University of Basel
Faculty of Business and Economics

WWZ

Discussion of

Export-led growth and its determinants Evidence from CEEC countries
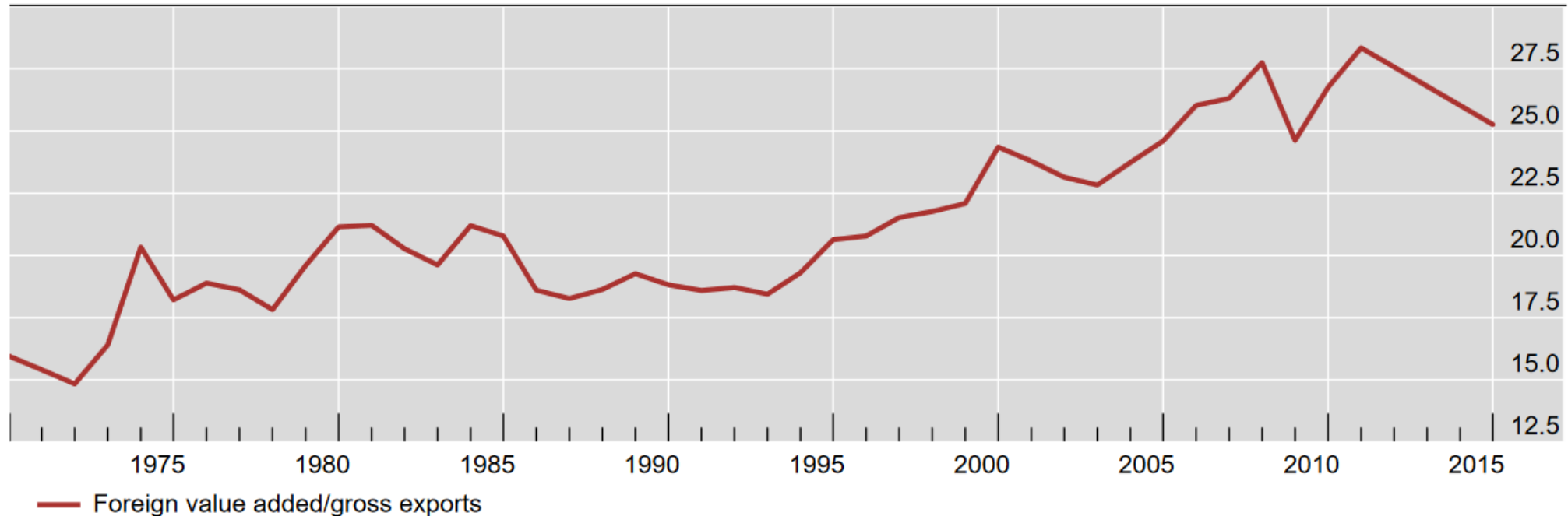
by J. Hagemejer and J. Muck

Discussant: Sarah M. Lein, University of Basel, KOF ETHZ, and CEPR

Motivation: GVC increasingly important

Growth of GVCs over time (in per cent)   Graph 1

— Foreign value added/gross exports

Sources: Johnson and Noguera (2016), OECD TIVA and ADB MRIO.

Source: Auer/Borio/Filardo, 2017

Summary

What is the role of exports and GVCs in value-added growth in CEEC?

I: Accounting

1) This paper carefully accounts for import content of output growth

2) Growth in **total value added** is divided into domestically absorbed and **exported components**

3) Growth in **exported component** is further divided into intermediate and final export goods contribution

4) Growth in **exported component** can also be divided in a component that is due to shifts in I-O linkages and a remainder (component abstracting from shifts in linkages)

Summary

What is the role of exports and GVCs in value-added growth in CEEC?

II: Estimation

1) Convergence regressions:
$$\Delta y_{it} = \beta_0 - \beta^{\mathcal{C}} y_{it-1} + \varepsilon_{it},$$

2) Production function estimates:

LPM:
$$\Delta y_{it} = \alpha_0 + \alpha_1 \Delta k_{it} + \alpha_2 \Delta l_{it} + \alpha_3 \Delta x_{it} + \varepsilon_{it},$$

ECM:
$$\Delta y_{it} = \alpha_{0,i} + \alpha_{1,i} \Delta k_{it} + \alpha_{2,i} \Delta l_{it} + \alpha_{3,i} \Delta x_{it} + \phi_{0,i} y_{it-1} + \phi_{1,i} k_{it-1} + \phi_{2,i} l_{it-1} + \phi_{3,i} x_{it} + \varepsilon_{it},$$
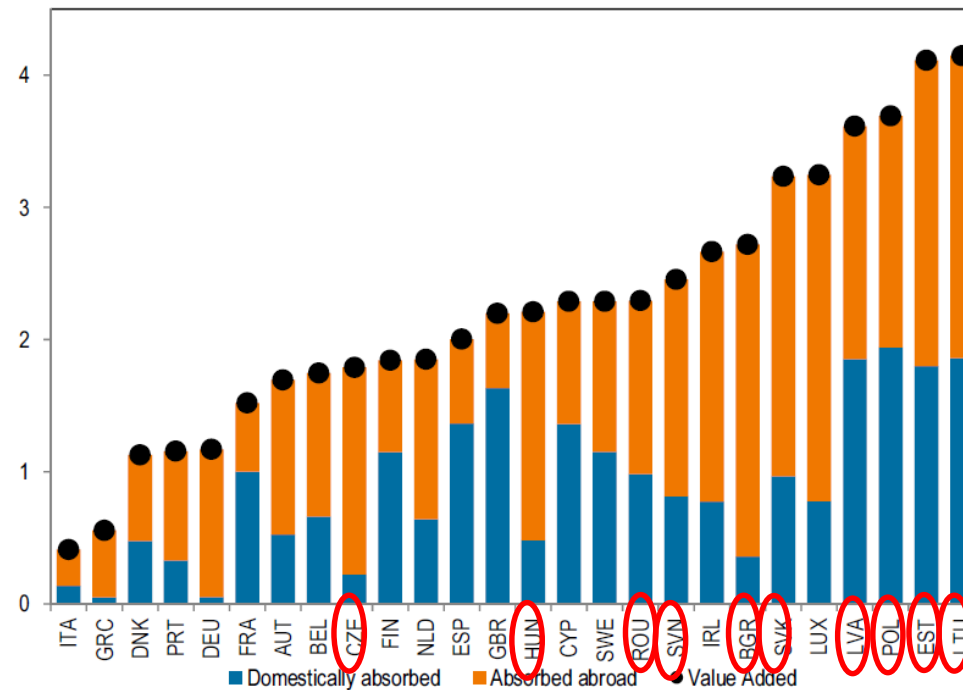
Main findings

I: Accounting

2) Growth in **total value added** is divided into domestically absorbed and **exported components**

– Large export component in CEEC

Figure 1: Value added growth and its components (average between 1995 and 2014, in %)
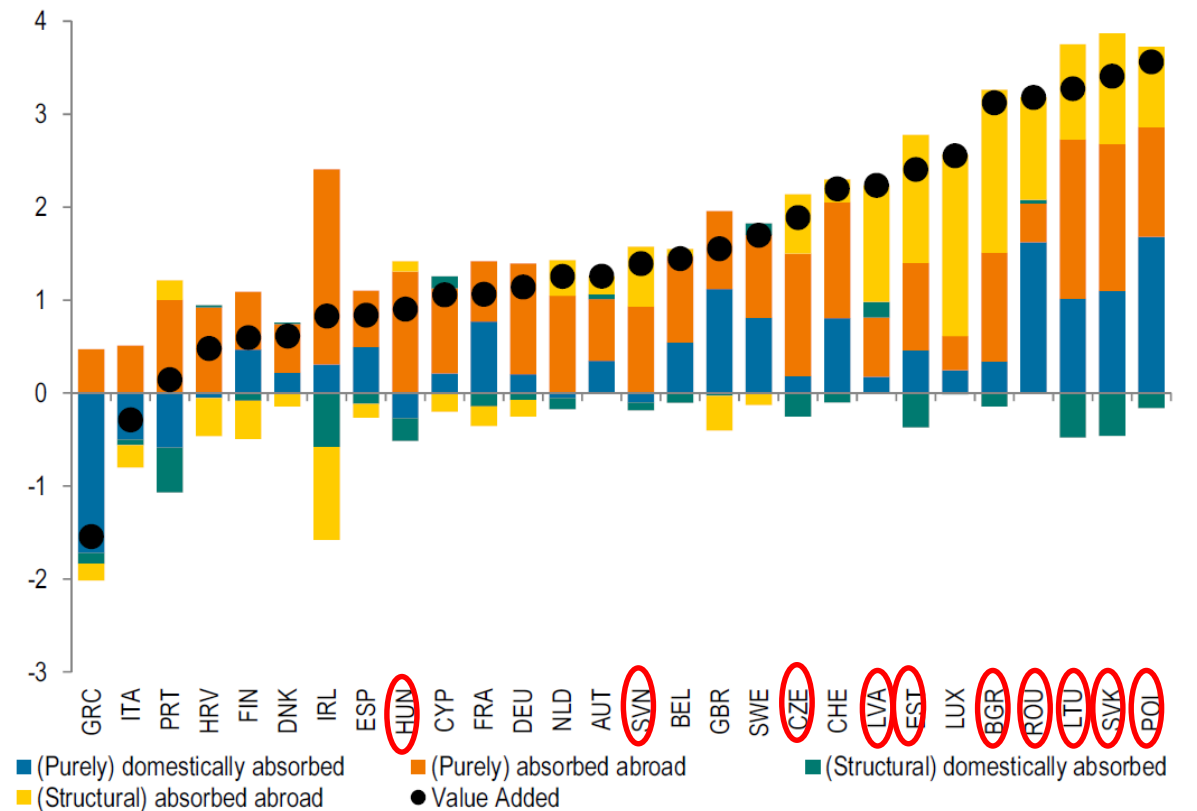
Main findings

I: Accounting

4) Growth in **exported component** can also be divided in a component that is due to shifts in I-O linkages and a remainder (component abstracting from shifts in linkages)

– Shifts in I-O linkages (yellow) important contributions in CEEC (almost half of export component)

Figure 4: GDP growth and its components (annualized, in %, 2003-2014)

- ■ (Purely) domestically absorbed
- ■ (Purely) absorbed abroad
- ■ (Structural) domestically absorbed
- ■ (Structural) absorbed abroad
- ● Value Added

Main findings

II: Estimation

1) Convergence:

– Evidence for convergence in CEEC both in domestically absorbed and **exported components**

2) Drivers of growth in domestically absorbed and **exported components** (production function):

– Growth of **exported component** mainly driven by capital deepening in PF regression.

– Effect of capital insignificant when controlling for foreign content in exports, FDI, RER, import content of investment.

Comments/ Questions

Nice paper, "clean" the data from import content in exports and domestic demand

– It would be great to show how much this "cleaning" matters (how do the results compare to an analysis that does not clean value added as typically used in literature?)

– Illustrate figures better by setting apart CEEC

Regressions:

– Point out a key regression to look at

– Share of foreign content in value added of export component again used as regressor

– Role of productivity

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Strongly recommend reading this paper.

Very relevant also for other open economies.

Thank you ☺