environmental

Thank you

