
The export strategy of Dutch exporters

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1. Focus and research question

- Strong persistence in exporting and in non-exporting
- Only a few export starters and many failures in first year
- How can new export starters become successful continuing exporters?
 - ▶ we verify the learning-to-export strategy: first start modest and learn, then expand or exit
 - ▶ we check the impact of country characteristics, firm characteristics and policy support

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 - ▶ starting to export (brief)
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2. Intuitions: literature

- Persistence in exports point to sunk entry costs ...
(Roberts & Tybout (1997), Bernard & Jensen (2004))
 - ... and exporters need sufficient productivity to cover entry costs
(Melitz (2003), Chaney (2008))
- Sunk costs may refer to
 - ▲ (institutional) trade costs (Smeets et al (2010))
 - ▲ search and learning costs on trade relations, market demand and own capability
- Strategy of export starters:
 - ▲ learn to export:
first modest supply and learn, then quick growth or rapid exit
(Rauch & Watson (2003), Besedes & Prusa (2006), Aberhart et al (2009), Eaton et al (2009))
 - ▲ expand to other markets:
use neighbours as a “stepping stone” to distant (but fruitful) markets
(Eaton et al (2007), Albronz et al (2010))

2. Intuitions: predictions

Two predictions on expansion point to learning-to-export:

- entry: recent starters will more likely enter new markets than incumbent exporters
- growth: exports grow rapidly just after starting (PM)

Impact of strategies on other countries

- number of countries, average growth

Impact of country and firm specific effects

- market conditions (GDP, distance and tariffs)
- firms' labour productivity and size (employment)

Testing these predictions requires accurate classification of exporters

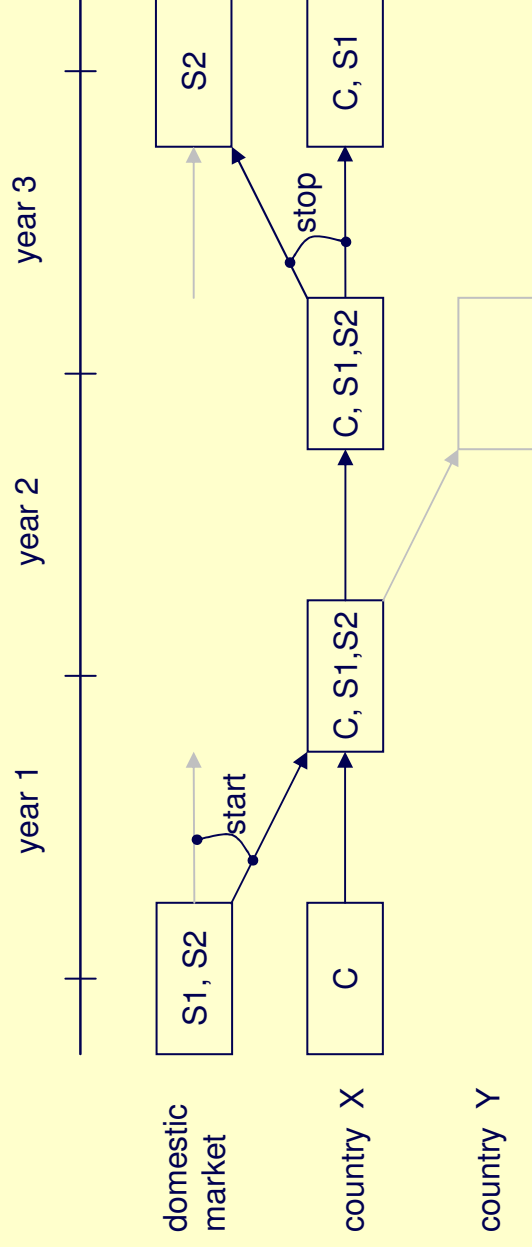
3. Data sources

- International Trade data (IH) (transactions, 2002-2008)
- Firm-level data
 - ▶ financial data of large enterprises (SFGO)
 - ▶ firm level data of Production Statistics (PS)
- Country data of several (international) sources
- Data issues
 - ▶ non-sampling of IH-data below threshold on intra-EU trade
 - ▶ matching IH-data with firm-data

These issues are controlled in regressions and checked in robustness analysis

3. Descriptives: firm identification

- Exporters classified to starters, continuers and stoppers:



3. Descriptive statistics I

Characteristics of exporters and non-exporters (average of 2003-2007)						
	non-exporters	total exporters	starters	continuers	stoppers	
All exporters						
			% of total exporters			
Number of exporters		17963	5.5	89.7		4.8
Total export value (x mln euro)		93772	1.7	97.3		1.0
			ratio of average total exporters			
Average export value (x 1000 euro)		5211	31.6	108.7		19.7
Exporters matched to firm data						
			% of total exporters			
Number of firms	25571	6023	2.8	93.8		3.4
			ratio of average total exporters			
Average labour prod. (x 1000 euro)	57.8	73.7	97.5	100.1		98.5
Average labour employment (fte)	38	334	139.9	97.7		127.9

3. Descriptive statistics II

Export destinations for different types of exporters, 2004-2007				
	starters	stoppers	continuers	total
Total number of exporters	305	351	10071	10727
number of countries				
	% of number of exporters			
1	43.7	45.0	23.4	24.7
2	15.0	15.8	12.4	12.6
3	7.9	9.0	8.8	8.7
4-10	21.7	20.7	30.0	29.5
11-20	8.5	7.6	16.2	15.7
21-40	2.6	1.7	7.0	6.7
>41	0.6	0.2	2.1	2.0

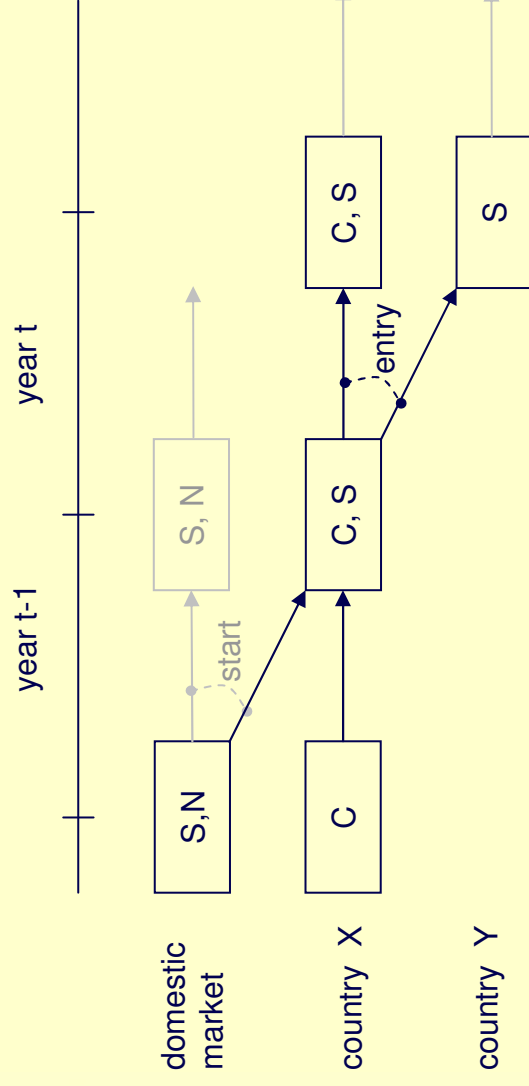
4. Testing prediction on starting

- Prediction: high productive firms can better cover sunk entry costs and will more likely start to export
- Regression of starting to export on firm characteristics (no country characteristics)
- Selection of data: starters and non-exporters

Dependent variable: Probability to start ^a	0.565	0.565	1.325	1.325
LP: Log productivity ^a	0.272 ***	0.153 ***	0.506 ***	0.323 ***
LE: Log employment ^a		0.184 ***		0.402 ***
Method	Probit with RE	Probit with RE	Probit with RE	Probit with RE
No. observations	104887	104886	44591	44591
No. sectors			42	42
^a Marginal effect in %-points				

4. Testing prediction on entry

- Prediction: recent starters will more likely enter new markets than incumbent exporters
- Regression of entry on new markets on general export status
- Selection of data:



4. Testing prediction on entry (50 largest export destinations, marginal effects in %-points)

Dependent variable	1.87	2.09	2.09
Probability to enter			2.09
FS:starter/continuer in t-1	0.203 ***	0.351 ***	-0.321
NM: no. countries	0.060 ***	0.065 ***	0.065 ***
FS x NM	0.031 ***	0.027 ***	0.027 ***
Log GDP	0.181 ***	0.236 ***	0.236 ***
Log distance	-0.347 ***	-0.431 ***	-0.431 ***
Tariffs	-0.029 ***	-0.036 ***	-0.036 ***
LP: Log productivity		-0.066 ***	-0.070 ***
FS x LP			0.104
LE: Log employment		-0.017 **	-0.015 *
FS x LE			-0.043
Correction IT-data	0.226 ***	0.172 ***	0.172 ***
Method	Probit with RE	Probit with RE	Probit with RE
No. observations	1640713	617696	617696

Ad 4. Predictions on growth

Export growth of starters and continuing exporters, 2005-2007			
	total export growth (%) ^a		average export growth per country (%)
	starters	continuers	starters continuers
Average 2005-2007	55.9	21.7	40.5 20.6

^a Total export growth of all countries (including those destinations that cannot be specified)

- Prediction:
 - exports grow most rapidly just after starting

- Regression growth on export status of specific country:
 - export growth is (initially) higher after entry on a new market, but lower after start on the *first* market

5. Conclusions

Empirical results analysing expansion phase provide some evidence of learning-to-export strategy as

- recent starters more likely enter new markets than continuing exporters
- exports to other countries enhances entry to new markets

Further we find that

- larger markets at low distance and with lower tariffs are more attractive for entry
- low productive and small firms will more likely enter new markets, emphasizing expansion and not initial starting

... so far our journal on
the maiden trips of
Dutch explorers ...



Thank you for your attention !!