

Preliminary
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UNDERSTANDING THE CROSS-COUNTRY PRODUCTIVITY GAP OF EXPORTERS*

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Abstract

Why exporters from one country perform better than those from another country? To answer this question, we develop a simple framework that allows us to decompose the international productivity gap of exporters into two effects: the effect of selection to export markets (which we call selection effect) and the effect of overall industry efficiency differences between two countries (which we call competitiveness effect). Our framework also indicates that the international productivity gap of exporters between two countries can be explained by three variables: the average productivity gap between two countries, the export participation rates, and the export premia within each country. Empirical analysis finds that the exporters' productivity gap between two countries does not necessarily reflect the competitiveness of the industry due to selection effect. This implies that not only competitiveness but also selection effect matters in explaining the productivity gap of exporters.

Key words: International productivity gap; Exports; Competitiveness; Selection: Export premia

JEL classification code: F1, D24

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