

LOCAL EXPORT SPILLOVERS IN FRANCE

Pamina Koenig, Florian Mayneris & Sandra Poncet

NON-TECHNICAL SUMMARY

The concern of French policy makers relative to the performance of French firms on international markets is not new: back in 2003, the foreign trade minister allocated specific public spending to the promotion of French exports on targeted markets. At the beginning of 2007, following the publication of the French trade balance for 2006 showing a growing trade deficit, the existing dispositive was backed up by measures facilitating the flow of export-specific information among French firms. Very large amounts of money were allocated to clusters initiatives. For example, 0.5 billion euros is spent yearly on the new policy of competitiveness clusters launched in 2005 for three years and extended to 2009-2011.

The idea behind such initiatives is that a better knowledge about foreign markets may have a positive impact at the microeconomic level on the export performance of firms. More generally, information on international markets may originate from public interventions but also from the pool of existing exporters. Proximity to other exporters may bring benefits like positive information externalities, costsharing opportunities and mutualized actions on export markets. Several national and local organizations are specifically aimed at fostering these effects through conferences on specific destination countries, financial support to participate to international fares, etc.

This paper builds on the existing literature analyzing the existence and the nature of local export spillovers among exporters. Using a uniquely detailed dataset comprising French exports at the product, firm, and destination country level for 1998-2003, we analyse the impact of the

geographical agglomeration of exporters on both aspects of firms' export performance: their export decision (the extensive margin) and their export volume (the intensive margin).

The contributions of our paper are threefold. First, we build our analysis on a uniquely detailed dataset comprising French firm-level exports by 8-digit product and by destination country, for a recent period of time (1998-2003). With respect to the existing literature, the product dimension allows us to investigate spillovers at a more adequate level in terms of activity than the industry classifications traditionally used and the destination-country dimension provides us valuable information to assess the nature of spillovers, as suggested by Krautheim (2008). Second, we explore the impact of export spillovers on both the decision of firms to start exporting abroad and the volume exported by each firm. As explained in Chaney (2008), a change in the fixed cost is expected to affect the extensive margin of trade only. A change in the variable cost is expected to affect both the intensive and the extensive margins. Our analysis thus allows to provide the first empirical evidence to disentangle these channels. Third and finally, we wish to describe in details the effect of exporting firms' agglomeration on the export behaviour of individual exporters. The global picture states indeed that the agglomeration of exporters in the same area may give rise to market and non-market externalities, but also to higher competition on the export market. An example of market externality is the cost-sharing devices that allow firms to communicate together on their products to foreign consumers. The Cosmetic Valley, a network of perfume and cosmetics producers located in Centre and Normandie regions, aimed at communicating on their know-how on international markets is a good example. Non-market externalities involve informal information transfers, which may benefit local firms through a decrease in variable or fixed export costs.

Our estimation procedure captures those two types of externalities, as well as the competition effect on the exported good's market. We measure the net effect of positive externalities and higher competition associated with the agglomeration of exporters.

We investigate whether the individual decision to start exporting and exported volume are influenced by the presence of nearby product and/or destination specific exporters, using a gravity-type equation estimated at the firm-level. Spillovers are considered at a fine geographical level corresponding to employment areas (348 in France). We control for the new economic geography-type selection of firms into agglomerated areas, and for the local price effects of firms agglomeration. Our results show a positive effect of product and destination specific-exporters' agglomeration on the export decision, hence on the extensive margin, but not on the intensive margin of trade. An additional neighbour exporting a given product to a given destination increases the probability to start exporting the same product-destination pair by roughly 1.07 percentage point. Export spillovers are prevalent when considered destination or product specific, are stronger when destination and product specific and are not significant when considered on all products-all destinations. Moreover, export spillovers exhibit a spatial decay within France: the effect of other exporting firms on the export decision is stronger within employment areas and declines with distance. This result is consistent with the fact that information sharing is easier over shorter distances.

J.E.L. Classification: F1, R12, L25

Keywords: Firm-level export data, product and destination specific spillovers, agglomeration.