

# Export Entry and Network Interactions

Evidence from the Belgian Production Network

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February 2022

Preliminary and incomplete - please do not cite or circulate

## Abstract

Low export participation of firms across countries is typically related to high entry costs allowing only the most productive firms to serve foreign markets. In this paper, we move beyond individual firm characteristics to explain export participation and investigate whether firms' domestic network linkages can facilitate export entry. Firms receive information from business interactions with experienced exporters which lowers sunk entry costs and allows them to enter the foreign market. Using rich data of buyer-seller linkages in the Belgian production network, we find that network heterogeneity is a key determinant of the extensive margin of trade. Each additional export signal received via network linkages increases the entry probability by 0.5 – 1.4 percentage points, giving firms with suitable networks a key advantage in accessing foreign markets. The marginal impact of network externalities decreases in network size which we attribute to negative assortative matching in the underlying network formation process.

**Keywords:** Export entry, buyer-seller network, information frictions, trade barriers, heterogeneous firms

**JEL Classification:** F12, F13, L14, D83

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\*We thank Ronald Davies, Keith Head, Christian Proebsting, Gonzague Vannoorenberghe, Jaume Ventura and participants of the CES-LCIS-UCD seminar on trade and taxation and the Leuven-Louvain trade workshop for valuable comments and discussions. Philipp Ludwig gratefully acknowledges funding from the Research Foundation Flanders (FWO) thanks the NBB for the hospitality during a research stay where this paper developed.

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