

Discussion of Gaulier, Magris and Mirza on “Missing Trade” and Ariu on “Crisis-Proof Services”

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- Two very nice papers on an important topic.
- Elements in common - both ask what is different about services?
- Gaulier, Magris and Mirza focus on export participation of professional services and Ariu on how services trade reacted to the recent crisis.
- Both make good use of detailed data sources - absence of such data has been a major impediment to research in this area.
- Services sector poses particular challenges - measurement issues for output and productivity, customer-specific tailoring of services makes comparisons difficult, no inventories possible.
- *Ex ante* technology would seem to make services easily exportable but all evidence shows distance just as great an impediment as in goods trade.
- What type of trade costs account for this fact?

- Combination of three French data sets.
- Much lower levels of exports from service firms than from manufacturing.
- Find that most variation comes from number of firms margin.
- Hypothesis that this comes from bespoke nature of product - makes regular recurring customer relationships less likely than for more standardised products.
- Theoretical model of probability of customer matches and re-matching built for this different type of trade set-up.
- Empirical section looks at new market entry and continuing market participation.
- Substantial differences in effect of firm size and productivity between service and goods firms for export entry but almost the same for recurrent exporting.
- Back out much higher contract renewal probabilities and export gains for goods firms.

- Overall, very interesting paper.
- Compares business services to all manufacturing firms - would be interesting to look at sectors of manufacturing with more specialised bespoke products (made-to-order intermediates?)
- Focuses on customer-specific requirements for this type of product - face-to-face meetings and understanding of local laws etc. possibly a priority? Would this be as important in other types of service trade - software services for example might be more easily provided remotely.
- Would be nice to have more description of the entry/exit rates of firms across markets for goods and services to motivate empirical set-up.
- Firms exporting both goods and services are a small group but would be worth examining in more detail.
- Interesting to note that country characteristics have almost identical coefficients for the goods and services regressions (even language!).
- Points to very rich line of future research.

- Very nice, careful analysis of fascinating difference in reaction of Belgian service exports to economic crisis compared to goods exports.
- Find that service exports were much less affected than those of goods (3% drop versus 27%).
- Little difference in how goods/services adjusted extensive margins - but major differences on values.
- Key finding is that this seems linked to different income elasticities.

- Very interesting finding on differences in income elasticities for goods and services exports. Is this a standard feature of the different sectors (i.e. also for domestic sales) or is it particular to the type of services that are exported?
- Potential for more focus on role of inventories - allows different smoothing strategies to be used for goods than services.
- Paper focuses on continuing firms - extension to look at changes in entry and exit would be useful (although these are small groups as paper shows).
- Contrast between findings of Gaulier et al paper and this one on importance of extensive margins - seems more difficult for service firm to become an exporter but are they then more resilient to shocks? Worth further investigation.
- Non-OECD services fell fairly considerably - composition of services effect or country characteristics?
- More discussion of the credit constraint issue.