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**Imported inputs and Egyptian exports: Exploring the links**

## Overview

The paper attempts to study the links between exporting and importing activities of Egyptian firms using a sample of 519 firms rom the BEEPS dataset in the period 2003 – 2007. The paper uses a dynamic approach to estimate the persistency of trading activities and finds that export and import activities "have common sunk costs and that those are higher for import than for export activities".

## Major points

Though the paper studies an interesting issue and despite the fact that it is well written, it simply fails to add value to the recent research in the field. While the issue of the role of imported inputs in boosting exports and productivity growth is of a great interest, it has already been researched extensively and by using a much more rigorous empirical approach and more detailed data than the paper under review.

For instance, by using Indonesian data, Amiti and Konings (2007) analyse the productivity gains that result from reducing tariffs on final goods and on intermediate inputs. Goldberg et al. (2010) show that the combined use of foreign and domestic inputs increases the product scope of Indian firms, and that better access to foreign inputs after trade liberalization is more important than the price reduction effect produced by the decrease in trade costs. Using French data, Bas and Strauss-Kahn (2011) find that foreign intermediates from developed countries increase firms' TFP more than inputs from developing countries. Damijan et al. (2013) show that churning in the imported varieties of capital and intermediate inputs expands firms' export scope and affects positively the productivity growth of Slovenian firms.

This paper, however, does not come close to the above mentioned papers, neither in terms of the data available nor in terms of the quality of the in-depth analysis. This paper simply takes a sample of 519 Egyptian firms from the World Bank Enterprise Survey dataset (BEEPS) and studies the relationship between exports and imports at the aggregate firm-level data using trade status dummies. This is a notable deterioration in the quality of data and in the possibility for a high quality empirical approach as compared to other studies. Based on this type of data an in-depth analysis on the importance of imported inputs for boosting exports and productivity growth is simply not feasible.

This also limits the main result obtained by the authors to (in their words):

> "*The main results show that export and import activities have common sunk costs and that those are higher for import than for export activities*."

This is no novelty as the same results have been found dozens of time.

I see three major potential contributions of the paper, but which are not really contributions:

- Studying the issue of exports and imports on a MENA country (Eqypt);
- Using a dynamic approach to study the persistency of exports and imports activities of firms;
- What else?

But none of this, in my opinion, merits the publication. Use of the Egyptian data would be justified if authors would arrive at some novel aspect regarding their research question or if the data would be used to test some new methodological approach. However, also the latter condition is not fulfilled as the dynamic approach to study the persistency of exports (and imports) activities of firms is a standard approach in the literature to estimate the sunk cost of trading.

**Minor points**

- Title is not very informative, try to produce a more substantial one;

**Summary**

As I said, the paper studies an interesting issue and despite the fact that it is well written, it fails to add value to the recent research in the field. Hence, I do not recommend it for publication in this journal.