

**THE CAUSALITY BETWEEN EXPORTING AND FIRM PRODUCTIVITY
IN VIETNAMESE MANUFACTURING SECTOR.**

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Abstract

The study in this paper examines the causality relationship between exporting and firm productivity in an emerging market economy on the path of trade liberalization and market – oriented transition reforms. To achieve this purpose, we focused on testing whether only the most productive firms can overcome a productivity threshold to enter export markets (self-selection) or whether firms that enter export markets observe a subsequent productivity improvement (learning by exporting) using a panel data of firm-level data of manufacturing firms in Vietnam during the period 2007-2013. This study is conducted based on a random-effects dynamic probit model for the causality from firm characteristics to export probability and a matching technique in combination with difference-in- difference approach for the existence of learning-by-exporting effect. The econometric results show that not only that productive firms self-select into exporting but also that they improve their productivity further following their entry. The findings are largely consistent with the emerging evidence from other developing countries and give support to the export-led growth strategies that Vietnam is pursuing.