

Referee report on “Gains from trade due to within-firm productivity: does services exporting matter?”

The paper uses Turkish firm-level survey data to investigate the effect of exporting status on firm’s productivity. The main result is as follows: firms that engage in both goods and services exports throughout the study period are found to be more productive in comparison to any other characterization of firms. While this is an interesting observation, the paper would benefit by addressing the following comments.

1. It is not clear as to what is meant by “both periods” or “two periods” in the paper. The time period for the study is mentioned to be from 2003-2011. The main regression equation (eq. (4)) is based on 16 dummy variables that have been constructed based on exporting status of firms for “both periods”, or “first period” or “second period”. Is there a cut-off point in the time period that separates the “first period” from the “second period”? Or, the sample during this time period (2003-2011) has been compared to the sample from a different time period?

We added the following explanation to the last paragraph of Section 2 to explain periods. “The exporting status of the firms is represented by 16 exclusive dummy variables. The matrix presentation of the exporting status dummy variables is given in Table 2. For the exporting status of the firm two time periods are considered, t (first time period) and $t+1$ (second time period). The types of the firms that these dummy variables take the value 1 are as follows:”

2. pp. 3: It is not clear what is meant by “balanced panel” given that there are 12,660 firms over the 9-year time period (2003-2011) which does not make it a balanced panel.

For 9-year time period, we have 12,660 firms each year in our sample, adding up-to 113,940 observations. We added an explanation to the last sentence of page 3 (now the beginning of page 4).

3. It is not clear what additional insight is obtained from Table 4 since all the dummy variables of importance are found to be statistically not significant. Hence Sec 3.2 can be left out from the paper.

We believe it is important to discuss that productivity growth is not related to the exporting status of the firms and the results are robust. Therefore, we would like to keep this section.

4. From Table 3, the coefficients for firms that export both goods and services throughout this time period (*Always_both*) are followed by that for firms that change their exporting status from goods exporters to services exporters (*Jumper_g_X_2_s_X*). The paper needs give some explanation as to why firms that move on to services exports away from goods exports are more productive than, for example, firms that always exports services. The analysis on productivity growth (Sec. 3.2) can be modified to focus on this result.

*Indeed, the statement that “coefficients for firms that export both goods and services throughout this time period (*Always_both*) are followed by that for firms that change their exporting status from goods exporters to services exporters (*Jumper_g_X_2_s_X*)” is not correct. The coefficients for firms that switch from goods exporting to both goods and services exporting*

(Switcher_g_X_2_both) are higher than those of firms that change their exporting status from goods exporters to services exporters (Jumper_g_X_2_s_X).

To address the second comment of the referee, we extended our discussion in Section 3.1.

5. Eq. 4: Needs to change $s = 1$ to 16 (instead of 15).

We have 16 dummy variables. One of them (Never) is left out of the regressions as it is represented by constant.

6. Given that firm size is an important indicator of productivity, the regression models (eq. (4)) should control for firm size.

In eq. 4, we do not aim to model the determinants of productivity. We followed the established literature (Bernard et. al. 2007 and citations therein) and run descriptive regressions. Please see footnote 6.

7. There should be some reference to which industries have been characterized as the goods sectors, and which industries as the services sectors.

In the survey, it is asked to the firms if they engage in “goods trade” and “services trade” separately. The sectors are not defined explicitly. However, as the data source is NACE Rev. 2 classification, the implicit assumption is the goods and services sector classifications follow NACE Rev. 2.

8. pp. 12 Table 1: “Raw material divided by”?

Corrected.