A Theory of Intermediaries in International Trade

A Discussion

Megan Haasbroek, discussed by Bo Hu

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VTinbergen Institute

A Basic Guide to Exporting by the U.S. Commercial Service

"Export intermediaries range from giant international companies to highly specialized small operations. For a fee, they provide a multitude of services, including performing market research, appointing and managing overseas distributors or commission representatives, exhibiting a clients products at international trade shows, advertising, and shipping and preparing documentation

...

Intermediaries may work simultaneously for a number of exporters

...

One advantage to using an intermediary is that it can immediately make available marketing resources that exporters might take years to develop on their own. "

Summary

Direct Export

- Firms have to **transport** and **advertise** to finish the export.
- More productive firms will choose higher market penetration probability.

Indirect Export

- Pay a fixed fee to access intermediary technology.
- Two advantages of intermediaries
  - economies of scope
  - more effective marketing efforts

Summary

- Sorting in productivities.
  - More productive firms export directly
  - Relative productive firms still exports via intermediaries
  - Less productive firms export via intermediaries
- Micro-founded theory on price vs. quality
  - More productive firm demands better marketing quality, which is not possible with intermediaries.
- Impact of trade liberalization
  - Less productive firms use the intermediaries.
  - In some cases, the range firms using intermediaries becomes larger.

Comments

- Middlemen literature
  - Though an international trade topic, this is highly related to middlemen literature.
  - It is in fact a middleman theory across markets.
  - What is novel elements in the modeling?
- The relative importance of two advantages.
  - economomies of scope
  - more effective marketing efforts
- Unique predictions
  - many predictions coincide with existing literature
  - might focus on the ones that you capture very well

Comments

- Alternative theory
    - More productive firms use intermediaries
    - Or firms with less goods use intermediaries
- Heterogeneous intermediaries?
    - If international trade intermediaries is the focus
    - Perhaps in future research