

Discussion of:
**The anticompetitive effect of trade
liberalization**

Catherine Fuss, Lorenzo Trimarchi & Daniele Verdini

Discussant: Elena Zaurino (European Commission JRC)

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What the paper does in a nutshell

- ▶ **Research question.** Investigate whether globalization is one of the causes behind the observed increase in market power
- ▶ **Methodology.** Identification strategy based on two different shocks (China and East-Europe) with relative IVs + analysis of several outcomes of market power and beyond
- ▶ **Results.** Existence of anti-competitive effects of trade following trade liberalization episodes

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- ▶ Both globalization and market power are critical themes, even more important with current discussions around the return to protectionism and the rise of the superstar firms
- ▶ Paper contributes by providing new evidence on this theme in the context of a small open economy as Belgium

Overview

Will focus my attention on three main comments:

- i. Firm heterogeneity and policy implications
- ii. Add a supply-chain angle
- iii. Improvements on the identification
- iv. Additional comments

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 - ▶ firm-product-level data on export & import could show reaction to the shock in the input-output mix of each firm
- ii. What should the policy-makers do? Are we advocating for more protectionism? Very relevant for the current discussion on the intersection between trade and industrial/competition policy (Draghi report, 2024)

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 - ▶ Exploit indicators of sector heterogeneity and positioning along the GVC, such as measure of upstreamness (Antras et al 2012), homogeneous vs differentiated product (Rauch 1999), RCA, PRODY index

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 - ▶ Follow the China shock decomposition into its output& input components and perform firm-level analysis following Aghion et al (2024)

Comment 3. Improvements on the identification

- i. Do you want to keep both shocks as equally relevant or focus on one only?
 - ▶ could you test which one matters the most for the Belgian economy within the same regression? Plus, it would allow to control for confounding effects between the two shocks
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- ii. Heterogeneity in timing could also improve the identification
 - ▶ how long do the effects last? Instead of average coefficients, present time trends
 - ▶ feasible to implement a staggered DiD analysis (i.e. treatment defined as being above a certain threshold of import exposure) building on the recent advancements of this literature?
 - ▶ Test for parallel trend assumptions?

Additional comments

- ▶ Focus only on the regressions with entire time period and exploit heterogeneous effects over time (see previous slide)
→ harder to follow with the three sets of results. Streamlining could improve readability.
- ▶ Clearly discuss and compare your results with results from papers finding pro-competitive effects of trade liberalization
→ De Loecker et al. 2016 for India, De Loecker & Eeckhout 2021 for the US, Impullitti & Kazmi 2022 for Spain). Hint it is due to a different type of shock, need to better motivate this.