Comments on Bown & Porto, “Exporters in Developing Countries: Adjustment to Foreign Market Access after a Trade Policy Shock”

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Quick overview of results

- 2002-2003 steel safeguard cases exempted developing countries, including India
- This provided an effective tariff preference of up to 30% to Indian exporters on cold-rolled and coated products
- In response, Indian exports in these products surged and domestic production increased (both continuing after removal of safeguards)
- Some evidence of other (upstream) steel producers switching to the newly-preferenced products
Comments

• Very nice data set
• As expected from Chad, clever use of data
• However, some concerns
  --- both empirical and interpretative
Data/estimation issues

• Identification of exporters via US/EU antidumping targets
  -- are there any significant steel exporters who have not been targeted by AD cases?
• Filling in gaps in sales data with zeros
  -- could be just missing data, misclassifications by firms
• Explaining firm and product sales primarily by fixed effects
  -- much of the richness of dataset seems to be ignored
  -- are there ways to see if, e.g., more efficient firms are those which expanded sales and exports most dramatically?
• Were there (vertical) mergers during this period?
  -- so could “new entrants” simply represent CRF/CPCF firms which had been acquired by upstream firms?
Interpretation issues

• Safeguard case and exemptions referred to as exogenous and unexpected
  -- did Indian steel firms (and/or gov’t) lobby for exemptions?
  -- wasn’t some US trade protection for steel well-anticipated?
  -- isn’t some exemption for developing countries the norm (even if not always granted)?
• No discussion of likely different responses to temporary vs. permanent shocks
  -- hard to believe any in the industry in 2002 thought the safeguard duties would last more than a couple of years
  -- would expect different response to a more permanent preference (e.g., FTA)
• Given this, not surprising that new entrants are primarily product-switchers rather than new entrepreneurial entry
• Wouldn’t push the hysteresis argument too far
  -- usually think of this as related to large shocks, expected to be relatively permanent
• But, the persistent increases after 2004 by Indian exporters is interesting
  -- some sort of learning model might better explain this
  -- but suggests more to the story than the safeguard cases