

Reviews of ECONJOURNAL-D-23-00201R1

Import, Productivity and Export Performances

Round 1

Reviewer 1

Please include any specific comments for the author concerning his/her manuscript. These comments will be sent to the author. Please use as much space as necessary. Please be as constructive as possible and include clear and specific suggestions stating which aspects of the manuscript must/should be improved, and your rationale.

Referee Report:

The paper investigates the factors that lead firms to engage in global sourcing of their imports from different countries using a panel of Swedish firms. The gap in the recent literature is well identified and the methodology to answer the research question is adequate. It consists on applying DiD and PMS allowing for heterogeneous effects at various levels. The main results indicate that around eighty percent of manufacturing firms participate in the international market. The smallest firms are generally exporters, middle size firms' importers, and the largest firms are two-way traders. Although most of imports originate from high-wage countries a gradual shift from high-wage to low-wage country imports is observed.

Main Comments

My overall assessment is that the paper identifies a gap in the literature, applies the new techniques diligently and draw important conclusions. Some remarks that the authors might consider to address are:

1. I suggest the authors to avoid using very short paragraphs all over the main text and revise the whole manuscript to correct typos.
2. Revise the methodology section to make it more consistent, e.g. there are too many subsections that are not well interlinked. I suggest to start directly describing the main methodology used in the empirical application instead of starting by 3.1 Binomial regression model, which title is misleading since there you also describe a multinomial probit, and incorporate eq.(1) and (2) when needed to explain DiD and PSM. The specification of eq.(4) should be revised, replacing $Lead_j$ and Lag_k for the corresponding j and k used in the empirical application could help. Why $j=2$ in the first summation?
3. Similarly, the results section could start by reporting the main results and refer to the results in the auxiliary regressions (which could be reported in an appendix) when necessary.

4. Revise the conclusions, the second paragraph is repetitive, I suggest you to incorporate it to the first but with less detail.

Minor comments:

1. In page 5, there must be a typo in: "firms with next best characteristics...", perhaps next should be "the"?
2. The place where tables should be in the paper is not indicated, would facilitate the reading.
3. Table 1 (what is L?) and others: should contain in a note all the information necessary to read the tables without searching through the main text.
4. Table 2: what are the units? Number of firms, different shares?
5. Table 5. Add notes as in Table 6, what is in brackets, what are the stars etc.
6. Table 6: are the reported coefficients marginal effect? If not why. Replace Std.Err. by standard errors. Revise also other notes (Table 7, accordingly).
7. Improve quality of figures 1 and 2: Are t_3 , t_2 ... t_3 , t_2 ? Please correct. Add note indicating from what method (DiD, Event study?) these results are.
8. Add notes on Tables 8, 9: indicate estimation method, what is in brackets, etc.
9. Replace "firms'" by: firms'

Reviewer 2

Journal: Economics Manuscript Number: ECONJOURNAL-D-23-00201

Manuscript Title: Import, Productivity and Export Performances The aim of this paper is to empirically investigate the relevant firm-level characteristics necessary for Swedish manufacturing firms to import and determine the sources of such imports. Additionally, the paper tries to address how import origin affects firm productivity and the link to export sales and number of export markets. The study period is 2007-2020. The idea of investigating those connections is highly interesting. The paper is correct from the methodological point of view and the obtained results are reliable and interesting not only for academic community but also for policy makers. Next, I order my suggestions to improve the manuscript. - In the Introduction section, the authors justify their research using different arguments. One more argument could be added. The connection between the origin of imports and destination of exports can be influenced by firms' engagement in global value chains (GVCs). Although the authors cannot distinguish between transactions involving intermediate inputs or final goods, they should mention firms' participation in GVCs as a source of connection between imports and exports. This connection would be most likely in sectors more deeply involved in GVCs such as automotive sector which is a strategic sector of the Swedish economy and constitutes a fundamental pillar for the country's manufacturing industry. Since cross-border production chains in the automotive sector are mainly of regional dimension (for example, European production chains), this would be one of the factors that would explain the predominance of UE-27 countries as a source of Swedish imports. -

It is not clear for me which is the industry disaggregation used in the empirical analysis. I recommend clarifying it. - I also recommend exploring in Section 2 if the key facts the authors find concerning the role of imports in the Swedish manufacturing sectors are also observed in the different manufacturing industries. The existence of such differences are controlled for in the empirical model by including industry fixed effects. - To explore import sources and export destinations, the authors distinguish between low- and high-wage countries using World Bank definition. Does this definition refer to the four groups of countries according to their income-level? If so, how these four groups are aggregated in two groups? I recommend clarifying it. - It is not clear for me if the categories referring to the country of origin of the imports of Table 4 are exclusive or not? For example, does the category of high-wage countries include high-wage countries? In Table 2 and Table 5, the authors point out that the categories are exclusive but this is not done in Table 4. I think that it would be more interesting using exclusive categories also in this table to better understand the results. Sweden's membership in the EU explains that imports primarily originate from high-wage countries, most of them EU-15 countries. - In both the descriptive analysis and the empirical model, I would recommend using the following categories of countries referring to the country of origin of the imports: EU-15 (all of them are high-wage countries), other high-wage countries, EU-12 (those that joined the EU during the 2004, 2007 and 2013 enlargements) and other low-wage countries. As EU-12 countries belong to the EU, are geographically closer to Sweden and most of them are not high wage countries, it is important to separate them from the rest of groups. Minor comments. - I suggest adding the following references related to the topic of this research: o Requena, F., Serrano, G., and Mínguez, R. (2023). The enhancing effect of imports of intermediate inputs on firms' exports. *The World Economy*, 46, 2654-2683. <https://doi.org/10.1111/twec.13467> o Díaz-Mora, C., Córcoles, D. and Gandoy, R. (2015). Exit from Exporting: Does Being a Two-way Trader Matter? *Economics: The Open-Access, Open-Assessment E-Journal*, 9 (2015-20): 1-27. <http://dx.doi.org/10.5018/economics-ejournal.ja.2015-2> - There are several typos throughout the work. I recommend carefully reviewing the text (also the tables) to correct them.

Round 2

Editor

Dear managing editor,

Initially both reviewers requested minor revisions. After my assessment of this revised version and based on the responses to the referees by the authors, I believe that there is no need to send the paper back to the reviewers. In my opinion, the authors have done what they were asked to do. Hence, I am happy to advise to accept this paper for publication in *Economics*.