In line with the emerging consensus, Baldwin and Yan find that self-selection is an important determinant of export activity at the firm level—that is, more efficient plants are more likely to enter and less likely to exit export markets. However, by tracking the comparative behaviour of firms post-export market entry and exit, they also lend support to the thesis that exporting boosts productivity. In particular, using both multivariate regressions and propensity score matching and the difference-in-differences technique, they are able to show that entrants to export markets improve their productivity performance relative to the population from which they originated by about 4 percentage points while plants that stay in export markets do better than comparable plants that exited by 5.7 percentage points in the multivariate analysis and by 7.1 percentage points in the propensity-score matching analysis.

The research design of their paper also allows Baldwin and Yan to assess whether market access conditions affect the likelihood of export market entry/exit and the extent of gains from exporting. They track the experience of Canadian manufacturing plants over three separate periods that featured different combinations of tariff rate changes and real exchange rate movements. In the first period, from 1984 to 1990, improvements in export profitability generated by tariffs cuts negotiated in the Tokyo Round were more than offset by the appreciation of the Canadian dollar from US$0.77 in 1984 to US$0.86 in 1990. In the second period, from 1990 to 1996, the still greater improvements in export opportunities due to the FTA and NAFTA tariff reductions were compounded by a depreciation of the Canadian dollar to US$0.73. In the third period, from 2000-2006, border costs stopped falling with completion of the tariff reductions under the Canada-U.S. free trade treaties and the creation of new trade costs due to post-9/11 border frictions. At the same time, export profitability was sharply reduced by the steep appreciation of the Canadian dollar from US$0.67 in 2000 to US$0.88 in 2006. These three periods also featured very different degrees of buoyancy in domestic markets, with the late 1980s and 2000s providing much stronger