Comments on Calmette & Straub, "Intellectual Property Rights & Trade: Firm-Level Evidence from Low- & Middle-Income Countries"

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Outline

Synopsis

Questions

Synopsis: Motivation

Question: Does stronger IPR protection in destination countries encourage imports?

Insights from theory

- Yes: with less risk of imitation, foreign firms export more (“market expansion”)
- No: with less competition, foreign firms reduce quantity & increase price (“market power”)

Synopsis: Empirical Analysis

- Firm-level data from comparable surveys in 10 low- & middle-income origin countries, 2002-2005
  - 46% Thailand & Vietnam, 87% these + Egypt, Chile, South Africa
- Dependent variable: share of firm-level output that is exported
  - Direct or (direct + indirect)
- Independent variables:
  - Park-Ginarte index of IPR protection in destination country (leading destination, or max of top 3 destinations), 2005
  - Fixed effects: origin (10), origin-destination pair (214), sector (120)
  - Sector characteristics
    - Innovation (R&D/sales in US)
    - Concentration (Herfindahl-Hirschman index in India)
  - Firm characteristics
    - Foreign ownership (indicator), number of workers, age of firm

Synopsis: Empirical Results

Export share of firm-level output increases with IPR protection in destination countries

- Robust to direct v. (direct + indirect) export, controls for sector & firm characteristics

Export share larger to destinations that increased IPR protection 2000 - 2005

Export share larger to destinations with IPR protection more similar to origin (weaker)

Questions

- Better match between dependent & independent variables?
  - LHS is share of firm output that is exported to any destination
  - RHS includes IPR protection in leading destination, or max over top 3 destinations
- Which origin-destination FEs are included?
  - All, leading, top 3?
- Alternative models
  - Exports to single destination on LHS, destination IPR on RHS
  - Total export share on LHS, export-weighted average IPR protection across destinations on RHS?

Questions

Know share of sales exported for 5,226 firms

- 2,097 export directly
- 554 export indirectly (overlap w/ direct?)

Export destinations

- Destination 1: 1,873 firms
- Destination 2: 1,614 firms
- Destination 3: 359 firms

Most firms export to 2 destinations?

Why not ≥ 2,097 “destination 1”?

How similar are export destinations across originating countries?

Questions

- Why not measure industry innovation & concentration in exporting country?
  - Innovation measured by R&D/sales in US, 1990-1995.
    - Why US, why not 2000-2005?
    - How similar are innovation in origin countries and in US?
  - Concentration measured by HHI in India (no date).
    - Why India, when?
    - How similar are concentrations in origin countries and in India?
- Why measure export share by firm rather than country/sector level?
  - Factors driving export to destination are host, destination, & sector-specific?
  - Firm characteristics less important? (foreign ownership)

Questions

Include firms that do not export (60%)?

- Binary outcome: export or not
  - Combine with existing models for two-part model
- Tobit or similar
- Use number of destinations as dependent variable (including zero)?

Questions

- Main effects misintepreted – add interactions?
  - Significant coefficients on (foreign) ownership & firm age mean these firms export more, not that strong IPR protection matters more to them (p. 9)
- Effects of IPR protection in main destination and origin-destination difference in IPR protection not identified?
  - Difference in IPR = Origin IPR – destination IPR, but model includes origin and origin-destination fixed effects
- Export share larger to destinations with IPR protection more similar to origin (weaker)
  - (Origin IPR protection) – (destination IPR protection) is negatively correlated with (destination IPR protection); how stable is this estimate?

Conclusion

Nice start

- Provides empirical evidence on how exports from low- and middle-income countries are influenced by IPR protection in destinations

Look forward to further refinement