This is mainly because these firms find it more desirable to pay the high fixed costs of direct exporting and enjoy its lower variable costs by exporting larger quantities. Consequently, in the absence of the direct exporting channel, the share of exporters declines by 11 percentage points, export volume drops by 74 percent, and welfare falls by 6 percent.

As another example of a counterfactual exercise, consider moderate subsidies to reduce the fixed cost of indirect exporting. Recent research shows that wholesalers, on average, export more products than manufacturing firms, which suggests that these trade intermediaries spread the fixed costs of indirect exporting across many products. Under this assumption, taxing the income of households and subsidizing the fixed costs of indirect exporters can lead to welfare gains, although these gains are negligible.

For a small Vietnamese rice producer, exporting directly may be expensive and risky. However, another way of gaining access to international markets is through trade intermediaries. Indirect exporting is not only a cheaper way of testing the waters in foreign markets, it is also a stepping-stone to direct exporting for small and young exporters.

THE ANNUAL RESEARCH CONFERENCE 2019:

Celebrating 20 Years of Academic Excellence

The Jacques Polak Annual Research Conference celebrated its 20th anniversary November 7–8. This year's conference focused on "**Debt: The Good. The Bad. The Ugly**" covering household, corporate, and public debt.

Debt measurement and sustainability were a common thread across both academic and policy sessions. Researchers and policymakers alike argued that standard accounting identities or the simple debt-to-GDP ratio were insufficient to assess indebtedness or evaluate debt sustainability. While interest and growth rates had been often negative in the past—suggesting smaller costs of debt—the lively discussions, including the session with Olivier Blanchard and Kenneth Rogoff, revealed disagreements on the implications of this empirical regularity for policymaking, particularly at the current juncture.

In his Mundell-Fleming Lecture, Jeremy Stein took up the question of what policy could do to dampen credit cycles. He argued that sentiment plays an important role in driving credit booms and busts. While central banks already pay attention to sentiment, it remains unclear how strongly it should affect setting policy rates. Stein further emphasized that macroprudential policies could be insufficient to address financial stability concerns, especially when the unregulated financial system is large.

Interested in learning more about the Annual Research Conference? Visit the conference website for links to videos of Managing Director Kristalina Georgieva's opening remarks, Stein's Mundell-Fleming Lecture, and the discussion featuring Blanchard and Rogoff, as well as links to all academic papers presented at the conference.

Emine Boz
eboz@IMF.org