

Internationalization Strategies and Firm Productivity: Manufacturing Firm-Level Evidence from Ethiopia

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Abstract : Looking into firm-level internationalization strategies and their effects on firms' productivity is needed in order to understand the role of firms' participation in trading activities on the one hand and the effects of firms' internalization strategies on firm-level productivity on the other. Thus, this study aims to investigate firms' imports of intermediates and export strategies and their impact on firm productivity using an establishment-level panel dataset from Ethiopian manufacturing firms over the period 2011–2020. Methodologically, the joint firm's decision to import intermediates and estimate exports is undertaken by system GMM using Wooldridge's approach. The translog-production function is used to estimate firm-level productivity by considering a general Markov process. The size of the firm is used in a mediating role. The result indicates evidence of the self-selection of more productive firms into exporting and importing intermediates, which is indicative of sizable export and import market entry costs. Furthermore, there is evidence in favor of learning by exporting (LBE) and learning by importing (LBI) hypotheses for smaller and medium Ethiopian manufacturing firms. However, for large firms, there is only evidence in support of the learning by exporting (LBE) hypothesis.

Keywords : Ethiopia, export, firm productivity, intermediate imports

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