Discussion Session 2

Flora Bellone[1]

flora.bellone@unice.fr

[1]Université Côte d'Azur, UCA
GREDEG UMR n°7321
affiliated to OFCE

Joint France Stratégie/Banque de France
French competitiveness: new challenges, new measures
Paris, December, 16 2015

Session 2: Determinants of European & French competitiveness

But all 3 papers focus on a more narrow topic: competition for market shares

1. The dynamics of VA export and domestic market shares : Guillaume Gaulier paper (GG)

2. price and non price determinants of trade flows with a focus on Italy: Francesco Zollino paper (FZ)

3. price and quality determinants with a focus on France: Haithem Ben Hassine paper (HBH)

Session 2: Determinants of European & French competitiveness

But all 3 papers focus on a more narrow topic: competition for market shares

1. The dynamics of VA export and domestic market shares : Guillaume Gaulier paper (GG)

2. price and non price determinants of trade flows with a focus on Italy: Francesco Zollino paper (FZ)

3. price and quality determinants with a focus on France: Haithem Ben Hassine paper (HBH)

Determinants of European & French competitiveness

- Which market shares matter for country competitiveness?

- What are the main drivers of intra-European trade competitiveness gaps? Price versus non-Price determinants

- What lessons for the design of competitiveness policy?

Why market shares matter?

Graphique 1 : parts de marché dans les exportations brutes (%)
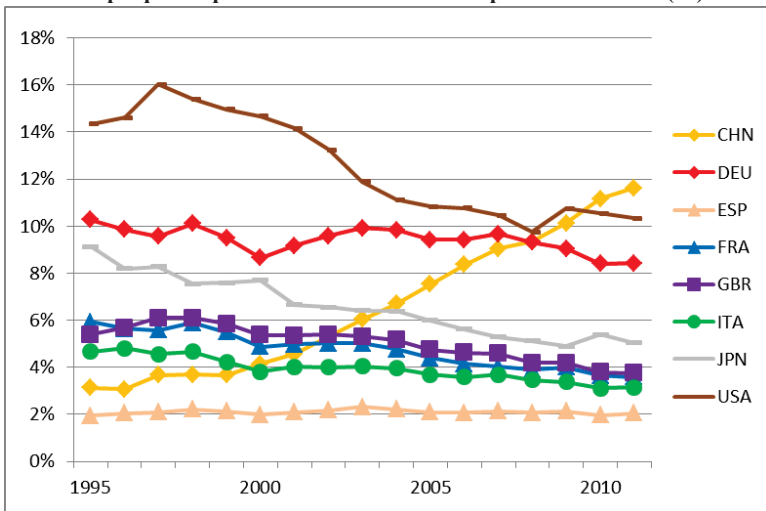
Which market shares matter?

Contribution of GG Paper

- Gross versus VA market shares in Manufacturing
    1. The diagnostic does not change much: China wins, Industrialized countries lose
    2. Performances gaps across European countries increase
- Export + Domestic market shares
    1. Performances gaps across European countries narrows
    2. Japan performs particularly badly
- Manufacturing plus Service VA
    1. The performance gap between Germany and France narrows

Does price competitiveness matter?

Countries differ in terms of labor costs and in terms of the price of intermediate inputs. To what extent those differences determine countries trade performances?

Contributions by the FZ and the HBH papers

- What indicator of price competitiveness is the most appropriate?
- Strong variations in the elasticities of export to price across countries (FZ and HBH) and across industries (HBH)
- Non linear effects (HBH paper)

Does non-price competitiveness matter even more ?

Two different exercices

- FZ paper introduces a "global efficiency" index as a determinant of trade flows
- HBH paper uses R&D data to estimate the contribution of quality to prices

Some divergence in the results

- FZ: relative TFP has a positive impact on German, Spanish and Italian exports but not on French Exports
- HBH: France performs relatively well in terms of the contribution of quality to prices but German exports benefit more from their relative quality
- Non linear effects (HBH paper)

Trends in (relative) TFP (FZ Paper)

TFP.pdf

Panel B. Relative TFP
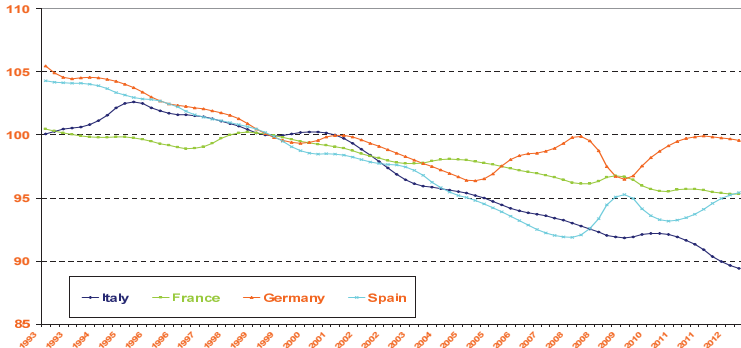
Source: Authors' calculations on European Commission and ECB data.

What policy lessons?

1 Keep the right "policy" objective
- Not market shares per se
- Full employment of the labor force to the best possible productive use

2 Compete in the new globalized world
- China hurts our world market shares (including domestic ones)
- Does it also hurt our ability to (fully) employ our working force?

3 Reading
- Rodrik, D (2013) "Unconditional Convergence in Manufacturing," QJE
- Acemoglu, D et al (2014) "Import Competition and the Great U.S. Employment Sag of the 2000s," NBER WP
- Bloom, N (2015) Trade Induced Technical Change: The Impact of Chinese Imports on Innovation, Diffusion and Productivity, RES