Comment on Daniel R. Yorgason's paper

"Exporting by Foreign Manufacturing Affiliates of U.S. Multinationals"

Prepared for the Western Economic Association International Conference

July 5, 2005

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Using micro data of foreign manufacturing affiliates of U.S. multinational companies, the author examines the determinants and the persistence of export status of such affiliates. The author finds that, in contrast with the popular view of multinationals as footloose, exporting by foreign affiliates is strongly persistent. Previous studies implicitly assumed that the persistence of the export status is caused by "entry costs." That is, once you incur entry costs and start your exports in period *t*, your export experience before period *t*-1 does not affect your export behavior from period *t*+1. However this paper finds that the persistence of export status is caused by "broad inexperience costs." That is, an exporter with two years of experience has an advantage over an exporter with one year of experience. The empirical analysis is carefully conducted and I found the paper very instructive.

I have three comments.

My first comment concerns differences in the persistence of foreign affiliates' exporting status across countries. Suppose that U.S. affiliates in developing economies mainly produce low quality goods for the local market, and in order to start exports of their products to the U.S. and other developed economies, they need to incur large sunk costs to improve the quality of their output.

Then, if the volatility of exogenous shocks is similar across countries, the persistence of foreign affiliates' exporting status will be stronger in developing economies than in developed economies. The magnitude of the persistence has important implications. For example, U.S affiliates in China might not stop their exports to the U.S., even if the Chinese government allowed a substantial appreciation of the Yuan. I think that one of the merits of the BEA data, which is used in the paper, is that we can compare the affiliates of U.S. MNCs in one region to the affiliates in another region. I would like to know whether the author has tried to examine such differences of persistence among host countries.

My second comment relates to the flexibility of exports by foreign affiliates. This paper finds that the movement of firms into and out of the export market is not fluid. However, this finding does not mean that foreign affiliates fix their export amounts. According to the theory on labor market hysteresis, adjustment through the number of workers and adjustment through working hours are close substitutes. Workers seldom quit their jobs when sunk training costs are high. In such labor markets, shocks tend to be absorbed by working hours (see, for example, Fukao and Otaki, JPE 1993). U.S. affiliates in China may not stop exporting to the U.S., even if the Chinese government allowed a substantial appreciation of the Yuan. But they might drastically reduce their exports to the U.S., if exporting a tiny amount is sufficient to maintain export experience. I wish that the author would provide us with information on how inflexible export amounts of foreign affiliates are.

My third comment is on the destination of exports. As the paper pints out, the persistence of the export status might be quite different depending on the destination of the exports. If learning costs for exporting to unrelated customers are high, we can expect a stronger persistence of the export status in the case of exports to such customers. However, the author mainly focuses on the results of the base case, where the “exports to the United States” category is used as the indicator of export status, and does not compare these results with the results on exports to unrelated customers in Table 11 and Table 12. I would like to ask the author whether the persistence of export status is found to be quite different depending on export destinations.