Ref 1 = 4 pages, non-native

Ref 2 = 2 pages

**1/Forme fonctionnelle : 3 main issues**

1/ Do we need our complex non-linear form? This echoes remarks we already had in seminars (Lise ?) and by Vincent Vicard

2/ How important are our separability assumptions? Questioned by ref 1, but not ref 2. Ref 1 questions strongly the separability assumptions, how important and credible are they?

3/”unit prices”: not sure what he got in mind.

4/ Endogeneity issues due to quality/productivity. Only Ref 1.

5/ Aggregation issue. If we get back to a linear estimation, this should be easily solved. Though, if we manage to show we need to keep this non-linear form, and therefore higher aggregation is still required, we “solve” one of the problems related to weight : “w\_ik varies significantly within narrowly-defined product categories”.

**2/ Database**

There is this weight vs quantity issue. I tried to check on the Census website, there seems to be both quantities and weights. The real issue: do we have both in what we have? Issue unclear for now.

(nobody is asking for an extension, good!).

🡺 We do not have HS10 data until 2004, because we use Hummels data. **Hummels seems to use weight and not quantity + quantity data are not mode-specific**.

🡺 We could estimate a Beta\_iskt base on a linear specification. Will we have enough variance for identification???

**3/Big picture/contribution**

Both referees agree that contribution is now limited to document historical trends for multiplicative and additive costs. We should do more:

* Explore heterogeneity across goods and countries, and explore the determinants (insurance costs, economies of scale…) of this heterogeneity.
  + JH: we initiated this kind of exercise years ago if I remember well.
  + JH: we could also start by emphasizing simple descriptive stats (variance/SD) at the country and/or product level.
* Regress multiplicative/additive component on product value/weight ratio, distance to the exporter, gravity determinants….
  + JH: we did explorations on that years ago
* Welfare implications: very tricky the issue about gains from trade. This is beyond the scope of our paper. Are industry-specific costs related to industry-specific trade elasticities.
  + JH: How do we recover the latter???
* A related comment by referee 2: Relate to the historical trends/patterns for additive and multiplicative components to the recent literature about additive costs (Sorensen, Irrarazabel etc.). Again welfare implications.
* Last suggestion: “dig deeper into the relative rate at which additive and multiplicative transport costs have declined over time. Since additive transport costs favor rich (high-quality exporting) countries, the disproportionally greater reduction in additive costs can perhaps explain the rise of low-income exporter as documented by Hanson”. This is interesting and likely to be relatively easy (?) to estimate, by splitting the sample between developed and emerging countries.

An impression: the think the answer to the editor will have to be written very carefully, to convince him. Ref 1 is very harsh, we have to convince him we really put the paper on stronger grounds.