

Are Politically Connected Firms More Likely to Export?

Yu Ri Kim¹
Yasuyuki Todo²

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Abstract

Lack of information is one of the most significant barriers to export and thus access to information plays an important role in facilitating export and developing business. Another common barrier to trade is credit constraints. Both information and financial resources are heavily controlled by the government in developing countries where there are only limited open data available and financial market is immature. In this setting, one common way to access information and credit is through personal connections to politicians and government officials. This paper explores the effects of having political ties on export activities using the firm-level data from traditional apparel and textile clusters in Vietnam. Our results suggest that family connections to people in any government authorities increase the chances of getting information from the government. In case of financial supports from the government, only the family connection to People's Committee at the commune level which is the smallest administrative unit in Vietnam mattered. Moreover, politically connected firms are more willing to export. Although family ties to politicians and bureaucrats increase the chances of getting additional information and financial supports as well as enthusiasm for exports, political connection do not lead to the actual export. Likely explanations are that discrimination in favor of personal connections does not result in optimal selection of social programs and generates inefficiencies. On the other hand, political connection to higher levels of government increases the chances of importing.

Keywords: political connection, information, export, small and medium enterprises, Vietnam

¹ Waseda Institute of Political Economy, Waseda University, 1-6-1 Nishi-Waseda, Shinjuku-ku, Tokyo 169-8050 Japan. E-mail: yuri.kim73@gmail.com.

² Graduate School of Economics, Waseda University, 1-6-1 Nishi-Waseda, Shinjuku-ku, Tokyo 169-8050 Japan. Email: yastodo@waseda.jp.

1. Introduction

International trade has been recognized as one of the key factors of economic growth (Balassa, 1978; Feder, 1983). Hallaert (2006) summarizes the empirical findings from literature linking exports and economic growth. Despite different timeframes and sample countries, his summary points that there is sizable and robust evidence showing that exports growth is associated with economic growth.

Yet, many developing countries are suffering from various trade obstacles which hinder them from realizing the potential benefits of trade (Stiglitz and Charlton, 2006). From the perspective of exporters and potential exporters in less-developed countries, there are two major factors which determines their decision to participate in the international market. One is the level of productivity at the firm level. According to the heterogeneous-firm trade models developed by Melitz (2003), only firms with sufficiently high level of productivity can afford to pay the initial costs of exporting and be profitable in export markets.

Apart from productivity, there may be other obstacles to exporting, such as informational and institutional barriers. Thus, governments in most countries put a large effort in providing institutional support and increasing the access to overseas market information through export promotion agencies (EPAs). The importance of informational support by governments is even more highlighted as the world trade regime under the WTO rules prohibits most of direct means of support such as export subsidies. There are numerous papers which use firm level data from developing countries to examine the effect of export promotion (Volpe-Martincus and Carballo 2008, 2010a, 2010b, 2010c). However, not all firms can utilize the services provided by the EPAs. Alternatively, firms in developing countries rely on other channels to acquire necessary resources such as information. One way to access information is mass media such as TV, radio and internet. Another source, perhaps more influential in terms of decision-making of firms, is through personal ties to those who have information.

In this regard, this paper seeks to empirically analyze the effect of receiving additional resources from the government using Vietnamese firm-level data. The focus is on two types of essential inputs: information and finance. How information affects firms' export performance is examined accounting for country specificities in Vietnam. As the data are collected from the top manager or the owners of firms through in-person interviews, this original dataset also includes subjective perceptions regarding export such as willingness to trade. Using perception variables as the outcome of the information dissemination allows distinguishing if the information has stimulated firms' decision-maker to be interested in export regardless of their productivity and other capacities. While there is a well-established thread of literature such as Faccio (2006) discussing the role of political connection on firm value or performance, it is not clear how politically connected firms benefit from the government supports and increase the chance of export.

The rest of this paper is structured as follows. Section 2 outlines the general business environment and obstacles faced by firms in Vietnam. It also includes reviews of previous studies on the effects informal institutions such as political ties on business performances. Based on the literature review, Section 3 explains the estimation model of the paper. Section 4 describes how the data were collected and sets out summary statistics. Section 5 contain the main analyses. Finally, section 6 concludes with some policy implications.

2. Government as a Source of Information

Since Vietnam officially announced its new national policy toward a "socialist-oriented market economy" in 1986, the private sector rapidly expanded its size and importance in the economy. The legal institution supporting private sector was also established. The cornerstone defining the legal jurisdiction of private entities is Enterprise Law in 2000. Before this law gave legal recognition to private companies, the private sector faced many restrictions and hostile attitudes from the bureaucrats. Furthermore, weak institutional setting with respect to protection of property rights and contracts enforcement through court

system prevailed throughout the 1990s (Steer and Sen, 2010).

In addition to lack of institutional framework due to short history of private sector recognition, private companies suffer from information asymmetry. Business services providing consulting or market information are at a premature stage and firms in Vietnam regard information searching activities as high costs and risks. While the market for business information is not actively developing in Vietnam, the Vietnamese government is also passive in terms of publicity of data and information.

According to Tran et al. (2009) who review various surveys targeting Vietnamese companies, a lack of market information was one of the most important constraints to firm growth. Entrepreneurs often complain the inability to find information on inputs, outputs, suppliers, buyers, price and price trend. Entrepreneurs search information via friends and relatives but regard this method time-consuming.

Then, to what extent, is the government providing information to the public in Vietnam? Open Data Barometer sponsored by Open Data for Development program publishes scores and rankings of open data initiatives of 93 governments in the world using the expert survey questions and secondary data (OpenDataBarometer, 2015). Vietnam ranked 57th out of 93 countries and the score is 18.3 out of 100. There was almost no change from 2014 to 2015.

Individual scores which make up the Open Data Barometer offer a more detailed insight of the role of the Vietnamese government as information and data provider. For example, the first seven questions illustrate that the government's action and policy for making information public is insufficient, sometimes even missing. Also, the 8th question on Table 1 tells that the entrepreneurs cannot create new business opportunities using the information provided by the government.

However, for business planning and investment, it is essential that the government provides necessary information which an individual firm cannot afford to get. Also, information regarding business-related policy should be made public to ensure predictability and accountability. According to Malesky et al. (2015), public posting of planning documents is strongly associated with higher investment across a range of different specifications. Similarly, it is found that provision of market information has been positively improving firm performances in Vietnam (Tran et al., 2009).

In sum, companies in Vietnam commonly face the problem of lack of information. This is partly because the government show low initiative to make information and data more public for the private uses. how do Vietnamese firms gather necessary information for their businesses? One answer to this question is informal institutions.

There are many studies that discover evidence for the essential role played by informal institutions in facilitating the growth of private sectors. Informal institutions can provide financial resources such as loans to capital-deficient firms without access to formal loans. Goto (2013) observes that informal institutions are important sources of credit supply in buyer and supplier networks. However, these informal lines of credit based on personal ties involve a high risk and only observed between strong ties such as family and old neighbors.

Other types of social capital, such as Women's Union and Farmer's Union also provide business opportunities through sharing information and resources. Based on household survey in Vietnam, Kinghan and Newman (2015) finds that a membership at the Women's Union leads to a higher probability of operating micro-enterprise. If the household has a membership at Farmer's Union and runs a business, the firm yields higher profits than those without membership. The effects of membership are bigger for lower income households. In addition to membership, family and friend ties are another strong source of social capital in Vietnam. Having a relative in a political or bureaucratic position increases the chance of running the business. However, those who have a relative in the government experience lower profitability. The authors explain that the negative impact of political connections may be a sign of hidden cost or market distortion. Political connection may have allowed those who are not productive enough to remain in the market based on political rents.

Another paper which investigates political connection as a social capital is Markussen and Tarp (2014). They estimate the effect of having a relative in a position of political power on household's investment in land improvements. The effect is positive and significant because such family ties

strengthen land property rights and give more access to credit and transfers through gifts. Both land and capital are tightly controlled by the government in rural Vietnam where they conducted the survey and political ties increases chances of getting more resources.

Finally, Steer and Sen (2010) ask the sources of business partners' information to Vietnamese enterprises. The most famous source of trading partner search was informal institutions such as friends, family and personal relations. While 67% of the respondents rely on personal ties for information, people who choose the government agency as a source of business partner information are only 4%. Thus, informal institutions are a crucial alternative source of information and other resources such as capital and land in Vietnam where the government does not sufficiently provide necessary business information to the public.

3. Estimation Model

This study attempts to find the impact of having political ties on the trade performances. In the estimation strategy, we use a simple reduced model OLS to check if personal ties to politicians or bureaucrats increases the chances of exporting, and importing. In doing so, we suggest two possible mechanisms: receiving information and financial supports from the government which may increase the productivity and allow the firms to bear the trading costs. The hypothesis is that firm i whose owner is personally connected with government officials and bureaucrats is more likely to export because it is more likely to receive information and/or financial resources from the government at time t .

Other control variables include the number of subcontractors, the number of workers, the number of business-related association membership, the dummy for other types of membership, and the perception of transportation as a trade obstacle. The number of subcontractors and workers control for the size of firms as well as productive capacity. The number of business association membership and other types of membership control for the alternative source of personal ties and business information. Perception of transportation as an obstacle to trade is used as a proxy for cost of information as well as cost of trade. This index ranges from 1 to 4 where 1 is 'no obstacle' and 4 is 'major obstacle' in terms of transportation. Also a dummy for whether the company uses Facebook for their business controls for the alternative channel of information and open data. Finally, owners' personal characteristics such as age and education level which may determine the managerial skills and attitude towards exporting are include.

$$\begin{aligned}
 & \text{Dummy(Trade variables)}_{it} \\
 & = \delta \text{Trade variables}_{it-1} \\
 & + \beta_1 \text{Dummy(Political_connection)}_{it} \\
 & + \beta_2 \ln \text{Subcontractors}_{it-1} + \beta_3 \ln \text{Workers}_{it-1} \\
 & + \beta_4 \text{Membership}_{it-1} \\
 & + \beta_5 \text{Dummy(Other_membership)}_{it-1} \\
 & + \beta_6 \text{Transportation}_{it} + \beta_7 \text{Facebook}_{it} + \gamma X_{it-1} + \alpha_j + \varepsilon_i
 \end{aligned}$$

The reason we can treat the dummies for political connection through family as an exogenous variable and use directly in the reduced form is because we define the family in a way that it is pre-

determined. Following the estimation strategy of Markuseen and Tarp (2014) who also adopt this exogenous definition of the family ties, we exclude all the family formed by marriage. We only consider family ties based on blood-relation so that most of these connections are exogenously determined.

Another concern about measuring political connection is the under-reporting of the respondents. The respondents may feel insecure and hide the personal information related to their family members. However, this can only underestimate the effects of having political ties. It is unlikely that the respondents will make up the false family ties so that the results may be biased downward.

In terms of different types of government positions, we borrowed the idea of Lu (2011) which he distinguishes different levels of government and compare the influences across levels. Since both China and Vietnam are the one-party state with similar government structures, we also expect that having political connections at different levels of government would yield different outcomes. For this reason, we break down the political connections into 6 types: any government positions, Party membership, bureaucrats in the central government, member of Peoples committee at provincial government, district government and commune government.

4. Data

The panel data are from 231 firms in 6 provinces of Vietnam, namely Hanoi, Bac Ninh, Hai Duong, Hung Yen, Ha Nam, and Thai Binh among 10 provinces in the Red River Delta (Figure 1). The firms are same as those who surveyed and experimented in the previous sector. To briefly revisit how the sample was selected, we first identify all the village clusters using the Vietnam Enterprise Survey (VES) of 2010. This annual firm census collected by the General Statistical Office of Vietnam (GSO) allows me to spot 16 villages clusters where there are more than 5 registered firms in the apparel and textile industry.

Although our sample is only consisting of formally registered firms with tax code since only registered firms can export directly, one village cluster is comprised of many informal household enterprises. Although the number of firms varies from 1 firm to 74 firms, there is much larger number of informal firms which usually is connected to registered firms through subcontracting system.

The reason for focusing on textile and apparel industries is that there is a high potential for the products of these villages such silk, towels, t-shirts, jackets, beddings, and sweaters to be exported. All these have at least one firm who had previously exported except for one village. 12 villages have at least one exporter in the last 6 years between 2010 and 2015 while 4 villages did not export in the same period. In the year of 2016, there were about 14% direct exporters, 12% indirect exporters and 22% exporters in either modes.

This section describes the general characteristics of firms in the analysis. First, the firms are relatively young. The average registration year was 2006. The oldest firm was registered in 1989, the year of Doi Moi when the private sector was first recognized by the country. The most of firms were registered after the Enterprise Law of 2000, the more concrete legal foundation for private entities entitling legal rights. However, the interviews with some firms suggest that they have been in the business longer as an informal enterprise.

Descriptive statistics for political connections are shown in Table 2. 16% of firms have personal connection to family in any government position. Again, the definition of political connection is whether the respondent who is either top manager or the owner of the firm has a blood-related family in the government authority. The dummy does not distinguish the level of politicians or bureaucrats position. There are also two ways to become a part of People's Committee which is the main government body of the communist party. The person either was elected from the local elections or was appointed from the higher authority. The person does not necessarily have to have the Party membership to be elected, but it is highly likely that the person has the Party membership. Also, appointed personnel are from the Party. Since the country is one-party state, no other party can be allowed in the government. Hence, the data does not distinguish party membership or whether the politicians are elected or appointed. There is another elected governmental body called People's Council which undertakes an oversight function vis-à-vis the People's Committee. Again, despite the different functions of the Committee and the Council, the

data simply asks if the respondent has a family in 6 different types of government apparatus. One reason for not specifying the position is to make the respondent answer the question honestly. The dummy for political connection show an increase between the two periods. While 15% of firms have answered yes in 2014, 24% of firms have reported personal political ties.

The share of firms which received information from the government is moderately high at 60%. This share did not change much between 2014 and 2015. The dummy for whether the firm has received any type of supports including tax holidays and land provision has a mean value of 20%. In 2014, the share was 19% while in 2015, the share slightly increased to 21%. Comparing the two dummies, it is easier to get information than support because spreading information does not incur much fixed cost as well as marginal cost for an additional firm compared to giving physical support such as land and capital.

The variance of the number of subcontractors and workers are large due to some big outliers. Thus, the natural logged variables are included in the estimation equation. Again, the sample firms are small and medium sized as their mean value for the workers including both permanent and temporary workers are less than 50. The respondents have 0.5 memberships at a business-related association in average. There are only 14% of respondents holding membership at non-business association such as sports club.

Perception of transportation as trade obstacles ranges from 1 to 5. 1 means transportation is not an obstacle while 5 means it is a very severe obstacle to trade. This is a proxy for the infrastructure quality surrounding the firm. For this reason, this can also be a proxy for cost of traveling, cost of getting information in person, and cost of export. The average firm owner feels transportation is either a no obstacle or a minor obstacle.

5. Results

Using the cross-sectional data of 180 firms after dropping the missing values from 231 surveyed firms, the correlations of having personal connection to person in the government of different levels and having access to important information are presented in Table 4. These OLS results suggest that if the owner of the firm has a family in the government, the firm is more likely to receive information that is important for business. To be more precise, the column 1 suggests that firms with connection to the government are 25% more likely to receive information from the government than those who do not have any connection. Although very weakly significant at 10%, those whose family members have party membership are 13% more likely to get information from the government. However, the politically connected firms do not always have a higher chance of getting information. For example, family holding position at the national government and other local levels of People's Committee did not have any significant correlation to getting information. Since the variables used in column 3, 4, 5 and 6 only measure family connection to People's Council, other types of government positions such as People's Council which acts as supervisory body or bureaucrats at different ministries may be more important for allowing access to information. Unlike family political connection, other professional networks such as professional memberships at industry association or chamber of commerce did not increase the chance of getting information from the government. Non-professional membership such as sports clubs also did not affect the chances of getting information from the government.

Unlike receiving important information from the government, we do not see a clear correlation between having a relative in any government position and getting financial supports from the government. Interestingly, only the result in column 6 shows a significant correlation at 5% level. Those firms whose owners have family in the People's Committee of the commune are 11% more likely to get financial supports including government loans and tax incentives. It can be inferred that personal connections with person in higher levels of the government may not be necessary for getting financial supports. One possible explanation is that most of financial supports from the governments are made through loans from

local branches of state-owned banks located in each commune. From Table 4 and 5, we can conclude that government

Although the results may be biased, it may be noteworthy to look at how additional resources from the government such as information and financial supports are linked to firms' export performances. Table 6 contains the OLS results. Here, the export performances are measured both in export status using dummy variables and in share of firms' total sales from export. Also, two modes of export, namely direct export by the firms and indirect export through intermediaries are considered.

Column 1 of signifies that the firms which received some information from the government are 9% more likely to engage in direct exporting. Also, column 3 shows that their share of sales from direct exporting are 36% higher. Nonetheless, financial supports from the government are not connected to direct export both in terms of dummy and share as shown in column 2 and 4. Neither information nor financial supports are linked to indirect export. Again, the results here did not take endogeneity issue into account so that the coefficients do not mean causality but rather mere correlations. Still, we can observe that those who received information have better chance of exporting directly and the share of sales from direct exporting is higher.

The effects of family political connection on other trade and productivity related outcomes are presented in Table 7. Similarly, to the result from the direct export dummy, column 1 of Table 7 suggests that firms which received information from the government are 15% more likely to import. Financial supports on the other hand, are not related to be an importing firm. The coefficients of column 3 and column 4 mean that those firms which received additional supports from the government are more eager to trade at 5% significance level. Firms with financial supports from the government are 29% more willing and those which more information are 18% more willing.

In line with the findings of Kinghan and Newman (2015), despite of the actual productivity or export performances, politically connected firms are more willing to trade. This suggests that because politically connected firms have better access to resources such as land and credits and thus, enjoy a high chance of getting government support, they are willing to take more risks and more eager to expand their business.

Finally, column 5 and 6 show the impact of government supports on the size of firms measured by number of workers. Since most of sample firms are small and medium sized companies, they did not know their annual sales. Sometimes, the respondents were not willing to make their sales open so that we could not acquire enough data for sales figure. Instead of conventional way of measuring productivity, considering the primitive stage of productions for most of these manufacturing firms, the size of firms can be used as a proxy for productivity as well as production capacity. The results are also similar to other dependent variables in Table 6 and 7. Only those firms with more information from the government are more likely to be bigger with larger number of employees. However, the relationship between financial resources and having more workers is unclear.

Table 8, 9, 10, and 11 are results using the reduced form equations. Assuming that the political connection based on blood-family are exogenously pre-determined, we consider how political ties at each level of government increase the willingness to trade, chance of being a direct exporter and an indirect exporter respectively. Table 8 starts with trade willingness dummy as a dependent variable. Those firms with connection to higher level of the government such as the central government or the provincial government, as shown in column 3 and 4, are more willing to trade. The trend was especially stronger for the firms with family at the central government. The willingness increase by 45% if the owner's family member is in the central government. However, it must be reminded that only a few firms accounting 4% of the sample have such connection to higher personnel. The next highest level, which is having a family at the Provincial People's Committee also make firms 24% more wanting to engage in the international trade.

Up to now, we have shown that the politically connected firms are more likely to receive important business-related information from the government as well as additional finance. Also, those

with connection to government are more interested in export and import. Table 9 and 10 show the effects of political connection on the exporting status. None of the coefficients for political connections at any level of the government show significance level smaller than 10%, illustrating that political connection does not help the firms to export either directly or indirectly.

Table 11, on the other hand, signifies that political connection helps firms to import more. To put it in detail, column 1 shows that having family in any government position increases the chance of importing by 10%. The coefficient of political connection in column 3 is the biggest, meaning that the firms with family connection to the central government are 35% more likely to import. Also, those with family ties to the provincial government are 16% more likely to import. In the meantime, connections to smaller unit of local government at district or commune did not have any impact on import status. Some previous literature find that the cost of importing is larger than that of exporting so that only productive firms can bear the cost of importing. Here, the results are consistent in that political connection allow firms to afford for the importing trade costs. However, such privileges are limited to firms with connection to high levels of the government. Party membership which are quite universal in the case of Vietnam so that the coefficient is insignificant for political connection in column 2. Similarly, having families in local or municipal government are not enough to bring necessary information and resources to bear the importing costs.

6. Conclusion

This firm-level analysis investigates the role of government as a provider of information as well as support. First, we estimate whether government support or information from the government is related to any personal connection of the firm owner or the top manager who responded the questionnaire. The results show that the firms with political ties have better chance of getting government support. However, due to the weakness of the estimation model, the significance of the coefficient a mere correlation at best.

Next, we also examine the role of information from the government on the actual export as well as indirect export and willingness to trade. Under the random-effect model, information from the government increases the probability of exporting directly by 5%. However, the effect is not consistent under the fixed model.

While political connection, government support and information from the government did not have any effect on indirect exporting, political connection increases the firms' willingness to trade. This is probably because politically connected firms have better access to resources and information so that the owners of such firm become more willing than those who do not have more access to additional resources. Nonetheless, more willing firms do not necessarily perform better in terms of actual exporting. Thus, politicians and the bureaucrats should be more accountable and transparent when choosing firms for government-sponsored export promotion programs. In terms of information provision, it does not entail a big variable cost to run the informational program, especially with the help of ICT development. Thus, the government should improve the open data initiative and make the policy documents and data more available to the public.

Economic importance of informal connections where information is scarce and market for business information services did not fully develop is significant. Faster economic development may be possible if households without political connection could obtain equal amount of information in addition to supports. To ensure such equal distribution of information as well as support, stronger accountability by the officials required. Finally, increased amount of open information leads to transparency of the government which is a critical factor of economic growth.

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Table 1. Vietnam's Open Data Barometer Scores in 2015

To what extent is there a well-defined open data policy and/or strategy in the country?	1/10
To what extent is there a consistent (open) data management and publication approach?	1/10
To what extent is there a well-resourced open government data initiative in this country?	1/10
To what extent are city or regional governments running their own open data initiatives?	0/10
To what extent is training available for individuals or businesses wishing to increase their skills or build businesses to use open data?	2/10
To what extent is government directly supporting a culture of innovation with open data through competitions, grants or other support?	2/10
To what extent does the country have a functioning right-to-information law?	1/10
What extent are entrepreneurs successfully using open data to build new businesses in the country	0/10
(Secondary data): UN E-Government Survey, Government online services index (2014 edition) Entrepreneurs and businesses	0.42/1
A list of registered (limited liability) companies in the country including name, unique identifier and additional information such as address, registered activities. The data in this category does not need to include detailed financial data such as balance sheet etc.	15/100

Source: Open Data Barometer (2015), retrieved from <http://opendatabarometer.org/3rdEdition/data/>

Table 2. Share of Firms with Political Connection (n=180)

	Number of firms with family ties at the government
Any government position	28 (16%)
Communist Party	68 (38%)
National government	7 (4%)
Provincial People's Committee	17 (9%)
District People's Committee	25 (14%)
Commune People's Committee	35 (19%)

Table 3. Summary Statistics

Variable name	N	Mean	St. dev	Min.	Max.
Log (# of subcontractors 2014)	178	1.491369	1.622477	0	5.703783
Log (# of workers 2014)	178	2.750404	1.137018	0	6.214608
Number of professional memberships in 2015	178	0.522472	0.690575	0	4
Dummy for having non-professional membership in 2015	178	0.162921	0.370336	0	1
Transportation as obstacles for business in 2016 (1:no obstacle, 5: very severe obstacle)	178	1.466292	0.877521	1	5
Dummy for using Facebook	178	0.241573	0.429244	0	1
Age of the owner	178	43.64045	9.472228	27	68
Education degree of the owner	178	3.983146	1.070797	2	6
Dummy for getting important information from the government	178	0.224719	0.418575	0	1
Dummy for getting financial supports from the government	178	0.067416	0.251448	0	1
Direct Export Dummy	178	0.123596	0.330048	0	1
Indirect Export Dummy	178	0.123596	0.330048	0	1
Import Dummy	178	0.061798	0.241467	0	1
Willingness to Trade Dummy	170	0.617647	0.487398	0	1
Log (share of sales from direct export+1)	178	0.507429	1.375676	0	4.61512
Log (share of sales from indirect export+1)	178	0.43408	1.197719	0	4.61512

Table 4. The Effects of Political Connection to Getting the Information from the Government (dependent variable: dummy for getting valuable information from the government)

Political connection variables	(1) Any government position	(2) Party	(3) National	(4) Provincial	(5) District	(6) Commune
Government connection	0.247*** (0.09)	0.130* (0.07)	0.099 (0.17)	-0.080 (0.11)	-0.116 (0.09)	0.063 (0.08)
Export Dummy in 2014	-0.044 (0.17)	-0.022 (0.18)	-0.044 (0.18)	-0.068 (0.18)	-0.063 (0.18)	-0.045 (0.18)
Log(# of subcontractors 2014)	-0.037 (0.02)	-0.051** (0.02)	-0.045* (0.02)	-0.048* (0.02)	-0.046* (0.02)	-0.047* (0.02)
Log(# of workers 2014)	-0.008 (0.03)	-0.003 (0.03)	-0.000 (0.04)	0.005 (0.04)	0.005 (0.03)	0.004 (0.04)
Number of professional memberships in 2015	0.042 (0.06)	0.045 (0.06)	0.043 (0.06)	0.040 (0.06)	0.051 (0.06)	0.039 (0.06)
Dummy for having non-professional membership in 2015	-0.135 (0.09)	-0.114 (0.09)	-0.117 (0.09)	-0.107 (0.09)	-0.108 (0.09)	-0.113 (0.09)
Transportation as obstacles for business in 2016 (1:no obstacle, 5. very severe obstacle)	0.053 (0.04)	0.049 (0.04)	0.046 (0.04)	0.043 (0.04)	0.044 (0.04)	0.044 (0.04)
Dummy for using Facebook for business	0.046 (0.08)	0.060 (0.08)	0.070 (0.08)	0.065 (0.08)	0.081 (0.08)	0.065 (0.08)
Age of the owner	-0.002 (0.00)	-0.003 (0.00)	-0.002 (0.00)	-0.003 (0.00)	-0.002 (0.00)	-0.003 (0.00)
Education level of the owner	-0.034 (0.03)	-0.033 (0.03)	-0.027 (0.03)	-0.028 (0.03)	-0.030 (0.03)	-0.030 (0.03)
Constant	0.885*** (0.28)	0.891*** (0.28)	0.865*** (0.29)	0.881*** (0.29)	0.870*** (0.29)	0.889*** (0.29)
Observations	179	179	179	179	179	179
R-squared	0.197	0.178	0.160	0.161	0.166	0.161

Note: *, **, and *** signify significance at the 10-, 5-, and 1-percent levels, respectively

Table 5. The Effects of Political Connection to Getting the Financial Supports from the Government (dependent variable: dummy for getting financial supports from the government)

Political connection variables	(1) Any government position	(2) Party	(3) National	(4) Provincial	(5) District	(6) Commune
Government connection	0.074 (0.05)	0.025 (0.04)	-0.057 (0.10)	0.097 (0.07)	0.021 (0.06)	0.110** (0.05)
Export Dummy in 2014	-0.223** (0.10)	-0.220** (0.11)	-0.234** (0.11)	-0.211** (0.10)	-0.225** (0.10)	-0.204* (0.10)
Log(# of subcontractors 2014)	0.005 (0.01)	0.002 (0.01)	0.003 (0.01)	0.006 (0.01)	0.003 (0.01)	-0.000 (0.01)
Log(# of workers 2014)	0.025 (0.02)	0.027 (0.02)	0.029 (0.02)	0.023 (0.02)	0.027 (0.02)	0.032 (0.02)
Number of professional memberships in 2015	-0.038 (0.03)	-0.037 (0.03)	-0.038 (0.03)	-0.034 (0.03)	-0.039 (0.03)	-0.044 (0.03)
Dummy for having non-professional membership in 2015	-0.052 (0.06)	-0.045 (0.06)	-0.041 (0.06)	-0.048 (0.06)	-0.045 (0.06)	-0.049 (0.05)
Transportation as obstacles for business in 2016 (1:no obstacle, 5. very severe obstacle)	0.059** (0.02)	0.057** (0.02)	0.055** (0.02)	0.058** (0.02)	0.057** (0.02)	0.058** (0.02)
Dummy for using Facebook for business	-0.029 (0.05)	-0.023 (0.05)	-0.022 (0.05)	-0.018 (0.05)	-0.024 (0.05)	-0.033 (0.05)
Age of the owner	0.002 (0.00)	0.001 (0.00)	0.001 (0.00)	0.002 (0.00)	0.001 (0.00)	0.001 (0.00)
Education level of the owner	-0.003 (0.02)	-0.003 (0.02)	-0.002 (0.02)	-0.001 (0.02)	-0.001 (0.02)	-0.005 (0.02)
Constant	-0.006 (0.17)	-0.006 (0.17)	-0.005 (0.17)	-0.019 (0.17)	-0.009 (0.17)	0.018 (0.17)
Observations	178	178	178	178	178	178
R-squared	0.188	0.180	0.180	0.189	0.179	0.204

Note: *, **, and *** signify significance at the 10-, 5-, and 1-percent levels, respectively

Table 6. The Effects of Information and Financial Supports from the Government on Export Performances

VARIABLES	(1) Direct export dummy	(2) Direct export dummy	(3) Log (% of direct export)	(4) Log (% of direct export)	(5) Indirect export dummy	(6) Indirect export dummy	(7) Log (% of indirect export)	(8) Log (% of indirect export)
Information	0.093** (0.04)		0.358** (0.15)		-0.011 (0.06)		-0.162 (0.20)	
Financial support		-0.018 (0.07)		-0.014 (0.25)		0.042 (0.10)		0.181 (0.33)
Log(# of subcontractors 2014)	0.008 (0.01)	0.004 (0.01)	-0.012 (0.04)	-0.028 (0.04)	-0.011 (0.02)	-0.011 (0.02)	-0.064 (0.06)	-0.057 (0.06)
Log(# of workers 2014)	0.010 (0.02)	0.010 (0.02)	0.020 (0.06)	0.019 (0.06)	0.026 (0.02)	0.025 (0.02)	0.056 (0.08)	0.049 (0.08)
Number of professional memberships in 2015	-0.007 (0.03)	-0.005 (0.03)	-0.105 (0.10)	-0.096 (0.10)	0.072* (0.04)	0.072* (0.04)	0.086 (0.14)	0.084 (0.14)
Dummy for having non-professional membership in 2015	-0.005 (0.05)	-0.010 (0.05)	-0.127 (0.17)	-0.148 (0.17)	-0.058 (0.07)	-0.056 (0.07)	-0.141 (0.23)	-0.126 (0.23)
Transportation as obstacles for business in 2016 (1:no obstacle, 5. very severe obstacle)	-0.018 (0.02)	-0.013 (0.02)	-0.051 (0.08)	-0.035 (0.08)	0.012 (0.03)	0.009 (0.03)	0.021 (0.11)	0.005 (0.11)
Dummy for using Facebook for business	-0.006 (0.04)	-0.003 (0.05)	0.044 (0.15)	0.062 (0.15)	-0.010 (0.06)	-0.009 (0.06)	0.009 (0.20)	0.007 (0.20)
Age of the owner	-0.003 (0.00)	-0.003 (0.00)	-0.004 (0.01)	-0.004 (0.01)	-0.006** (0.00)	-0.006** (0.00)	-0.016* (0.01)	-0.017* (0.01)
Education level of the owner	0.015 (0.02)	0.013 (0.02)	0.053 (0.06)	0.047 (0.06)	0.018 (0.02)	0.019 (0.02)	0.065 (0.08)	0.069 (0.08)
Lagged dependent variable	0.403*** (0.09)	0.410*** (0.09)	0.543*** (0.06)	0.555*** (0.06)	0.220** (0.10)	0.220** (0.10)	0.392*** (0.07)	0.392*** (0.07)
Constant	0.018 (0.16)	0.083 (0.16)	-0.307 (0.52)	-0.058 (0.52)	0.168 (0.21)	0.163 (0.21)	0.529 (0.70)	0.424 (0.69)
Observations	180	180	180	180	180	180	179	179
R-squared	0.658	0.648	0.778	0.770	0.297	0.298	0.403	0.402

Note: *, **, and *** signify significance at the 10-, 5-, and 1-percent levels, respectively

Table 7. The Effects of Information and Financial Supports from the Government on Trade

VARIABLES	(1) Import dummy	(2) Import dummy	(3) Willingness to trade dummy	(4) Willingness to trade dummy	(5) Log(number of workers)	(6) Log(number of workers)
Information	0.150*** (0.05)		0.177** (0.08)		0.549*** (0.14)	
Financial support		0.014 (0.08)		0.292** (0.14)		0.197 (0.25)
Log(# of subcontractors 2014)	-0.025* (0.01)	-0.031** (0.01)	0.033 (0.02)	0.025 (0.02)	0.014 (0.04)	-0.010 (0.04)
Log(# of workers 2014)	0.022 (0.02)	0.022 (0.02)	0.082** (0.03)	0.075** (0.03)	0.410*** (0.06)	0.409*** (0.06)
Number of professional memberships in 2015	0.033 (0.03)	0.037 (0.03)	0.032 (0.06)	0.042 (0.06)	-0.022 (0.10)	-0.005 (0.10)
Dummy for having non-professional membership in 2015	0.070 (0.05)	0.062 (0.05)	-0.177* (0.10)	-0.178* (0.10)	-0.215 (0.17)	-0.239 (0.17)
Transportation as obstacles for business in 2016 (1:no obstacle, 5. very severe obstacle)	-0.036 (0.03)	-0.030 (0.03)	-0.040 (0.05)	-0.047 (0.05)	0.043 (0.08)	0.058 (0.08)
Dummy for using Facebook for business	-0.007 (0.05)	0.000 (0.05)	0.076 (0.09)	0.091 (0.09)	-0.136 (0.15)	-0.107 (0.15)
Age of the owner	-0.005** (0.00)	-0.005** (0.00)	-0.002 (0.00)	-0.003 (0.00)	0.001 (0.01)	0.001 (0.01)
Education level of the owner	-0.030 (0.02)	-0.032* (0.02)	0.018 (0.03)	0.017 (0.03)	0.063 (0.06)	0.055 (0.06)
Lagged dependent variable	0.272*** (0.09)	0.289*** (0.09)	0.215*** (0.07)	0.223*** (0.07)		
Constant	0.199 (0.16)	0.303* (0.17)	0.445 (0.30)	0.579* (0.29)	0.552 (0.51)	0.940* (0.52)
Observations	180	180	180	180	180	180
R-squared	0.265	0.215	0.302	0.302	0.567	0.528

Note: *, **, and *** signify significance at the 10-, 5-, and 1-percent levels, respectively

Table 8. The Effects of Political Connection on the Willingness to Trade Dummy

VARIABLES	(1) Any governme nt position	(2) Party	(3) National	(4) Provincial	(5) District	(6) Commune
Political Connection	0.026 (0.10)	-0.076 (0.08)	0.448** (0.19)	0.235* (0.13)	0.052 (0.11)	0.013 (0.09)
Log(# of subcontractors 2014)	0.021 (0.03)	0.023 (0.03)	0.022 (0.03)	0.029 (0.03)	0.021 (0.03)	0.020 (0.03)
Log(# of workers 2014)	0.098*** (0.04)	0.100*** (0.04)	0.093** (0.04)	0.089** (0.04)	0.097*** (0.04)	0.099*** (0.04)
Number of professional memberships in 2015	0.036 (0.06)	0.036 (0.06)	0.034 (0.06)	0.041 (0.06)	0.032 (0.06)	0.036 (0.06)
Dummy for having non-professional membership in 2015	-0.174 (0.11)	-0.169 (0.10)	-0.189* (0.10)	-0.176* (0.10)	-0.175* (0.11)	-0.173 (0.11)
Transportation as obstacles for business in 2016 (1:no obstacle, 5. very severe obstacle)	-0.027 (0.05)	-0.028 (0.05)	-0.024 (0.05)	-0.025 (0.05)	-0.027 (0.05)	-0.028 (0.05)
Dummy for using Facebook for business	0.069 (0.09)	0.078 (0.09)	0.069 (0.09)	0.079 (0.09)	0.064 (0.09)	0.070 (0.09)
Age of the owner	-0.002 (0.00)	-0.002 (0.00)	-0.001 (0.00)	-0.002 (0.00)	-0.002 (0.00)	-0.002 (0.00)
Education level of the owner	-0.002 (0.04)	-0.000 (0.04)	0.011 (0.04)	0.003 (0.04)	-0.000 (0.04)	-0.002 (0.04)
Lagged dependent variable	0.206*** (0.08)	0.195** (0.08)	0.238*** (0.08)	0.222*** (0.08)	0.208*** (0.08)	0.206*** (0.08)
Constant	0.604* (0.32)	0.609* (0.32)	0.507 (0.32)	0.550* (0.32)	0.602* (0.32)	0.607* (0.32)
Observations	170	170	170	170	170	170
R-squared	0.264	0.269	0.290	0.281	0.265	0.264

Note: *, **, and *** signify significance at the 10-, 5-, and 1-percent levels, respect

Table 9. The Effects of Political Connection on the Direct Export Dummy

VARIABLES	(1) Any governme nt position	(2) Party	(3) National	(4) Provincial	(5) District	(6) Commune
Political Connection	-0.017 (0.05)	-0.021 (0.04)	-0.088 (0.09)	-0.039 (0.06)	-0.028 (0.05)	-0.022 (0.04)
Log(# of subcontractors 2014)	0.015 (0.01)	0.017 (0.01)	0.016 (0.01)	0.015 (0.01)	0.016 (0.01)	0.016 (0.01)
Log(# of workers 2014)	0.000 (0.02)	-0.000 (0.02)	0.001 (0.02)	0.001 (0.02)	0.000 (0.02)	-0.001 (0.02)
Number of professional memberships in 2015	0.008 (0.03)	0.008 (0.03)	0.008 (0.03)	0.007 (0.03)	0.010 (0.03)	0.010 (0.03)
Dummy for having non-professional membership in 2015	-0.001 (0.05)	-0.002 (0.05)	0.004 (0.05)	-0.001 (0.05)	-0.002 (0.05)	-0.001 (0.05)
Transportation as obstacles for business in 2016 (1:no obstacle, 5. very severe obstacle)	-0.020 (0.02)	-0.020 (0.02)	-0.021 (0.02)	-0.020 (0.02)	-0.020 (0.02)	-0.020 (0.02)
Dummy for using Facebook for business	0.011 (0.04)	0.010 (0.04)	0.009 (0.04)	0.008 (0.04)	0.012 (0.04)	0.011 (0.04)
Age of the owner	-0.003 (0.00)	-0.003 (0.00)	-0.003 (0.00)	-0.003 (0.00)	-0.003 (0.00)	-0.003 (0.00)
Education level of the owner	0.011 (0.02)	0.012 (0.02)	0.010 (0.02)	0.011 (0.02)	0.010 (0.02)	0.011 (0.02)
Lagged dependent variable	0.443*** (0.09)	0.438*** (0.09)	0.432*** (0.09)	0.437*** (0.09)	0.441*** (0.09)	0.439*** (0.09)
Constant	0.087 (0.15)	0.085 (0.15)	0.095 (0.15)	0.092 (0.15)	0.087 (0.15)	0.082 (0.15)
Observations	178	178	178	178	178	178
R-squared	0.615	0.615	0.617	0.615	0.615	0.615

Note: *, **, and *** signify significance at the 10-, 5-, and 1-percent levels, respectively

Table 10. The Effects of Political Connection on the Indirect Export Dummy

VARIABLES	(1) Any governme nt position	(2) Party	(3) National	(4) Provincial	(5) District	(6) Commune
Political Connection	0.028 (0.06)	0.010 (0.05)	0.099 (0.12)	0.022 (0.08)	-0.052 (0.07)	0.038 (0.06)
Log(# of subcontractors 2014)	-0.022 (0.02)	-0.024 (0.02)	-0.023 (0.02)	-0.023 (0.02)	-0.023 (0.02)	-0.024 (0.02)
Log(# of workers 2014)	0.053** (0.02)	0.054** (0.02)	0.053** (0.02)	0.053** (0.02)	0.056** (0.02)	0.056** (0.02)
Number of professional memberships in 2015	0.101** (0.04)	0.102** (0.04)	0.101** (0.04)	0.102** (0.04)	0.106*** (0.04)	0.099** (0.04)
Dummy for having non-professional membership in 2015	-0.026 (0.07)	-0.023 (0.07)	-0.031 (0.07)	-0.024 (0.07)	-0.022 (0.06)	-0.025 (0.06)
Transportation as obstacles for business in 2016 (1:no obstacle, 5. very severe obstacle)	0.010 (0.03)	0.010 (0.03)	0.011 (0.03)	0.010 (0.03)	0.009 (0.03)	0.010 (0.03)
Dummy for using Facebook for business	-0.002 (0.06)	0.000 (0.06)	0.000 (0.06)	0.002 (0.06)	0.007 (0.06)	-0.003 (0.06)
Age of the owner	-0.004 (0.00)	-0.004 (0.00)	-0.004 (0.00)	-0.004 (0.00)	-0.004 (0.00)	-0.004 (0.00)
Education level of the owner	0.001 (0.02)	0.002 (0.02)	0.003 (0.02)	0.002 (0.02)	0.001 (0.02)	0.001 (0.02)
Lagged dependent variable	0.316*** (0.10)	0.315*** (0.10)	0.313*** (0.10)	0.317*** (0.10)	0.316*** (0.10)	0.317*** (0.10)
Constant	0.059 (0.20)	0.059 (0.20)	0.049 (0.20)	0.055 (0.20)	0.058 (0.20)	0.066 (0.20)
Observations	178	178	178	178	178	178
R-squared	0.344	0.343	0.346	0.344	0.346	0.345

Note: *, **, and *** signify significance at the 10-, 5-, and 1-percent levels, respectively

Table 11. The Effects of Political Connection on the Import Dummy

VARIABLES	(1) Any governme nt position	(2) Party	(3) National	(4) Provincial	(5) District	(6) Commune
Political Connection	0.095* (0.05)	-0.019 (0.04)	0.354*** (0.09)	0.164** (0.06)	0.087 (0.05)	0.012 (0.05)
Log(# of subcontractors 2014)	-0.028** (0.01)	-0.030** (0.01)	-0.030** (0.01)	-0.026* (0.01)	-0.031** (0.01)	-0.031** (0.01)
Log(# of workers 2014)	0.004 (0.02)	0.008 (0.02)	0.004 (0.02)	0.003 (0.02)	0.006 (0.02)	0.008 (0.02)
Number of professional memberships in 2015	0.052 (0.03)	0.053 (0.03)	0.051* (0.03)	0.056* (0.03)	0.046 (0.03)	0.052 (0.03)
Dummy for having non-professional membership in 2015	0.008 (0.05)	0.018 (0.05)	-0.009 (0.05)	0.011 (0.05)	0.015 (0.05)	0.017 (0.05)
Transportation as obstacles for business in 2016 (1:no obstacle, 5. very severe obstacle)	-0.028 (0.02)	-0.032 (0.02)	-0.025 (0.02)	-0.029 (0.02)	-0.031 (0.02)	-0.031 (0.02)
Dummy for using Facebook for business	0.007 (0.05)	0.018 (0.05)	0.014 (0.04)	0.022 (0.05)	0.005 (0.05)	0.015 (0.05)
Age of the owner	-0.004** (0.00)	-0.005** (0.00)	-0.004** (0.00)	-0.004** (0.00)	-0.005** (0.00)	-0.005** (0.00)
Education level of the owner	-0.026 (0.02)	-0.024 (0.02)	-0.019 (0.02)	-0.023 (0.02)	-0.023 (0.02)	-0.025 (0.02)
Lagged dependent variable	0.239*** (0.09)	0.246*** (0.09)	0.227*** (0.08)	0.216** (0.09)	0.227*** (0.09)	0.243*** (0.09)
Constant	0.293* (0.16)	0.288* (0.16)	0.253 (0.15)	0.269* (0.16)	0.290* (0.16)	0.292* (0.16)
Observations	178	178	178	178	178	178
R-squared	0.192	0.176	0.249	0.208	0.188	0.175

Note: *, **, and *** signify significance at the 10-, 5-, and 1-percent levels, respectively

Figure 1. Map of 10 Provinces in the Red River Delta and 6 Provinces of Study Areas



Figure 2. Map of Location of Firms

