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UNDERSTANDING THE CROSS-COUNTRY PRODUCTIVITY GAP OF EXPORTERS*

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Abstract

This paper develops a framework that decomposes the international productivity gap of exporters into a selection effect and a competitiveness effect. This framework implies that the international productivity gap of exporters between two countries can be explained by three variables: the average productivity gap, the export participation rates, and the export premia within each country. The empirical analysis reveals that the exporters' productivity gap does not exclusively reflect the competitiveness of the industry, mainly because of the selection effect. These results imply that both the competitiveness and selection effects matter for explaining the cross-country productivity gap of exporters.

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

JEL classification code: F1, D24

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