

An Analysis of Export Performance of Enterprises in Sri Lanka



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Contents



- ❧ What is special about export performance of enterprises?
- ❧ Empirical approach and data
- ❧ Stylized facts about enterprises in Sri Lanka
- ❧ Determinants of export performance
- ❧ Conclusions and implications

Export Performance



- ❧ Export performance is a widely researched area
 - ❧ Propensity to export: Likelihood of becoming an exporter
 - ❧ Differences between exporters and non-exporters
 - ❧ Differences among exporters
 - ❧ Extensive margins of exporters:
 - ❧ Intensive margins of exporters:
- ❧ Why?
 - ❧ The way an industry respond to an external shock (trade policy) is highly dependent on the structure of the industry: homogenous firms vis-à-vis heterogeneous firms

New-new Trade Theory



- ❧ Trade liberalization affects not only existing trade flows, but also the diversification of imported and exported goods
- ❧ Overcoming of fixed and sunk cost to entry in a new foreign market (border measures and trade facilitation): Distributional implications

Melitz Model of Heterogeneous Firms

- ⌘ How an industry with heterogeneous firms reallocate its resources and adjusts its structure to an external shock
- ⌘ Liberalization of trade
 - ⌘ No change in labor productivity
 - ⌘ Less productive incumbent firms exit
 - ⌘ High productivity firms enter and expand
 - ⌘ Increases average productivity of the industry

Studies on Sri Lanka



❧ Athukorala, Jayasuriya and Oczkowski (1995)

- ❧ Multinational firms and export performance
- ❧ 111 firms in 111 industries: ASI data
- ❧ Heckman two stage: Same set of determinants
- ❧ MNE affects export decision
- ❧ MNE does not affect degree of export performance (% exports out of total sales)

Objectives



- ❧ Characterize exporting and non-exporting firms
- ❧ Assess the extent to which different firm characteristics and the external environment within which the firms operate explain export performance of the firms



Heckman Model



The decision to export (i.e. export is modeled as a dichotomous choice.

$$X_{ijk} > 0) = \begin{cases} 1 & \text{if } \xi_{-}(ijk) > 0; \\ 0 & \text{otherwise} \end{cases}$$

$$\beta_1 * BP_{ijk} + \beta_2 * FC_{ijk} + \beta_3 * MC + \beta_4 * X_i \\ \beta_5 * Y_j + \beta_6 * Z_k + \varepsilon_{ijk}$$