

**Discussion of**  
“Import penetration, intermediate inputs  
and productivity: evidence from Italian  
firms” by  
Carlo Altomonte  
“Productivity and Firm Selection: Intra  
vs International Trade” by G. Ottaviano

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**By Reinhilde Veugelers**  
EC-BEPA, KULeuven & CEPR

**The Internal Market in the 21st century”**  
**September 2007, Brussels**

# *Trade and productivity*

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Both papers provide micro-evidence on

**Whether and how much  
international trade impacts  
productivity**

## *Strong points of the papers*

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- Use of micro-evidence
  - A: Italy, 96-2003, industry
  - O: 11 EU, 21 French regions, 2000
- Careful econometrics & close to theory
- Unique perspectives
  - A: vertical versus horizontal import competition
  - O: intranational versus international trade & removal of behind-the-border trade frictions

## *Main findings of the papers*

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- Both papers find significant productivity gains from trade
  - A: vertical > horizontal (small?), FSUB vs MNE
  - O: Intra > international, NTBs

***Policies on removing barriers to trade pays in terms of productivity gains***

- Both papers find important heterogeneity in effects: across sectors, firms, countries

***Details of « when, for whom and why it works/does not work » is needed for finetuning policy***

# *Comments on Altomonte*

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- Industry characteristics: *beyond import competition*
  - export, in&out FDI
  - Competition
  - Competitive/comparative advantage
  - ...
- Firm characteristics: *beyond fixed effects*
  - Ownership linked to motives for FDI (intra-company trade)
  - Initial productivity level in catch-up story (close to frontier)
  - ...

*Exploit more the micro-characteristics of the data*

# *Comments on Ottaviano*

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- Substantial cross-economy and cross-industry variation

- Cost of non-Europe: 22% for Denmark vs 3% for UK & Portugal
- Considerable regional variability in France in both cost on non-Europe & cost of non-France
  - Correlation between the regional variability for non-Europe and non-France

Attributable to underlying differences in technology and entry barriers, importance of accessibility and competition:

*test explicitly?*

# *Comments on both*

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- Effects of trade (competition) on productivity:
  - interactions
  - non-linearity,
  - endogeneity
- Relationship between the effects of intraEU trade and extra EU trade: substitutes or complements

Important for the link between Internal Market policies,  
Competition Policy and Trade Policy

## *Comments on both*

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- Main story of trade effects on productivity through *competition*
  - But also ***trade as channel of know-how***
    - Export as learning device
    - Importing « embodied » technology
  - Effects on **innovation**

Important for the link with the Lisbon Agenda:  
policies on innovation



# *Comments on both*

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- **Effects on average productivity**
  - Disentangle effects through entry/exit and effects on incumbents
    - Trade allowing for more entry? Crowding out local entry? Speeding up exit? Affecting growth of (innovating) entrants

**Important for the link with the Lisbon Agenda:  
policies on business dynamics**