Interactive comment on “The asymmetric impact of natural disasters on China’s bilateral trade” by Y. Meng et al.

Y. Meng et al.
spj@bnu.edu.cn

Received and published: 28 August 2015

The authors would like to thank the reviewer for your comments and questions. The following responses have been prepared to address them in a point-by-point fashion.

Comment i) Have you considered exchange rate as an explanatory variable in your model? Exchange rate stability might decrease the risk of Export/Import in the country. Moreover, the dramatic changes in exchange rate after the disaster might impacted the bilateral trade between two countries. Response: Thank you for the question. Exchange rate stability definitely has a significant impact on the risk of Export/Import and it is true that exchange rate impacts the international trade of China (Yu, 2009). However, exchange rate is not an explanatory variable in the classical gravity model unless
we want to specifically focus on this effect by extending this model. This paper is focused on the impact of disasters on international trade. As we know, there is no existing research showing disasters cause dramatic changes in exchange rate. Therefore, the exchange rate is not included in the current model. But as the reviewer suggests, we may introduce the exchange rate to check robustness of the proposed model in our future work.

Comment ii) Moreover, in addition to use border as a continuous variable, have you tried to use "neighbor" as a dummy variable to see the impact of neighbor countries in bilateral trades? Response: Thank you for the suggestion. The “border” variable is actually a dummy variable, and it is set to be 1 if the country shares a common border with China (see Page 2009, Line 26), which is the same idea as suggested by the reviewer (“neighborhood”).
