

## Referee report on

### **“Imported inputs and Egyptian exports: Exploring the links” by M.D. Parra and I. Martinez-Zarzoso**

This paper examines the link between firms’ export and import status and firm characteristics for a panel of Egyptian manufacturing firms. It also investigates the determinants of export and import status and of export and import intensity. By and large, the results confirm those in the existing literature.

The paper provides a reasonably-well executed empirical exercise with a detailed literature review, but is rather weak on efforts to interpret and explain the findings. Below are some more detailed comments.

#### Literature

- In the Melitz (2003) model firms do not select their level of productivity, they receive a productivity draw.
- There are (at least) three surveys of the existing literature in this area, i.e. Greenaway and Kneller (2007), Wagner (2007, 2012). The mere listing of related studies without accounts of methodology, type of data or country in the introduction and literature section makes it difficult for the reader to properly contextualise the present study.

#### Data

- A discussion on how representative the sample of firms used in the analysis (i.e. firms that are present in the survey in all three years) is of all surveyed firms is necessary for a correct interpretation of results.
- According to the data description, information on sales, exporting and importing is available for non-survey years since firms are asked to report for two years. What about the other variables used in the analysis? If values are estimated/imputed – how is this done?
- Table 2:
  - o Median values would have enhanced this table.
  - o It seems as if the scaling of the foreignowner variable is different between the top and the bottom three panels.
  - o What currency are the capital and investment variables in?

#### Estimation and results

- The standard errors in all regressions should have been clustered at the firm level.
- In Table 3 the differences between export-only and import-only firms are not statistically significant for any of the dependent variables. The differences between export-only and two-way trade firms are not statistically significant for TFP, ln capital and ln investment; for sales it is not obvious. Regressions using firm fixed effects would have highlighted this. Thus, the results are not very revealing in terms of the rankings of trading firms.

- The identification of the lagged dependent variable in Table 4 relies on some firms changing trade status. Summary statistics on the frequency of such changes would have been informative.
- Tables 4 and 5:
  - Presumably, column (1) refers to export only firms, column (2) to import only firms and columns (3) and (4) to two-way traders; this is not clear from the table. If this reading is correct, there is no obvious reason why the number of observations should differ between columns (3) and (4).
  - Some measure of the goodness of fit would have enhanced these tables.
  - Are the means of TFP and ln employees in these regressions really included in lags?
- Robustness analysis using an alternative measure of TFP would have enhanced the results.

#### Interpretation

- The authors make no attempt to explain the results in an Egyptian context, they do not provide reasons for differences to the existing literature, and also the policy recommendations promised at the end of section 2 are not delivered.
- Given that evidence of learning-by-exporting has most frequently been found in the context of developing countries and possible channels for this are described in detail the first two sections of the paper, an analysis of learning-by-exporting would have been desirable.

#### Minor points:

- MENA is not defined.
- The paper would have benefited from proof-reading by a native English speaker.

#### References

Greenaway, David, and Richard Kneller (2007) 'Firm heterogeneity, exporting and foreign direct investment,' *Economic Journal* 117, F134–F161.

Wagner, Joachim (2007) 'Exports and productivity: a survey of the evidence from firm-level data,' *World Economy* 30, 60–82.

Wagner, J. (2012) 'International trade and firm performance: A survey of empirical studies since 2006,' *Review of World Economics (Weltwirtschaftliches Archiv)*, 148(2), 235–267.