

There is not yet much empirical evidence on the behaviour of intermediaries in international trade and investment. The best known study is that by Feenstra and Hansen (2004) who study Hong Kong's role as an intermediary for Chinese trade. They find that mark-ups by intermediaries are higher for differentiated goods, for goods sent to China for further processing, and for goods with higher price variance. They interpret this as evidence in support of the hypothesis that intermediaries help overcome informational problems. This is consistent with the theories above. They also find evidence that the intermediaries have market power. They find, for example, that mark-ups vary across export markets, which they interpret as evidence of price discrimination.

Schroder et al. (2005) use data on French exports from 1985-1990 and find that 17 percent of exports were handled by intermediaries (trading, retail, or wholesale firms). They investigate the determinants of the use of intermediaries. They find that intermediaries are more likely to be used when exporting to markets with a low level of enforcement of civil rights—they argue that fixed costs of accessing such markets are relatively high, thus increasing the demand for intermediary services. Smaller markets are also more likely to be served by intermediaries (there is more of an incentive to pool the fixed costs of market access when the market is small); but distance from France does not have a significant effect on the use of intermediaries. This latter result is consistent with theory, if distance effects reflect transport costs; however, if informational fixed costs of market access are correlated with distance from France, then the result would be not so consistent with theory.

In a study of intermediation and its effects on direct foreign investment, Evenett (2003) suggests that law firms may provide some intermediation services in dealing with foreign mergers and acquisitions. In particular, purchases of foreign firms are subject to approval by various local authorities, and the presence of specialized law firms could be expected to facilitate these transactions. Evenett approaches the issue empirically by asking whether the presence of branch offices of US law firms in foreign countries facilitates merger and acquisition activity