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Measuring the price elasticity of import demand in the destination markets of Italian exports

discussion: Rodolfo Helg

Introduction

Aim of the paper: contribute to the debate on Italian “peculiar” trade pattern and its response to emerging countries competition

Main result: Italian exports face a price elasticity of world demand that is on average lower than the French, the German and the Spanish ones.

Review

Approach adopted:

a) Theoretical framework: Dixit-Stiglitz CES utility function+Armigton assumption

b) Obtain elasticity of substitution (σ): for $n \rightarrow$⅜ this is also an import elasticity

c) Aggregate (η) into export demand elasticity (Kang, 2008)

Review

b) use BGW (2006) estimated elasticities

As a robustness check, use of different database (Eurostat), different level of aggregation (HS 6), different estimation approach (Feenstra(1994) rather than BW(2006))

Review: results

1) Italian average export demand elasticity is lower than that of Germany, France and Spain

2) Slightly increasing

Review: results

3) At the sectoral level common features across countries: i.e. high elasticity for motor vehicles (confirmed with comparison with “true varieties” as in Bloningen and Soderbery, 2009 and with results from INVIND survey))

4) Mohler(2009) sensitivity result confirmed

Comments

- Theoretical framework: constant elasticity !
- Data mining: trimming procedure for not well behaving σ not well justified (utility insensitivity for σ>30)
- Not clear why the robustness checks (pg 7) shoul adress the “asymmetric effects”.

Comments

- No statistical tests for elasticities differences across countries
- Within the “made in Italy” sectors, Textiles and Leather are anomalous: high elasticities. Why?