

POLICY BRIEF

evidence in support of the Schumpeterian hypothesis that market power and large firms stimulate innovations. For instance, in knowledge-intensive industries, smaller firms can be lead innovators. For instance, thanks to BioNTech's innovations in mRNA technology, the pharmaceutical giant Pfizer was able to produce COVID-19 vaccines that have saved the lives of millions of people. is is a well-known example but there are many others of innovative small- and medium-sized enterprises (SMEs) punching above their weight in the fight to produce innovative products (EPO, 2017). With respect to firm size and age, in contrast to the manufacturing sector, start-ups and young firms in knowledge-intensive services sectors are more likely to engage in innovative activities and, even more importantly, are more likely to successfully turn innovation into a new service than larger firms (Audretsch, Kritikos, Schiersch, 2020). Also, smaller firms can be more agile in dealin

purpose in mind, such regulatory requirements become costly non-tariff barriers (NTBs).

As a result, the corollary of the old adagio that “trade policy affects competition and competition affects trade performance” is that different trade policy instruments affect firm size,

FIGURE 4: GEOGRAPHICAL DISTRIBUTION OF UNICORN COMPANIES, BY MARKET VALUE



Erixon, F. (2021) Time for a New Industrial Policy, ECIPE Blog. Available on