

Trade liberalization, supply chains and productivity

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Abstract

This paper investigates the impact of trade liberalization on productivity in Vietnam. The gradual opening up of markets to trade over the course of the last decade culminating with the WTO accession in 2007 makes Vietnam an ideal case for exploring this issue. We use micro-data on the population of manufacturing enterprises for the period 2001 to 2010 and match these to data on exports and imports at the 4-digit sector level. We examine the direct and indirect effects of exposure to trade within sectors and along the supply chain by linking the trade data to Supply Use Tables (SUT). Pure efficiency effects are identified by comparing the impact of increased trade exposure on the productivity of firms in competitive and concentrated sectors. We also disentangle the pure within-firm efficiency effects from spillover and learning effects. Our results reveal that productivity gains associated with trade liberalization through the export channel are limited to competitive high-tech sectors but with some evidence of learning-by-exporting effects in competitive low-tech sectors. We also find evidence of productivity gains associated imported intermediate goods through cost reductions for all downstream firms. Finally, efficiency improvements for downstream high-tech firms that import intermediates are also found to be an important feature of trade liberalization.

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Key Words: Trade liberalization, supply chain, productivity, Vietnam

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