Reviewer's comments on the paper "Exchange Rate Movements and Export market Dynamics: Evidence from China", by Xiaobing Huang, submitted to the Economics E-Journal.

The paper analyzes firm level data for Chinese firms to answer the question how exchange rate movements affect firm participation in international trade. Particular focus lies on firms' entry and exit behavior in response to a changing exchange rate.

Main comments

1. The contribution of the paper remains relatively unclear. Generally, a more concise introduction would be helpful.
    a. The author claims that the paper is the first to use the matched panel data for Chinese firms in this context. A few paragraphs below, some other papers are cited that also study export dynamics and exchange rate movements for Chinese firms. What is different in these papers?
    b. In the introduction, the author also discusses a literature on the relationship between exchange rate movements and the trade balance (i.e. the Marshal-Lerner condition). I don't understand (and can't find any explanation) how the paper fits into this context.
2. My second main comment relates to the methodology and to the empirical specifications.
    a. The author claims that three outcomes are studied, firm entry, firm exit, and firm survival in export markets. Yet, reported results only present the first two outcomes. Is survival equivalent to not-exiting the market? Is a Probit model the appropriate approach? If so, why?
    b. The empirical setup is not well explained. Which dimensions does the dependent variable have, despite firm and years? According to the estimation equations, stated at the end of section 3.2.1, the real effective exchange rate (REER) – the main variable of interest – varies across years and destinations. Yet, no other destination-specific effects are controlled for. If the dependent variable varies in firm-destination-year a minimum of destination-specific controls is needed.
    c. What makes the REER the appropriate measure for estimating the effects of exchange rate movements? Are there alternative measures that have been used in the literature?
    d. As mentioned in the text, for most of the period studied (except for 2.5 years) the Renminbi had been pegged to the US dollar. How much do the results actually tell us about an *exchange rate effect*, if the main export market (the US) has the same currency?
    e. Why is it necessary to estimate productivity in Section 3.2.3? Are these estimates used in the subsequent analysis? If so, the simple Probit model would be no longer appropriate.
    f. Tables 6 and 7 show the baseline results for market exit and entry, respectively. However, observations across these tables are exactly the same. How is this possible? I would expect that exit can be observed only if there is an active trade

relationship prior to this event. Analogously, entry should only be observable (and estimable) only if the firm does not already export.

g. Results of most robustness checks and extensions do not always show the expected results/signs, particularly for the interaction terms. Does this indicate a specification problem?

I also have a number of other comments/questions:

3. Does the paper tell us the full story? What about imported inputs that become cheaper as the Renminbi appreciates?
4. Which fixed effects structure is used in the paper? What are location-fixed effects?
5. The finding that dynamics of more productive firms are less responsive to appreciation could be reconciled with standard trade theories.
6. Why would we expect different outcomes for large firms, once we have controlled for productivity?
7. The role of the US dollar peggers, in Section 5.1.4. is hard to believe. While the US is the largest single export destination country for many goods, Hong Kong obviously functions mostly as a port of export. Moreover, the EU has a larger single market than the US, while Japan and South Korea are other important export destinations. None of these countries/markets has a dollar peg. Also, I could not find a more detailed specification of who these other dollar peggers should be.
8. The conclusion of the paper advises policy makers that they should increase firms' competitiveness through "[…] tax mitigation, subsidy". Why is it desirable for a country to make such efforts?