

Non-technical summary

A) Full title:

“Exporting Behavior of Firms: How Do Multinationals Change International Trade?” by
Branislav Saxa, CERGE-EI and the Czech National Bank

B) Abstract:

This paper analyses a firm’s decision to enter and exit foreign markets through exporting. To reflect the increasing importance of multinationals, the differences between firms owned by domestic and foreign owners are examined. Study employs firm-level panel data from the Czech Republic covering 1796 manufacturing firms over the period 1997-2002. Using this dataset, binary export participation function is estimated.

Following three areas are investigated:

- sunk costs incurred by export starters
- responsiveness of exporting status to exchange rate level and volatility
- spillovers related to exporting

Findings suggest that:

- entry sunk costs are significant and substantial, although no significant differences are found between sunk costs incurred by domestic and foreign-owned firms
- exchange rate level is an important factor influencing participation in export, though firms with a foreign owner are twice less responsive to exchange rate changes than are domestic private and domestic state firms
- higher volatility of exchange rate significantly decreases the probability of future exporting for firms with a foreign owner
- proximity to an exporting firm (either in geographic or sectoral terms) has, surprisingly, a negative effect on the decision of a firm to export in four specifications and a positive effect in one specification

The conclusion is that differences between the firms with domestic and foreign owners in terms of exporting behavior indeed exist. From the policy maker point of view, the finding that firms with foreign owners are twice less responsive to changes in exchange rate levels might influence the decisions about exchange rate regime or interventions on foreign exchange markets. On the other hand, finding that spillovers from the proximity of exporting firms are negative can inform policy makers when designing export promotion policies.

C) Keywords:

export, panel data, multinationals, hysteresis