



SDI FINAL EVALUATION FORM 1.1

PART 1:

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PART 2:

FINAL EVALUATOR'S comments on revised paper (if any)	Authors' response to final evaluator's comments
The paper still lacks validity and reliability, but test of robustness can be considered to be that way.	We thank the reviewer for helpful and constructive suggestions and comments. To improve the validity and reliability, we conducted three robustness tests. In the first robustness test, we address the potential endogeneity problem by introducing an instrumental variable (IV) in our analysis. The results were presented in Table 6, which shows that the coefficient of ln(ms) for high-tech industries is statistically significant while that for low-tech industries is not, suggesting that import penetration ratio is positively correlated to R&D expenditure only in high-tech industries. The finding there is consistent with those in Tables 4 and 5. In the second robustness test, we look at the unit root of both dependent variable, rds, and explanatory variable, ln(ms). Dickey-Fuller tests of unit root show that both rds and ln(ms) have unit root of one. If these two variables are not co-integrated, then the regression results may be spurious. Our co-integration test based on Johansen's trace method (Johansen, 1987) is reported in Panel B of Table 7. It shows that time series of rds and ln(ms) are co-integrated with a stable long-run relation. Therefore, our main results are robust based on our panel data unit root and co-integration tests. In the third robustness test, we adopt reviewer's suggestion to incorporate the lag of both dependent variable rds and explanatory variable ln(ms) in our panel regression. The process is described in Section 6.3 and results are presented in Table 8. It shows that after controlling for the time series trend in rds and ln(ms), our main results are still valid.