

Entry to Foreign Markets and Productivity: Evidence from a Matched Sample of Turkish Manufacturing Firms

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Abstract

We examine the effects of international trading activities of firms on creating productivity gains in Turkey by using a recent firm level dataset over the period 2003-2010. We establish treatment models and investigate the productivity improvements of firms through trade by using Propensity Score Matching (PSM) techniques together with Difference-in-Difference (DID) estimates. Three different groups of treatment are constructed: (i) firms that are involved only with import activities, (ii) firms that are involved only with export activities, (iii) firms that are involved with both export and import activities. The results of the study suggest that both exporting and importing have positive significant effects on total factor productivity (TFP) and labour productivity (LP) of firms. Importing is found to have a greater impact on productivity of firms compared to exporting. Further, two-way trade is found to have more significant effects than those of one-way trade on firm productivity. Finally, our results indicate that international trade has greater impact on LP rather than TFP of firms.

Keywords: Productivity, Imports, Exports, Propensity Score Matching

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