

Feedback on paper
Analyzing non-price competitiveness
in euro area countries

Aim and content of the paper

- ❑ The paper intent is to investigate the impact of non price competitiveness on the behaviour of Euro Area exports.
- ❑ Its main parts are:
 - a cursory review of the literature
 - the estimation of a benchmark, traditional equations (demand & price competitiveness) followed by additional specification including proxies of non price competitiveness
- ❑ Main features of the estimates are:
 - Use of Arellano-Bond estimators
 - variables both in levels and differences
 - Intercepts representing country effects
 - One common value for the income and price elasticities
 - Share of service sector used as interaction term

Review

Quite comprehensive, but a few missing references are:

- Capital stock (or cumulated investment measures) as proxies for quality/variety of produced goods
- FDI

General Issues

- Benchmarking estimated coefficient would be important (i.e. what are the values of demand, price and non-price competitiveness provided by similar papers?)
- Important to outline the “policy content” of elasticities ... like in the case of R&D expenditure
- Improve the focus on service sector

estimation issues

- Demand and price elasticities are rather low ...possibly due to the restriction of one common value for all countries?
- Dilemma: demand/price elasticities account also for the difference of quality of goods (e.g. lower price elasticities and higher demand are “a plus”) ...are proxies for non price competitiveness combined with country intercepts “enough?”
- Possible way out:
 - double check for different ranges of country coefficients provided by the literature
 - Combine different values of the coefficients with a parsimonious specification, pool country coefficient elasticities in two/three groups
 - ? What’s the impact on estimated non price competitiveness parameters, and general statistics of the equations ?

Ways forward

- As mentioned by the authors:
 - Use stocks for non-competitiveness proxies
 - Sectoral disaggregation
- Additional proxies
 - Capital stock measures
 - More general measures of indirect costs
- Intra-EU & Extra-EU: different games?