# Internationalization choices: An ordered probit analysis at industry level
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# Part I

## Summary

# Objective

- Do a cross-country and cross-industry analysis of the determinants of firm (industry) internationalisation
- Check if firm level results of Melitz (2003) and Helpman et al (2004) work with industry level data

# Methodology

- Builds a dataset of 24 origin countries, 91 destination countries for 11 years for 57 industries.
- Estimate an ordered probit model at the country and industry level.

## Main conclusions

- The shift towards internationalization modes that command higher fixed costs increases with:
  - greater size dispersion
  - the average size, productivity and capital intensity of firms within each industry
  - the degree of innovation
  - a common language and a common religion
  - either the origin or the destination countries is an island, sharing trade and M&A partners with other countries
  - decreases with geographical distance and tariff restrictions

# Part II

## Comments

# Can Helpman's firm model work for industries?

- In the Helpman (2004) model, productivity of firms is exogenously given, and that determines which firm will export and do FDI.
- Can industries self-select themselves?
- The model controls for many variables like distance, tariff, religion, language etc between countries
- Variables that can be added
  - Average age of the industry
  - Downstream and upstream relation with industries
  - Common political/ legislative setups of countries
  - Measure of FDI restrictions
  - Country industry interaction dummy
  - Other sources of industry/ country comparative advantage

# The direction of causality

- Is it that exporting and investment abroad has led to higher variance in industry (firm) size distribution and higher productivity?
- Literature has used matching methods to look at the direction of causality using firm level data
- Interesting to think about sector internationalisation using matching methods

# Adding a time dimension?

- Study the dynamic nature of determinants of (firm) industry internationalisation. Are they changing?
- Is internationalisation persistent?

## Interesting angles

- How do these results vary across different industries?
- Will these results differ for the services industry? The importance of transportation costs declines in services industry, thus breaking the hierarchy of internationalisation.
- Differences in internationalisation strategies vis a vis different origins and destinations
- Does an industry's dependence on external finance interacting with a country's financialisation and openness have an impact on modes of internationalisation?

## Minor comments

- More summary statistics on industry level information and countries covered.
- How to explain negative coefficient for capital intensity for sample looking at developed countries as point of origin.

Thank you