

Response to Referee

Thank you for the comments. We believe they improve our paper. Please see our responses below in italics.

Major Comment:

- GATS classify services trade in 4 modes. In your paper you need to specify which modes of services trade included.
Added. Please see new Footnote 2.
- You have used sector fixed effects, however, as an exercise it would be good to see these regressions at 2-digit sectoral cuts. This would give you an opportunity to observe if there are marked sectoral differences in terms of the role of services trading on productivity or productivity growth.
We have run these regressions at 2-digit sectoral level. The results are robust for services sectors and there are some minor differences in the significance of coefficients in regressions of manufacturing sectors. The results are not included in the paper for brevity reasons and are available upon request.

Minor Comments:

- On page 4, please use the variables in equations (2) and (3) as used in (1) and make the necessary changes in Table (1).
Methodology part is consistently revised.
- Moreover in Eqn (4) lp represents of logarithm of productivity whereas on page 4 it represents labor productivity. Please be consistent.
We changed the productivity representation from lp to productivity.
- On page 5, section 3.1 please explain what you mean by descriptive regressions and give reference to the necessary literature.
Please see the new footnote 6 that explains descriptive regressions.
- In equation (4) please use another greek letter to denote sector fixed effects since you used gamma as one part of the error term in previous equations.
We made the necessary change.