Response to the discussant

Thank you very much for your feedback on our manuscript and for the helpful comments and suggestions. We have made sincere effort to address all the comments and suggestions you have made.

1) We agree that our literature review (2.3 Growth-By-(Trade) Destination: Theoretical and Empirical Review) should be improved. To the revised version of our manuscript we have included relevant theories covering major international trade theories (such as Ricardian model, Heckscher–Ohlin model and the new trade theory). The new paragraphs can be found on pages 7, 8 and 9 in the revised version.

2) Since we use error-corrections models to look at the short-run and long-run relationships, we believe that we can interpret the right-hand side variables as the determinants (see e.g. Juselius and MacDonald 2003; Lütkepohl and Wolters 2004). In this respect, we follow the previous papers (such as Kummer-Noormamode 2014; Busse et al. 2016; Mullings and Mahabir 2018) in calling "determinants" for the variables on the right hand of the growth equation.

3) We agree that our model specifications may be limited. This drawback comes from the unavailability of data at quarterly frequency. To acknowledge this, we have added a new paragraph to the revised version, in which we discuss the contributions of institutional quality. However, please be aware that such institutional quality measured do not vary much over time. We also included some additional results to demonstrate whether the institutional quality measures are related with the growth in developing countries trading with China. These new results are summarized in Section 4.3 of the revised version. Despite this, we also acknowledge that there is large room for further research on this literature strand. Therefore, the revised version contains the following paragraph:

On page 13:
Finally, even with the consideration of labour and capital, we acknowledge that these specifications might not reflect fully the complexity of growth models. For example, one leading candidate in growth regression is institutional quality (Acemoglu et al. 2001). However, during the investigated period (2000 - 2016) institutional quality changes very little over time. In fact, almost all institutional quality indices are unchanged in the short run such as Freedom House or Polity indices, therefore, they are not suitable for our regression models. That said, we do acknowledge the important role of institutional quality, not only on growth, but also on trade relations between countries. Therefore, in Section 4.3 we conduct a descriptive analysis to illustrate to whether the institutional quality measures are related with the growth in developing countries trading with China.

On page 31:
However, these conclusions should be treated with care as our analysis here is only descriptive and the mechanism of effects might be more complicated. This mechanism may even have a time-varying nature. Unfortunately, the data limitations do not allow us to investigate these relationships with more rigor. Further research might also examine; if geographical distance, economic or political developments, do not determine the positive effects of their trade with China, then which features do?

References

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