

Comments on Fujii, Ono and Saito (2016), “Indirect Exports and Wholesalers: Evidence from Interfirm Transaction Network Data”

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SUMMARY OF THE PAPER

▶ Motivation & Main Findings

- ▶ The aim of this paper is to examine the factors affects the firms' choice of export mode by using large Japanese interfirm transaction net work data compiled by Tokyo Shoko Research Ltd. in 2014.
- ▶ The paper employs the simplified version of the trade model in Ahn et al.(2014) for the guidance of empirical analysis.
- ▶ The empirical results in this paper show...

1. The large fixed cost but lower variable cost for direct exporting comparing to indirect exporting thorough wholesalers.
2. In-degree (the number of suppliers) raises the probability of direct exporting, but out-degree (the number of customers) raises the probability of both direct and indirect exporting.
3. There is a large industry heterogeneity in the shares of indirect and direct exporters

Comment 1

- ▶ Fixed cost and variable cost associated with export can be very different by the product and the export destination.
 - ▶ Firm choose to export their products directly or indirectly by the product and the destination.
 - ▶ Firm's mode of export can be determined by product and destination.
 - ▶ Multiproduct firm often uses “both type of export modes”
 - ▶ In this paper, even the firm which export one of its products directly is classified as a direct exporter, then I think the larger firms have higher tendency to be classified as direct exporter, since they usually produce more varieties of products than the small firms.
- ▶ Subsidiary companies
 - ▶ Subsidiary companies' decision for the mode of exporting might be determined by their parent companies.
- ▶ More detailed industry classification (4 digit → 6 digit)

Comments 2

- ▶ The effect of rapid appreciation of Yen in 2012 and supply shocks in 2011.
 - ▶ Large appreciation of Yen between 2008 and 2012.
 - ▶ The Great East Japan Earthquake in 2011

Year	2007	2008	2009	2010	2011	2012	2013
Yen/ Dollar exchange rate	117.77	103.39	93.61	87.76	79.77	79.80	97.71

- ▶ Exchange rate shock may have different impact on direct and indirect export

Comment 3

- ▶ More economic reasoning for the interpretations of the results on the effects of in-degree and out-degree.
 - ▶ IN-DEGREE
 - ▶ Why manufactures with more suppliers can share their export costs with their suppliers?
 - ▶ Why manufactures with more suppliers have higher bargaining power?
 - ▶ The authors should explain the mechanism behind them or show some evidence supporting their claims.
 - ▶ OUT-DEGREE
 - ▶ Out-degree only measures the number of direct customers.
 - ▶ Even if the manufactures sales their products only to Wal-Mart, you may have enormous number of indirect customers.
 - ▶ Therefore, I do not understand the following interpretations.
 - ▶ “More customers may be associated with a higher product appeal and a broader demand base. If domestic and foreign markets have the same preference structures, there will be more demand for this product from abroad, and the firm tends to export both indirectly and directly.”

Comment 4

- ▶ Industry Heterogeneity
 - ▶ Why “Industries of highly processed products or high degree of product differentiation such as chemical product and electronic machinery have smaller fixed costs but larger variable costs of exporting”?
- ▶ Wholesalers’ export decision
 - ▶ Need to explain choice of explanatory variables (sales, in-degree and out-degree)
- ▶ Policy Implication
 - ▶ Why the government should subsidize the international wholesalers?
 - ▶ Do you find any evidence of matching problem between indirect exporters and exporting wholesales from your research?
- ▶ Discuss more about your contribution to the literature
 - ▶ Is there any new findings form this research?

Minor Comments

- ▶ Are the reported results of coefficients of multinomial logit model marginal effects?
- ▶ Measurement error in indirect export, and overestimate the role of intermediaries.
 - ▶ As authors mentioned, exporting wholesalers sell their products both domestic and overseas.
 - ▶ As indicated in Table 6, exporting wholesalers are large, and some non-exporting manufacturing firms may also choose them for their domestic sales.
- ▶ In page 11, the authors mention that firm size is measured by number of employment, but in the actual estimations they uses the amount of sales rather than number of employment for the variable of firm size.