Commercial Imperialism? Political Influence and Trade During the Cold War

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Do Power and Influence Matter for International Trade?

- The idea that power and influence may play a role in international trade is not new.
- Long history ranging from:
  - Dependency theorists
  - Ronald Findlay and Kevin O'Rourke (2007)
  - Pol Antràs and Gerard Padro-i-Miquel (2011)
- This paper adds to the empirical evidence on this.
  - An example is Alexander Yeats (1990).
  - He showed that African countries pay more for steel imports from their former colonizer than from other European countries.
- The difficulty is in quantifying power and influence.

Our Study

- We use CIA interventions as a source of variation in US influence over foreign regimes.
- We assume that the US had more influence over leaders that were installed or propped up by the CIA.
  - These are often referred to as "puppet leaders" or "client states".
- CIA interventions took a wide variety of forms, ranging from distributing propaganda, leaking false news stories (even creating fake sex tapes), providing monetary support (election funding and covert aid), providing arms and military training, covert military attacks, coordinating and orchestrating coups, and assassinations.

CIA Intervention Variable

- Baseline intervention variable: $US\,influence_{t,c}$
  - Equals one in the years that the CIA either installed or supported the leader of a foreign country.

Overview: Basic Finding

- Between 1947 and 1989, intervened countries experienced an increase in imports from the US, but experienced no increase in their exports to the US.
- The increase in foreign-country imports from the US arose through trade diversion: there is no evidence of trade creation.

Potential Selection of Interventions

- Interventions may have been more likely to occur following a 'dip' in foreign-country imports of US products.
- This would result in an upward bias of the estimated effect of CIA interventions on imports from the US.
- We undertake a number of strategies to account for this form of selection, including:
  - Pre-trends of the dependent variable.
  - Pre-onset fixed effects.
  - Controlling for observable variables.

Channels and Mechanisms

- We provide evidence that the increase in imports from the US arose through direct government purchases of American products.
- We find no evidence that the increase in US imports arose from an increase in US FDI or from changing tariffs.

Testing Alternative Explanations

We are able to rule out the following alternative explanations for these relationships:

1. Trade costs explanation:
    - Interventions may have reduced bilateral trade costs between the intervened country and the US.
2. Political ideology explanation:
    - The new regimes following an intervention may have been more politically aligned with the "West", and therefore, imported more from Western countries, including the US.
3. US Loans and grants explanation:
    - The US may have supplied more loans and grants (e.g., foreign aid) to intervened countries.

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1.	RM [ ]		6 Feb 6		[ ]	Attached is a preliminary analysis of basic factors pertinent to psych. warfare in Guatemala. It was prepared for very limited distribution, really as a basis for discussion. We will develop it further if request is made. In meantime this copy may be of possible use to you in connection with preparations for Caracas. [ ]
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MATERIALS FOR PSYCHOLOGICAL WARFARE SUPPORT - GUATEMALA

Operational Intelligence Support Division
Requirements Staff, FI

Prepared by: [redacted]

Date : 26 January 1954

SECRET

"The Beleze Hour": The program sponsored by "the free people of Guatemala who support the Belizans in their fight for freedom," is beamed to "Belize, the territory which the corrupt British imperialists erroneously call British Honduras." Highly inflammatory comment, usually following a single theme, is ready alternately in Spanish and in English by two announcers, with music setting off the different sections. The half-hour program is broadcast three times weekly.

D. Comment and Suggestions.

1. Radio broadcasts directed to the known listening audience can be a useful psychological weapon against Communism and Communists in Guatemala. This is an audience, however, which is already pretty well divided into those who already fear and distrust communism and those who are either convinced communists or who accept the thesis of the Arbenz Government that communism in Guatemala is a local affair, not under domination of foreign, specifically Soviet, communists.

2. Radio propaganda should be directed toward:

a. Disproving the government's claim to the above effect with detailed factual information; (manufactured evidence is not necessary in this case as there is plenty of factual evidence)

b. Discrediting intellectuals who have fallen for the Communist line;

c. Warning intellectuals who may be used by Communists;

d. Citing examples and praising intellectuals who have refused to be used by the Communists;

e. Discrediting the government on grounds of inefficiency, incompetency, etc., particularly for its folly in allowing itself to be duped, deceived and trapped in its present unfavorable international situation by agents of international communism, sent to Guatemala from other countries for precisely that purpose;

2. Radio propaganda should be directed toward:

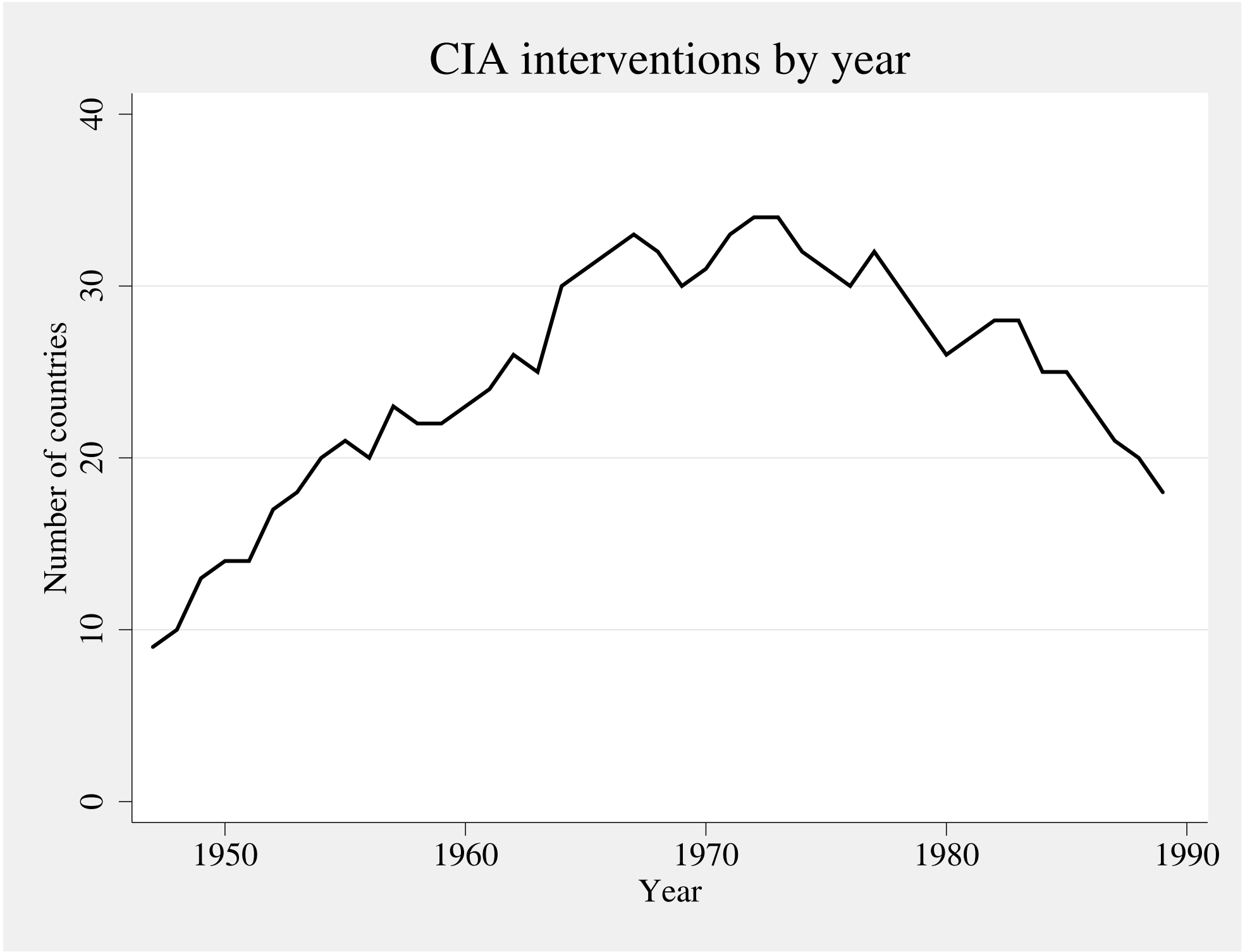
a. Disproving the government's claim to the above effect with detailed factual information; (manufactured evidence is not necessary in this case as there is plenty of factual evidence)

A Famous CIA Intervention: Chile

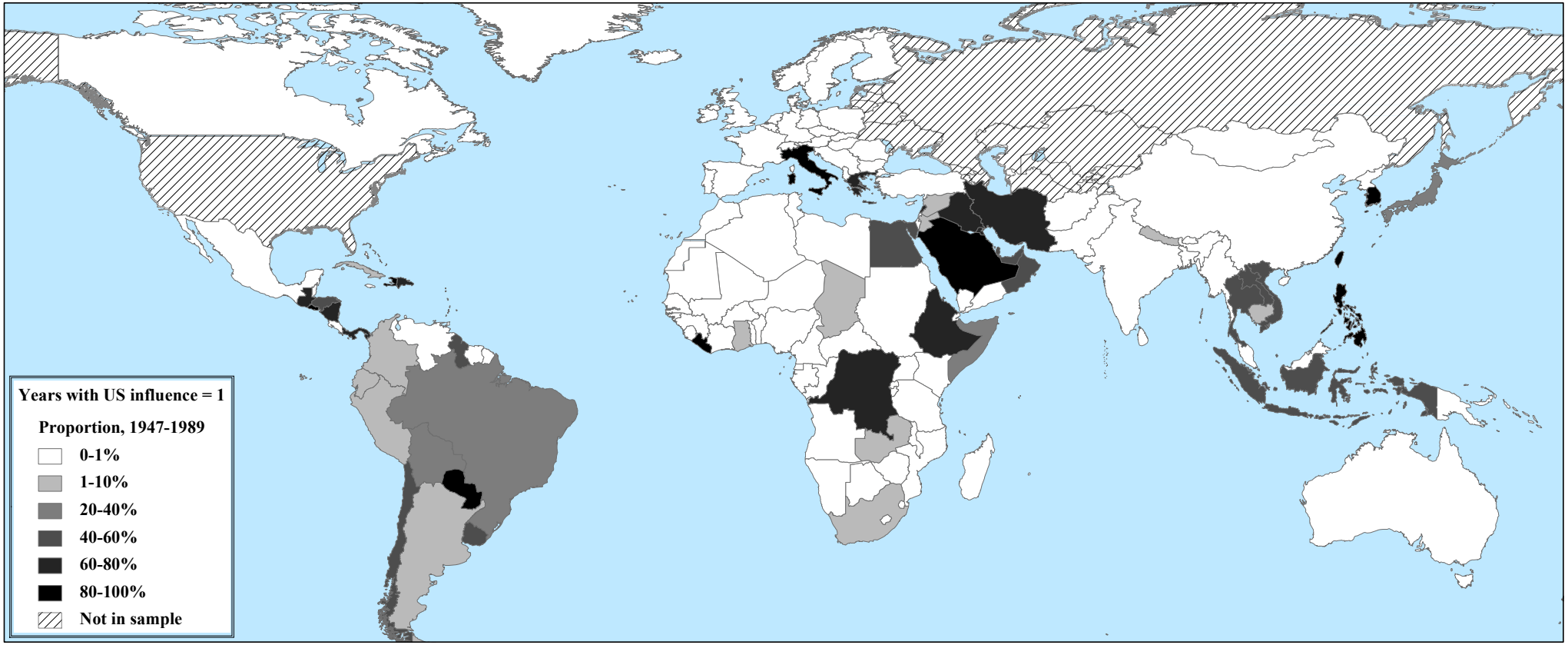
isocode	year	*US influence*	Key Historical Events
…	…	…	
CHL	1963	0	
CHL	1964	1	Election; CIA propoganda, funding, etc; Frei wins
CHL	1965	1	Continued support for right wing groups, etc.
CHL	1966	1	…
CHL	1967	1	…
CHL	1968	1	…
CHL	1969	1	…
CHL	1970	1	Salvador Allende wins election
CHL	1971	0	
CHL	1972	0	
CHL	1973	1	CIA planned coup; head of military, Pinochet takes power
CHL	1974	1	…
CHL	1975	1	…
CHL	1976	1	…
CHL	1977	1	…
CHL	1978	1	…
CHL	1979	1	…
CHL	1980	1	…
CHL	1981	1	…
CHL	1982	1	…
CHL	1983	1	…
CHL	1984	1	…
CHL	1985	1	…
CHL	1986	1	…
CHL	1987	1	…
CHL	1988	1	Plebiscite, democratic elections; Pinochet steps down
CHL	1989	0	
…	…	…	

Interventions: Some Summary Statistics

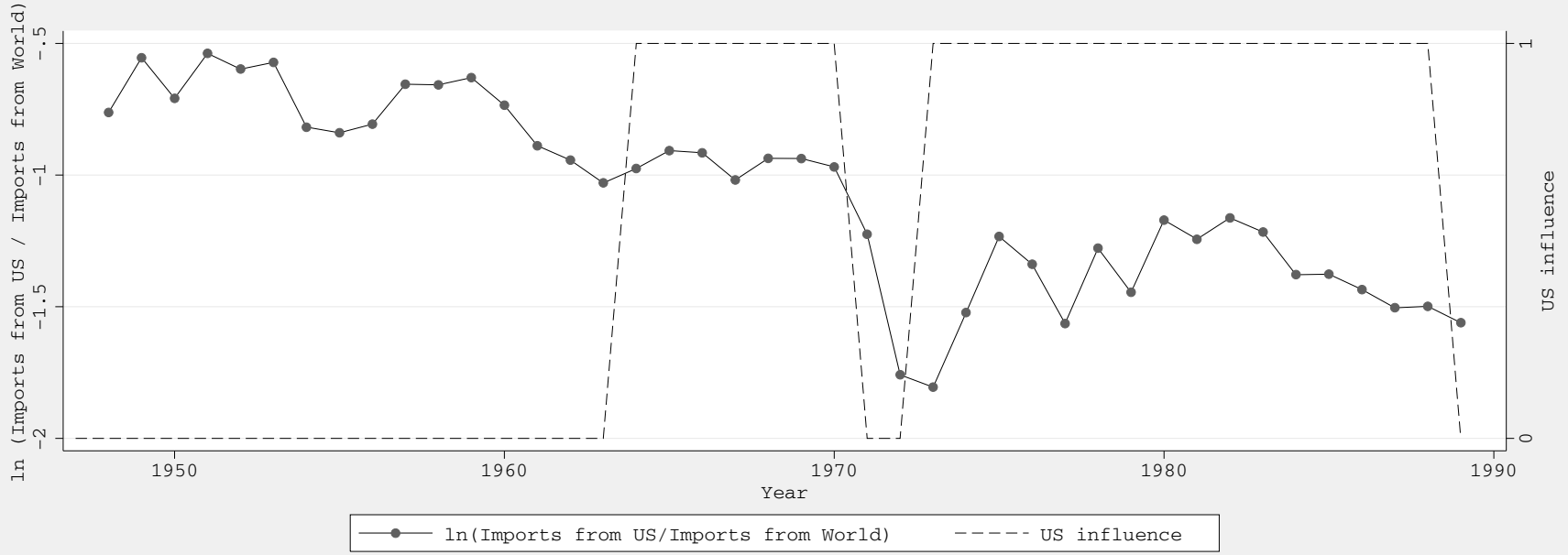
- 51 countries experienced some form of successful intervention.
- In a typical year in our sample, $US\,influence = 1$ for 25 countries.
- The average intervention episode lasted for 21 years.

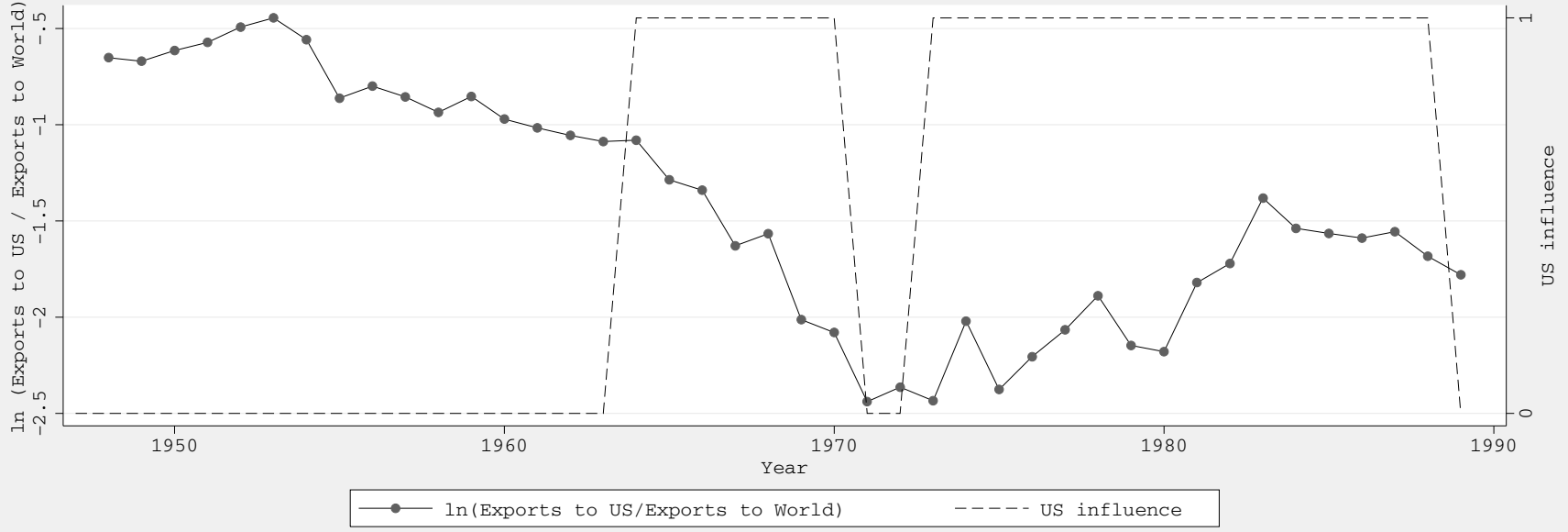

CIA interventions by year
Number of countries
0
10
20
30
40
1950
1960
1970
1980
1990
Year

Incidence of CIA 'Interventions', 1947–1989



Chile


ln (Imports from US / Imports from World)
-2
-1.5
-1
-.5
1950
1960
1970
1980
1990
Year
0
1
US influence
ln(Imports from US/Imports from World)
US influence


ln (Exports to US / Exports to World)
-2.5
-2
-1.5
-1
-.5
1950
1960
1970
1980
1990
Year
0
1
US influence
ln(Exports to US/Exports to World)
US influence

Estimating Equation

- The standard formulation for the theoretically derived gravity equation is (e.g., Anderson and van Wincoop, 2003):

$$m_{t,c,e} = \frac{Y_{t,c}Y_{t,e}}{Y_t^W}\left[\frac{\tau_{t,c,e}}{P_{t,c}P_{t,e}}\right]^{1-\sigma}$$

- Consider country c's imports from the US:

$$m_{t,c}^{US} = \frac{Y_{t,c}Y_t^{US}}{Y_t^W}\left[\frac{\tau_{t,c}^{US}}{P_{t,c}P_t^{US}}\right]^{1-\sigma}$$

- Taking logs and rearranging gives:

$$\ln\frac{m_{t,c}^{US}}{Y_{t,c}} = \ln\frac{Y_t^{US}}{Y_t^W} + (1-\sigma)\ln\tau_{t,c}^{US} - (1-\sigma)[\ln P_t^{US} + \ln P_{t,c}]$$

Estimating Equation

$$\begin{aligned}\ln \frac{m_{t,c}^{US}}{Y_{t,c}} &= \alpha_t + \alpha_c + \beta\, US\, influence_{t,c} \\ &\quad + \phi \ln \tau_{t,c}^{US} - \phi[\ln P_t^{US} + \ln P_{t,c}] + \mathbf{X}_{t,c}\mathbf{\Gamma} + \varepsilon_{t,c}\end{aligned}$$

where

- $m_{t,c}^{US}$ is the value of country c's imports from the US in year t.
- $US\, influence_{t,c}$ is an indicator variable that equals one if there was a CIA intervention in country c in year t.
- $X_{t,c}$ includes: a Soviet/KGB intervention indicator, ln per capita income, leader turnover, leader tenure, and a democracy indicator variable.
- $P_{t,c}$, P_t^{US} are the multilateral resistance terms, which we control for using Baier and Bergstrand (2009).

Trade Costs and MR terms

We assume that bilateral trade costs are given by

$$\tau_{t,c,e} \equiv e^{\mu_1 \ln dist_{c,e} + \mu_2 I^{lang}_{c,e} + \mu_3 I^{border}_{c,e} + \mu_4 I^{gatt}_{t,c,e} + \mu_5, I^{rta}_{t,c,e}}$$

- $\ln dist_{c,e}$: log distance between country c and e.
- $I^{lang}_{c,e}$: indicator for a common language
- $I^{border}_{c,e}$: indicator for the two countries sharing a border.
- $I^{gatt}_{t,c,e}$: indicator for both countries being GATT participants.
- $I^{rta}_{t,c,e}$: indicator for both countries belonging to an RTA.

We use B&B's approximation of the MR terms:

$$\ln P_{t,c} + \ln P_{t,e} = \sum_{i=1}^{N} \theta_{t,i} \ln \tau_{t,c,i} + \sum_{j=1}^{N} \theta_{t,j} \ln \tau_{t,j,e} - \sum_{k=1}^{N} \sum_{m=1}^{N} \theta_{t,k} \theta_{t,m} \ln \tau_{t,k,m}$$

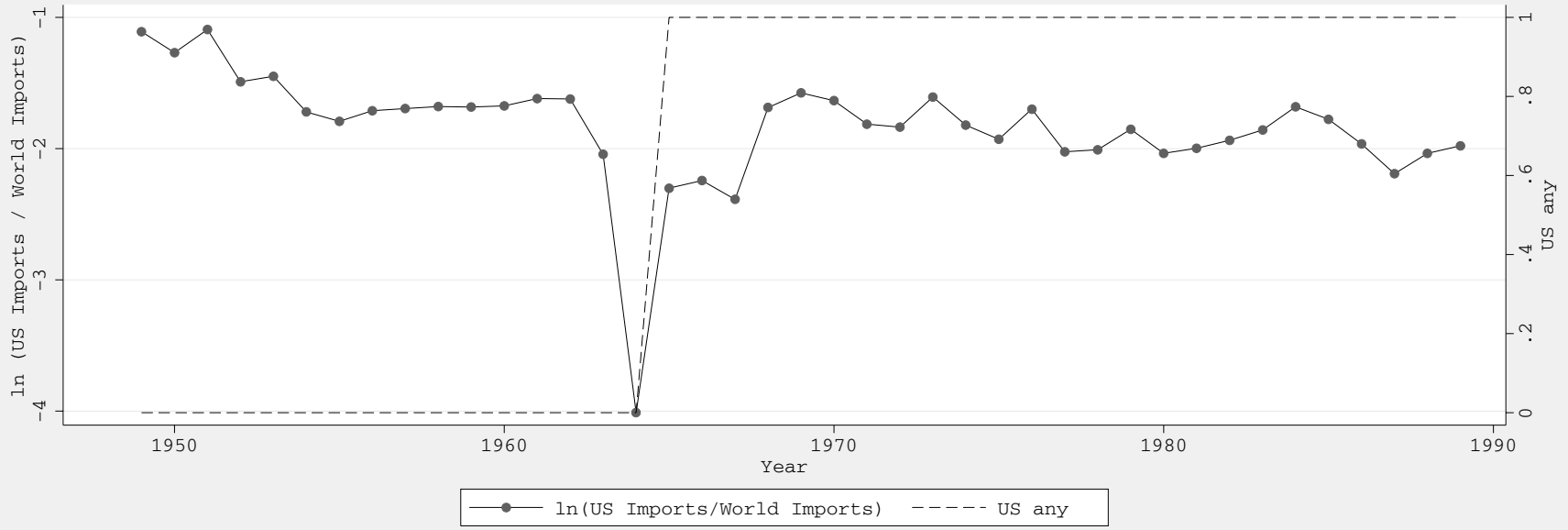
Baseline Estimates

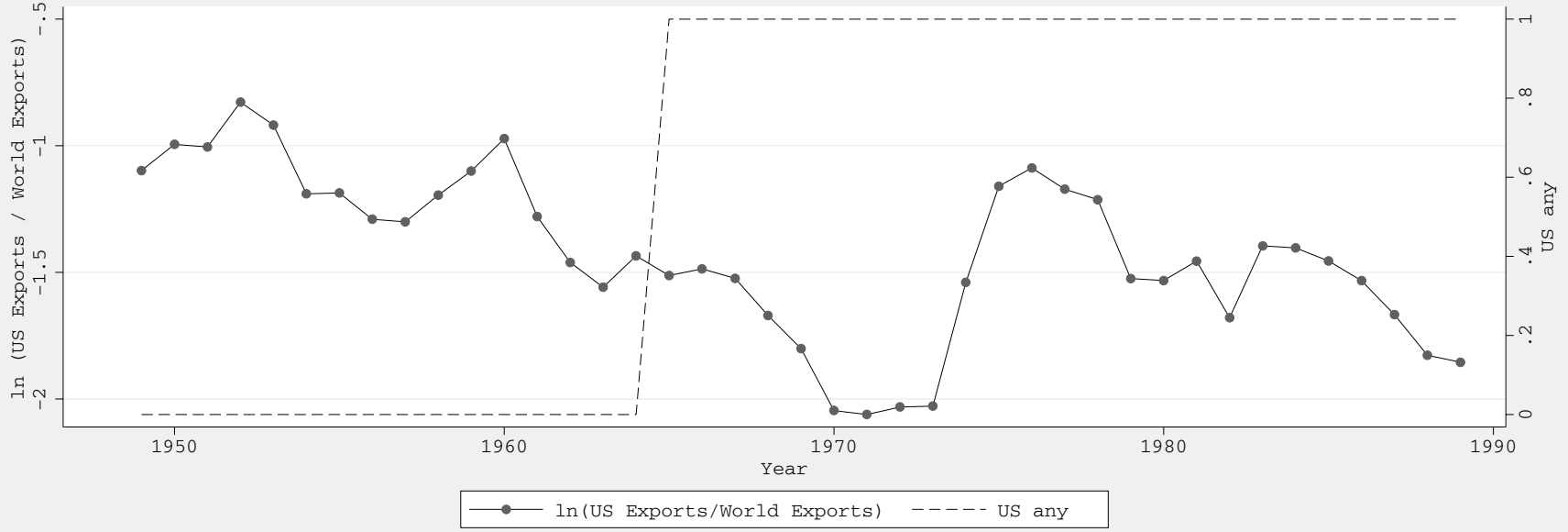
	ln normalized imports from the US			ln normalized imports from the world	ln normalized exports to the US	ln normalized exports to the world
	(1)	(2)	(3)	(4)	(5)	(6)
US influence	0.283**	0.776***	0.293***	-0.009	0.058	0.000
	(0.110)	(0.143)	(0.109)	(0.045)	(0.122)	(0.052)
Control variables:						
ln per capita income	0.352**	0.327***	0.296**	0.129	1.234***	0.647***
	(0.148)	(0.068)	(0.148)	(0.111)	(0.239)	(0.134)
Soviet intervention control	-1.129**	-1.434***	-1.067**	-0.080	-0.682**	-0.082
	(0.456)	(0.307)	(0.430)	(0.102)	(0.307)	(0.100)
Leader turnover indicator	0.008	-0.089*	0.001	0.026	0.028	0.037*
	(0.037)	(0.051)	(0.037)	(0.018)	(0.039)	(0.022)
Leader tenure	0.003	-0.013	0.003	0.005**	0.013**	0.006*
	(0.008)	(0.009)	(0.008)	(0.003)	(0.007)	(0.004)
Democracy indicator	0.112	0.159	0.121*	0.069	0.065	0.082
	(0.075)	(0.142)	(0.073)	(0.053)	(0.094)	(0.058)
Trade cost / B&B MR controls:						
ln Distance		-0.309***	-0.277***	-0.127***	-0.214***	-0.143***
		(0.065)	(0.065)	(0.026)	(0.079)	(0.029)
Contiguous border indicator		1.476***	2.952*	-0.274	1.965	-0.104
		(0.408)	(1.709)	(0.516)	(2.648)	(0.415)
Common language indicator		0.425*	1.430	-0.847**	3.676***	0.145
		(0.241)	(1.204)	(0.343)	(1.280)	(0.355)
GATT participant indicator		0.033	0.057	-0.075	0.365	-0.086
		(0.507)	(0.549)	(0.055)	(0.561)	(0.063)
Regional trade agreement indicator		1.475**	-1.216**	-1.200***	-1.283	-1.126***
		(0.672)	(0.532)	(0.205)	(0.882)	(0.266)
Country fixed effects	Y	N	Y	Y	Y	Y
Year fixed effects	Y	Y	Y	Y	Y	Y
R-squared	0.828	0.839	0.836	0.952	0.824	0.947
Observations	4,149	4,149	4,149	4,149	3,922	3,922

Selection of Interventions

- If interventions are more likely when a country's imports from the US 'dip', then our estimate of β will be biased upwards.
- We undertake a number of measures to correct for this form of selection.

Indonesia


ln (US Imports / World Imports)
-1
-2
-3
-4
US any
1
.8
.6
.4
.2
0
1950
1960
1970
1980
1990
Year
ln(US Imports/World Imports)
US any


ln (US Exports / World Exports)
-.5
-1
-1.5
-2
US any
1
.8
.6
.4
.2
0
1950
1960
1970
1980
1990
Year
ln(US Exports/World Exports)
US any

Causality and Robustness

	Dependent variable: ln normalized imports from the US								
	Addressing causality				Addressing Robustness				
	5-year pre-trends	5-year pre fixed effects	Sanction, alliance, military dispute FEs	Exchange rate and inflation	Poisson Maximum Likelihood	LDV, no FE	LDV, FE	Bruno (2005)	Alternative influence variables
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
US influence	0.238**	0.363***	0.238***	0.228**	0.297***	0.095***	0.105**	0.098**	
	(0.100)	(0.123)	(0.083)	(0.115)	(0.078)	(0.025)	(0.042)	(0.041)	
US influence (install and support)									0.302**
									(0.146)
US influence (support only)									0.282**
									(0.139)
Five year pre-trend of dep. var.	0.293***								
	(0.037)								
Five year pre-fixed effect		0.321**							
		(0.161)							
Sanctions			-0.616***						
			(0.194)						
Alliance with US			0.717**						
			(0.340)						
Threat of force			1.295						
			(1.681)						
Show of force			-0.358						
			(0.349)						
Use of force			-0.137						
			(0.182)						
Exchange rate				0.0003					
				(0.0002)					
Inflation				-0.164					
				(0.134)					
Lagged dependent variable						0.891***	0.735***		
						(0.015)	(0.034)		
Country fixed effects	Y	Y	Y	Y	Y	N	Y	Y	Y
R-squared	0.868	0.837	0.845	0.867		0.921	0.928		0.836
Observations	3,365	4,149	4,149	3,630	4,149	3,998	3,998	3,997	4,149

Timing: Event Study

$$\begin{aligned}\ln \frac{m_{t,c}^{US}}{Y_{t,c}} &= \alpha_t + \alpha_c + \sum_{j=1}^{N} \phi_j \, Pre_{t,c}^{j} + \sum_{j=1}^{N} \theta_j \, Post_{t,c}^{j} \\ &\quad + \phi \ln \tau_{t,c}^{US} - \phi[\ln P_t^{US} + \ln P_{t,c}] + \mathbf{X}_{t,c}\mathbf{\Gamma} + \varepsilon_{t,c}\end{aligned}$$

- $Pre_{t,c}^{j}$ is an indicator for observations j years prior to the onset of an intervention episode.
- $Post_{t,c}^{j}$ is an indicator for observations j years after the offset of an intervention episode.

Timing: Event Study

	Dependent variable: ln normalized imports from the US							
	Baseline estimates				Post: intervention only; Pre: non-intervention only			
	10-year window	8-year window	6-year window	4-year window	10-year window	8-year window	6-year window	4-year window
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
US influence (install and support):								
Pre onset: Period *t*-5	0.021				0.126			
	(0.100)				(0.123)			
Pre onset: Period *t*-4	-0.033	-0.062			-0.038	-0.019		
	(0.081)	(0.082)			(0.104)	(0.095)		
Pre onset: Period *t*-3	-0.003	0.044	0.091		-0.086	-0.034	0.077	
	(0.119)	(0.116)	(0.124)		(0.115)	(0.111)	(0.130)	
Pre onset: Period *t*-2	0.010	0.049	0.077	0.127	-0.008	0.032	0.059	0.082
	(0.127)	(0.128)	(0.122)	(0.137)	(0.139)	(0.137)	(0.130)	(0.130)
Pre onset: Period *t*-1	-0.157	-0.135	0.020	0.028	-0.198	-0.177	-0.146	-0.130
	(0.217)	(0.214)	(0.237)	(0.233)	(0.234)	(0.230)	(0.232)	(0.232)
Onset year: Period *t*	**-0.044**	**0.065**	**0.078**	**0.090**	**-0.047**	**0.061**	**0.068**	**0.081**
	(0.130)	**(0.145)**	**(0.137)**	**(0.135)**	**(0.130)**	**(0.145)**	**(0.135)**	**(0.133)**
Post onset: Period *t*+1	**0.162**	**0.188**	**0.251***	**0.277****	**0.160**	**0.185**	**0.243***	**0.269****
	(0.131)	**(0.131)**	**(0.132)**	**(0.131)**	**(0.133)**	**(0.132)**	**(0.132)**	**(0.131)**
Post onset: Period *t*+2	**0.224**	**0.279****	**0.298****		**0.222**	**0.276****	**0.290****	
	(0.139)	**(0.139)**	**(0.136)**		**(0.141)**	**(0.140)**	**(0.137)**	
Post onset: Period *t*+3	**0.183**	**0.255****			**0.182**	**0.251***		
	(0.118)	**(0.128)**			**(0.122)**	**(0.129)**		
Post onset: Period *t*+4	**0.237****				**0.236***			
	(0.120)				**(0.123)**			
Other post onset intervention periods	0.306*	0.322*	0.314**	0.317**	0.303*	0.316*	0.305*	0.307**
	(0.170)	(0.165)	(0.157)	(0.150)	(0.173)	(0.168)	(0.158)	(0.150)
US influence (support only)	0.247	0.229	0.257*	0.265*	0.245	0.228	0.258*	0.265*
	(0.159)	(0.150)	(0.143)	(0.137)	(0.160)	(0.151)	(0.143)	(0.137)
Observations	3,065	3,301	3,540	3,761	3,065	3,301	3,540	3,761

Causal Mechanisms

The most likely candidates include:

1. Direct government purchases of US products.
2. Increase in US FDI, which led to an increase in US imports.
3. Loosening of tariffs that restricted US imports.

Government Purchases: Evidence from Country-Year Heterogeneity

- Test whether CIA interventions had a greater effect when the government share of economic activity is larger.
- Proxy for government size with government expenditures as a fraction of total GDP.
  - Source: Penn World Tables Mark 6.3.
- Include an interaction of *US influence* with government expenditure share.

Government Purchases: Evidence from Heterogeneous Effects

	Dependent variable: ln normalized imports US				
	Country-year level			Country-year-industry level	
	(1)	(2)	(3)	(4)	(5)
US influence	0.242**	-0.006	0.006	0.245***	0.260***
	(0.114)	(0.167)	(0.168)	(0.081)	(0.080)
US influence x *Govt share of GDP*		1.368***	1.333***		
		(0.521)	(0.516)		
US influence x $I^{High\ Govt\ Purchases}$				0.176**	
				(0.073)	
US influence x $I^{High\ Govt\ Imports}$					0.141*
					(0.072)
Govt share of GDP	N	Y	Y	N	N
Govt share of GDP x All controls	N	N	Y	N	N
R-squared	0.867	0.868	0.868	0.648	0.648
Observations	3,710	3,710	3,710	142,243	142,243

Notes: In columns 1-3,the unit of observation is a country *c*, in year *t*, where *t* ranges from 1947 to 1989. In columns 4-5, the unit of observation is a country *c*, in year *t*, in a 2-digit SITC industry *i*, where *t* ranges from 1962 to 1989. The dependent variable is the natural log of the imports from the US divided by total GDP. All regressions include year fixed effects, country fixed effects, a Soviet intervention control, ln per capita income, an indicator for leader turnover, current leader tenure, a democracy indicator, as well as Baier and Bergstrand (2009) controls for trade costs and multilateral resistance terms. These are a function of the natural log of bilateral distance, an indicator variable for a common language, an indicator variable for a shared border, an indicator for both trading partners being GATT participants and an indicator for the trading partners being part of a regional trade agreement. Columns 4-5 also include industry fixed effects. Coefficients are reported with Newey-West standard errors in brackets in columns 1-3 and with standard errors clustered at the country-year level in brackets in columns 4-5. ***, **, and * indicate significance at the 1, 5 and 10% levels.

Government Purchases: Evidence from Industry Heterogeneity

- Test whether CIA interventions had a greater effect in industries in which governments purchase/import more.
- Measure this using information from a detailed 500-industry South Korean input-output table (from 2000).
- Create high and low government purchase/import industries, and estimate the impacts for each separately.

Government Purchases: Evidence from Industry Heterogeneity

$$\begin{aligned}\ln \frac{m^{US}_{t,c,i}}{Y_{t,c}} &= \alpha_t + \alpha_c + \alpha_i \\ &\quad + \beta_1 \, US\,influence_{t,c} + \beta_2 \, US\,influence_{t,c} \times I_i^{HighGovt} \\ &\quad + \phi \ln \tau^{US}_{t,c} - \phi[\ln P^{US}_t + \ln P_{t,c}] + \mathbf{X}_{t,c}\mathbf{\Gamma} + \varepsilon_{t,c,i}\end{aligned}$$

where

- the unit of observation is a year t (1962–1989), a country c, and a 2-digit SITC industry i.

Government Purchase Intensity

Industry code	Industry description	Total purchases	Share of purchases by government
292	Aircraft and parts	1,883,121	33.00%
245	Misc. Machinery and equipment of special purpose	2,841,776	15.95%
135	Printing	3,490,317	9.75%
290	Ship repairing and ship parts	1,432,490	7.99%
134	Publishing	1,970,672	6.69%
137	Coal briquettes	31,351	5.13%
143	Light oil	9,616,189	4.05%
130	Stationery paper and office paper	427,867	4.01%
288	Steel ships	497,812	3.94%
141	Jet oil	1,461,073	3.92%
296	Metal furniture	232,011	3.89%
177	Misc. Rubber products	373,248	3.75%
136	Publishing and reproduction of recorded media	203,278	3.63%
303	Models and decorations	475,999	3.62%
272	Electric household fans	103,206	3.23%
275	Medical instruments and supplies	623,142	3.20%
17	Other Inedible crops	117,394	3.05%
161	Medicaments	8,179,915	2.99%
160	Pesticides and other agricultural chemicals	1,257,428	2.62%
140	Gasoline	3,737,202	2.45%
293	Motorcycles and parts	192,900	2.43%
168	Explosives and fireworks products	243,279	2.21%
299	Sporting and athletic goods	284,689	2.21%
123	Other wooden products	214,411	2.20%
277	Measuring and analytical instruments	2,554,009	2.10%
105	Textile wearing apparels	894,109	2.09%
304	Misc. Manufacturing products	532,697	2.01%
295	Wood furniture	715,011	1.91%
133	Newspapers	2,258,836	1.82%
226	Internal combustion engines and turbines	2,481,148	1.68%
142	Kerosene	2,144,468	1.57%
278	Cinematograph cameras and projectors	301,989	1.51%
152	Industrial gases	862,064	1.48%
144	Heavy oil	6,835,148	1.48%
16	Seeds and seedlings	247,346	1.42%
252	Electric lamps and electric lighting fixtures	2,023,989	1.38%
147	Misc. Petroleum refinery products	771,153	1.33%
300	Musical instruments	120,732	1.23%
224	Household metallic utentisils	216,282	1.22%
232	Heating apparatus and cooking appliances	98,153	1.20%
297	Other furniture	825,329	1.18%

Government Import Intensity

Industry code	Industry description	Total imports	Share of imports purchased by government
292	Aircraft and parts	1,687,673	49.95%
245	Misc. Machinery and equipment of special purpose	3,972,974	10.24%
293	Motorcycles and parts	71,047	9.83%
134	Publishing	454,914	7.01%
152	Industrial gases	14,312	6.98%
289	Other ships	45,401	6.02%
140	Gasoline	191,059	5.35%
296	Metal furniture	38,249	3.89%
111	Cordage, rope, and fishing nets	35,481	3.75%
143	Light oil	355,982	3.70%
130	Stationery paper and office paper	31,680	3.64%
168	Explosives and fireworks products	10,784	3.62%
275	Medical instruments and supplies	1,175,696	3.13%
281	Passenger automobiles	327,755	3.03%
161	Medicaments	1,255,220	2.95%
284	Motor vehicles with special equipment	97,824	2.59%
267	Radio and television broadcasting and wireless communications	2,014,445	2.45%
141	Jet oil	843,964	2.43%
304	Misc. Manufacturing products	232,135	2.21%
17	Other Inedible crops	115,514	2.16%
226	Internal combustion engines and turbines	914,868	2.07%
303	Models and decorations	156,210	2.01%
290	Ship repairing and ship parts	154,223	1.93%
142	Kerosene	488,827	1.77%
135	Printing	141,742	1.71%
109	Textile products	298,539	1.68%
300	Musical instruments	119,561	1.65%
269	Office machines and devices	454,201	1.64%
215	Metal products for construction	18,721	1.45%
252	Electric lamps and electric lighting fixtures	420,589	1.41%
136	Publishing and reproduction of recorded media	112,334	1.39%
16	Seeds and seedlings	117,208	1.39%
159	Fertilizers	225,474	1.33%
191	Abrasives	64,402	1.32%
268	Computer and peripheral equipment	6,736,961	1.22%
173	Industrial plastic products	471,165	1.22%
133	Newspapers	10,229	1.21%
232	Heating apparatus and cooking appliances	37,478	1.20%
277	Measuring and analytical instruments	4,800,457	1.15%
169	Recording media for electronic equipments	274,621	1.15%
153	Basic inorganic chemicals	1,342,904	1.13%

Government Purchases: Evidence from Heterogeneous Effects

	Dependent variable: ln normalized imports US				
	Country-year level			Country-year-industry level	
	(1)	(2)	(3)	(4)	(5)
US influence	0.242**	-0.006	0.006	0.245***	0.260***
	(0.114)	(0.167)	(0.168)	(0.081)	(0.080)
US influence x *Govt share of GDP*		1.368***	1.333***		
		(0.521)	(0.516)		
US influence x $I^{High\ Govt\ Purchases}$				0.176**	
				(0.073)	
US influence x $I^{High\ Govt\ Imports}$					0.141*
					(0.072)
Govt share of GDP	N	Y	Y	N	N
Govt share of GDP x All controls	N	N	Y	N	N
R-squared	0.867	0.868	0.868	0.648	0.648
Observations	3,710	3,710	3,710	142,243	142,243

Notes: In columns 1-3,the unit of observation is a country *c*, in year *t*, where *t* ranges from 1947 to 1989. In columns 4-5, the unit of observation is a country *c*, in year *t*, in a 2-digit SITC industry *i*, where *t* ranges from 1962 to 1989. The dependent variable is the natural log of the imports from the US divided by total GDP. All regressions include year fixed effects, country fixed effects, a Soviet intervention control, ln per capita income, an indicator for leader turnover, current leader tenure, a democracy indicator, as well as Baier and Bergstrand (2009) controls for trade costs and multilateral resistance terms. These are a function of the natural log of bilateral distance, an indicator variable for a common language, an indicator variable for a shared border, an indicator for both trading partners being GATT participants and an indicator for the trading partners being part of a regional trade agreement. Columns 4-5 also include industry fixed effects. Coefficients are reported with Newey-West standard errors in brackets in columns 1-3 and with standard errors clustered at the country-year level in brackets in columns 4-5. ***, **, and * indicate significance at the 1, 5 and 10% levels.

FDI & Tariff Mechanisms

	FDI policy channel				Tariff policy channel	
	Number of foreign affiliates	Foreign affiliate sales	Foreign affiliate employment	ln imports US	Tariff change	ln normalized imports from the US
	(1)	(2)	(3)	(4)	(5)	(6)
US influence	-0.206	-0.062	0.099	0.330***	0.003	0.282**
	(0.190)	(0.363)	(0.123)	(0.121)	(0.024)	(0.122)
ln (1 + Number of foreign affiliates)				-0.037		
				(0.045)		
ln (1 + Foreign affiliate sales)				0.021		
				(0.023)		
ln (1 + Foreign affiliate employment)				0.067*		
				(0.036)		
US influence × *Post tariff change*						0.028
						(0.112)
R-squared	0.604	0.528	0.423	0.869	0.127	0.833
Observations	2,670	2,670	2,670	2,656	2,793	3,885

Notes: The unit of observation is a country *c*, in year *t*, where *t* ranges from 1947 to 1989. In columns 1-3, the dependent variables are measures of US FDI. Each is measured as the natural log of one plus its value.In columns 4 and 6, the dependent variable is the natural log of imports from the US normalized by total GDP. In column 5, the dependent variable is an indicator variable that equals one if a country changes its tariff schedule in the year. All regressions include year fixed effects, country fixed effects, a Soviet intervention control, ln per capita income, an indicator for leader turnover and a democracy indicator. As well, columns 4 and 6 also include the Baier and Bergstrand (2009) controls for trade costs and multilateral resistance terms. These are a function of the natural log of bilateral distance, an indicator variable for a common language, an indicator variable for a shared border, an indicator for both trading partners being GATT participants and an indicator for the trading partners being part of a regional trade agreement. Coefficients are reported with Newey-West standard errors in brackets. ***, **, and * indicate significance at the 1, 5 and 10% levels.

Testing Alternative Explanations

1. Trade costs:
   - Interventions may have reduced bilateral trade costs between the intervened country and the US.
2. Political ideology:
   - The new regimes following an intervention may have been more politically aligned with the "West", and therefore, imported more from Western countries, including the US.
3. US Loans and grants:
   - The US may have supplied more loans and grants (e.g., foreign aid) to intervened countries.

Testing the Trade Costs Explanation

- RCA compares country c's share of world exports in industry i to its share of world exports in all goods.
  - A higher number means country c has a greater comparative advantage in producing good i.
  - A number greater than 1 indicates that country c exports more in industry i than it does on average across all industries.

$$RCA_{t,c,i} = \frac{x_{t,c,i}}{\sum_c x_{t,c,i}} \div \frac{\sum_i x_{t,c,i}}{\sum_i \sum_c x_{t,c,i}}$$

US RCA in 1962

Low RCA industries			High RCA Industries		
US RCA in 1962	sitc2	Industry description	US RCA in 1962	sitc2	Industry description
0.043	11	Beverages	0.909	81	Sanitary, plumbing, heating and lighting fixtures
0.065	07	Coffee, tea, cocoa, spices and manufactures thereof	0.910	88	Photographic apparatus, optical goods, watches
0.083	03	Fish and fish preparations	1.003	43	Animal and vegetable oils and fats, processed
0.101	06	Sugar, sugar preparations and honey	1.137	42	Fixed vegetable oils and fats
0.108	85	Footwear	1.155	62	Rubber manufactures, nes
0.146	00	Live animals	1.203	52	Crude chemicals from coal, petroleum and gas
0.227	91	Scrap and waste	1.207	69	Manufactures of metal, nes
0.308	33	Petroleum and petroleum products	1.263	54	Medicinal and pharmaceutical products
0.314	63	Wood and cork manufactures excluding furniture	1.294	55	Perfume materials, and toilet and cleansing products
0.377	01	Meat and meat preparations	1.335	57	Explosives and pyrotechnic products
0.386	84	Clothing	1.343	76	Telecommunications and sound recording apparatus
0.415	24	Wood, lumber and cork	1.373	77	Electrical machinery, apparatus and appliances nes
0.442	34	Gas, natural and manufactured	1.547	78	Road vehicles
0.456	65	Textile yarn, fabrics, made up articles, etc.	1.555	51	Chemical elements and compounds
0.468	02	Dairy products and eggs	1.562	09	Miscellaneous food preparations
0.469	68	Non ferrous metals	1.598	89	Miscellaneous manufactured articles, nes
0.471	29	Crude animal and vegetable materials, nes	1.626	22	Oil seeds, oil nuts and oil kernels
0.503	64	Paper, paperboard and manufactures thereof	1.650	72	Electrical machinery, apparatus and appliances
0.510	28	Metalliferous ores and metal scrap	1.654	35	Machinery, except electrical
0.538	66	Non metallic mineral manufactures, nes	1.669	74	General industrial machinery, equipment and parts
0.545	67	Iron and steel	1.685	58	Artificial resins and plastic materials, etc.
0.559	83	Travel goods, handbags and similar articles	1.701	75	Office machines and automatic data process. equip.
0.579	05	Fruit and vegetables	1.788	71	Machinery, other than electric
0.619	25	Pulp and paper	1.877	12	Tobacco and tobacco manufactures
0.645	21	Hides, skins and fur skins, undressed	1.927	04	Cereals and cereal preparations
0.723	27	Crude fertilizers and crude minerals, nes	1.976	41	Animal oils and fats
0.736	82	Furniture	1.977	73	Transport equipment
0.740	61	Leather, leather manuf. Nes, and dressed fur skins	2.058	59	Chemical materials and products, nes
0.740	23	Crude rubber including synthetic and reclaimed	2.207	87	Professional, scientific and controlling instruments
0.778	26	Textile fibres, not manufactured, and waste	2.240	32	Coal, coke and briquettes
0.800	08	Feed stuff for animals excluding unmilled cereals	2.435	79	Other transport equipment
0.819	53	Dyeing, tanning and colouring materials	3.133	95	Firearms of war and ammunition
0.836	56	Fertilizers, manufactured			

US RCA in 1989

Low RCA industries			High RCA Industries		
US RCA in 1989	sitc2	Industry description	US RCA in 1989	sitc2	Industry description
0.059	94	Scrap and waste	0.929	27	Crude fertilizers and crude minerals, nes
0.095	85	Footwear	0.930	78	Road vehicles
0.122	07	Coffee, tea, cocoa, spices and manufactures thereof	0.937	55	Perfume materials, and toilet and cleansing products
0.124	83	Travel goods, handbags and similar articles	0.944	57	Explosives and pyrotechnic products
0.144	34	Gas, natural and manufactured	0.947	73	Transport equipment
0.154	33	Petroleum and petroleum products	1.013	54	Medicinal and pharmaceutical products
0.159	84	Clothing	1.078	26	Textile fibres, not manufactured, and waste
0.231	02	Dairy products and eggs	1.079	28	Metalliferous ores and metal scrap
0.284	11	Beverages	1.083	89	Miscellaneous manufactured articles, nes
0.300	06	Sugar, sugar preparations and honey	1.187	72	Electrical machinery, apparatus and appliances
0.338	67	Iron and steel	1.192	09	Miscellaneous food preparations
0.399	43	Animal and vegetable oils and fats, processed	1.227	58	Artificial resins and plastic materials, etc.
0.400	65	Textile yarn, fabrics, made up articles, etc.	1.279	51	Chemical elements and compounds
0.450	35	Machinery, except electrical	1.309	56	Fertilizers, manufactured
0.500	82	Furniture	1.397	77	Electrical machinery, apparatus and appliances nes
0.510	66	Non metallic mineral manufactures, nes	1.398	95	Firearms of war and ammunition
0.516	61	skins	1.400	52	Crude chemicals from coal, petroleum and gas
0.531	81	Sanitary, plumbing, heating and lighting fixtures	1.424	74	General industrial machinery, equipment and parts
0.563	00	Live animals	1.521	24	Wood, lumber and cork
0.573	63	Wood and cork manufactures excluding furniture	1.550	08	Feed stuff for animals excluding unmilled cereals
0.593	68	Non ferrous metals	1.800	59	Chemical materials and products, nes
0.625	42	Fixed vegetable oils and fats	1.825	25	Pulp and paper
0.633	76	Telecommunications and sound recording apparatus	1.894	32	Coal, coke and briquettes
0.658	29	Crude animal and vegetable materials, nes	1.982	75	Office machines and automatic data process. equip.
0.659	23	Crude rubber including synthetic and reclaimed	2.014	71	Machinery, other than electric
0.671	03	Fish and fish preparations	2.103	21	Hides, skins and fur skins, undressed
0.711	64	Paper, paperboard and manufactures thereof	2.388	79	Other transport equipment
0.825	05	Fruit and vegetables	2.548	87	Professional, scientific and controlling instruments
0.831	88	Photographic apparatus, optical goods, watches	2.827	04	Cereals and cereal preparations
0.849	62	Rubber manufactures, nes	2.934	12	Tobacco and tobacco manufactures
0.868	53	Dyeing, tanning and colouring materials	3.067	41	Animal oils and fats
0.902	01	Meat and meat preparations	3.293	22	Oil seeds, oil nuts and oil kernels
0.914	69	Manufactures of metal, nes			

Revealed Comparative Advantage

$$
\begin{aligned}
\ln \frac{m_{t,c,i}^{US}}{Y_{t,c}} \quad = \quad & \alpha_t + \alpha_c + \alpha_i \\
& + \beta_1 \, US\, influence_{t,c} + \beta_2 \, US\, influence_{t,c} \times US\, RCA_{t,i} \\
& + \beta_3 \, US\, influence_{t,c} \times Importer\, RCA_{t,c,i} \\
& + \beta_4 \, US\, RCA_{t,i} + \beta_5 Importer\, RCA_{t,c,i} \\
& + \phi \ln \tau_{t,c}^{US} - \phi[\ln P_t^{US} + \ln P_{t,c}] + \mathbf{X}_{t,c}\mathbf{\Gamma} + \varepsilon_{t,c,i}
\end{aligned}
$$

Revealed Comparative Advantage

	Dependent variable: ln normalized imports from the US					
	World market RCA			Developing country market RCA		
	2-digit industries	3-digit industries	4-digit industries	2-digit industries	3-digit industries	4-digit industries
	(1)	(2)	(3)	(4)	(5)	(6)
US influence	0.524***	0.447***	0.391***	0.532***	0.465***	0.390***
	(0.107)	(0.093)	(0.088)	(0.107)	(0.091)	(0.085)
US influence × *US RCA*	-1.202**	-1.496**	-1.511**	-1.601**	-1.426***	-1.290***
	(0.490)	(0.632)	(0.590)	(0.622)	(0.520)	(0.438)
US RCA	2.279***	4.808***	4.103***	3.004***	3.494***	2.383***
	(0.259)	(0.213)	(0.182)	(0.313)	(0.263)	(0.321)
R-squared	0.668	0.644	0.638	0.668	0.628	0.637
Observations	131,895	330,358	553,842	131,895	330,358	553,842

Notes: The unit of observation is a country *c* in year *t* in a 2, 3 or 4-digit SITC industry *i,* where *t* ranges from 1962 to 1989. The dependent variable is the natural log of imports from the US normalized by total GDP. All regressions include year fixed effects, country fixed effects, industry fixed effects, Baier and Bergstrand multilateral resistance terms, a Soviet intervention control, importer RCA, importer RCA interacted with *US influence*, ln per capita income, an indicator for leader turnover, current leader tenure, a democracy indicator, as well as Baier and Bergstrand (2009) controls for trade costs and multilateral resistance terms. These are a function of the natural log of bilateral distance, an indicator variable for a common language, an indicator variable for a shared border, an indicator for both trading partners being GATT participants and an indicator for the trading partners being part of a regional trade agreement. Coefficients are reported with standard errors clustered at the country-year level in brackets. ***, **, and * indicate significance at the 1, 5 and 10% levels.

Testing the Political Ideology Explanation

- The increase in imports from the US may have arisen because the preferences of the new leader were more aligned with Western countries in general, including the US.
- Use voting in the UN General Assembly as an indicator of the similarity of a country's preferences with the US.

$$V_{t,c}^{US} = 1 - \frac{d_{c,t}}{d_t^{max}}$$

  - $d_{t,c}$ is the vote distance between country c and the US in year t.
  - d_t^{max} is the maximum vote distance possible in year t.
- $V_{t,c}^{US}$ lies between 0 and 1, and is increasing in US-vote similarity.

Baseline Estimates with All Country-Pairs

$$\ln \frac{m_{t,c,e}}{Y_{t,c}Y_{t,e}} = \alpha_t + \alpha_{c,e} + \beta_1 \mathit{US\,influence}_{t,c} + \beta_2 \mathit{US\,influence}_{t,c} \times I_e^{US}$$
$$+\phi \ln \tau_{t,c,e} - \phi[\ln P_{t,c} + \ln P_{t,e}] + \mathbf{X}_{t,c}\mathbf{\Gamma} + \mathbf{X}_{t,e}\mathbf{\Omega}$$

- t indexes time, c importers, e exporters.
- $\ln m_{t,c,e}$ is log imports into country c from country e in year t.
- $\mathit{US\,influence}_{t,c}$ indicator for CIA intervention in country c in year t.
- I_e^{US} is an indicator that equals one if exporter e is the US.

Political Ideology Explanation

	Dependent variable: ln normalized bilateral imports				
	(1)	(2)	(3)	(4)	(5)
US influence	-0.045*	0.308***	-0.062**	-0.056*	-0.061*
	(0.024)	(0.079)	(0.028)	(0.030)	(0.031)
US influence × *US exporter*	0.300***	0.407***	0.231**	0.274**	0.265**
	(0.111)	(0.112)	(0.115)	(0.113)	(0.113)
US influence × *US alignment of exporter,* V^{US}		-0.440***			
		(0.091)			
US influence × *NATO member exporter*			0.083*		
			(0.045)		
US influence × *OECD member exporter*				0.037	
				(0.044)	
US influence × *Western European exporter*					0.050
					(0.043)
R-squared	0.792	0.792	0.792	0.792	0.792
Observations	236,384	217,460	236,384	236,384	236,384
	Calculated effect of *US influence* on imports from different exporters				
US influence on imports from US	0.254**	0.276**	0.251**	0.254**	0.254**
	(0.109)	(0.108)	(0.109)	(0.109)	(0.109)
US influence on imports from avg. exporter	-0.045*	-0.015	-0.046*	-0.046*	-0.046*
	(0.024)	(0.026)	(0.024)	(0.024)	(0.024)

Political Ideology Explanation

$$\begin{aligned}\ln \frac{m_{t,c,e}}{Y_{t,c}Y_{t,e}} \quad = \quad & \alpha_t + \alpha_{c,e} + \beta_1 \, US\,influence_{t,c} + \beta_2 \, US\,influence_{t,c} \times I_e^{US} \\ & + \beta_3 \, US\,influence_{t,c} \times V_{t,e}^{US} + \beta_4 V_{t,e}^{US} \\ & + \phi \ln \tau_{t,c,e} - \phi[P_{t,c} + P_{t,e}] + \mathbf{X}_{t,c}\mathbf{\Gamma} + \mathbf{X}_{t,e}\mathbf{\Omega} + \varepsilon_{t,c,e}\end{aligned}$$

Political Ideology Explanation

	Dependent variable: ln normalized bilateral imports				
	(1)	(2)	(3)	(4)	(5)
US influence	-0.045*	0.308***	-0.062**	-0.056*	-0.061*
	(0.024)	(0.079)	(0.028)	(0.030)	(0.031)
US influence × *US exporter*	0.300***	0.407***	0.231**	0.274**	0.265**
	(0.111)	(0.112)	(0.115)	(0.113)	(0.113)
US influence × *US alignment of exporter,* V^{US}		-0.440***			
		(0.091)			
US influence × *NATO member exporter*			0.083*		
			(0.045)		
US influence × *OECD member exporter*				0.037	
				(0.044)	
US influence × *Western European exporter*					0.050
					(0.043)
R-squared	0.792	0.792	0.792	0.792	0.792
Observations	236,384	217,460	236,384	236,384	236,384
	Calculated effect of *US influence* on imports from different exporters				
US influence on imports from US	0.254**	0.276**	0.251**	0.254**	0.254**
	(0.109)	(0.108)	(0.109)	(0.109)	(0.109)
US influence on imports from avg. exporter	-0.045*	-0.015	-0.046*	-0.046*	-0.046*
	(0.024)	(0.026)	(0.024)	(0.024)	(0.024)

Testing the US Loans and Grants Explanation

- Increase in US imports may have arisen from an increase in US loans and grants.
- We examine US loans and grants that take the form of economic aid, military aid, food aid, and Export-Import Bank loans.

US Loans and Grants

	Dependent variable:							
	Military aid	Economic aid	Ex-Im Bank loans	ln normalized imports from the US				
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
US influence	0.794***	0.802***	0.200	0.293***	0.272**	0.252**	0.283***	0.246**
	(0.211)	(0.242)	(0.122)	(0.109)	(0.107)	(0.101)	(0.106)	(0.098)
ln (1+US military aid)					0.032			-0.012
					(0.031)			(0.028)
ln (1+US economic aid)						0.058**		0.064***
						(0.026)		(0.023)
ln (1+Ex-Im Bank loans)							0.049***	0.050***
							(0.014)	(0.014)
R-squared	0.566	0.548	0.409	0.836	0.836	0.838	0.837	0.839
Observations	4,149	4,149	4,149	4,149	4,149	4,149	4,149	4,149

Notes: The unit of observation is a country *c* in year *t,* where *t* ranges from 1947 to 1989. In columns 1-3, the dependent variables are the natural log of the measure of aid that is reported in the column heading. In columns 4-8, the dependent variable is the natural log of imports from the US divided by total GDP. All regressions include year fixed effects, country fixed effects, a Soviet intervention control, ln per capita income, an indicator for leader turnover, current leader tenure, and a democracy indicator. Columns 4-8 also include Baier and Bergstrand (2009) controls for trade costs and multilateral resistance terms. These are a function of the natural log of bilateral distance, an indicator variable for a common language, an indicator variable for a shared border, an indicator for both trading partners being GATT participants and an indicator for the trading partners being part of a regional trade agreement. Coefficients are reported with Newey-West standard errors in brackets. ***, **, and * indicate significance at the 1, 5 and 10% levels.

Summary of Findings

- Intervened countries experienced an increase in the imports from the US, but experienced no increase in exports going to the US.
- Turning to channels, we find evidence for foreign government purchases of American products as the primary mechanism.
- We are able to rule out decreased trade costs, changes in political ideology, and an increased supply of US loans and grants as explanations for this.
- Most notable among the findings is the fact that the increase in imports from the US was greatest in industries in which the US did not have a comparative advantage (as measured by its global market share of exports).

Additional Slides

Revealed Comparative Advantage (Omitting Agriculture)

	Dependent variable: ln normalized imports from the US		
	Manufacturing industries		
	2-digit	3-digit	4-digit
	(1)	(2)	(3)
US influence	0.536***	0.453***	0.405***
	(0.117)	(0.092)	(0.0813)
US influence × *US RCA*	-1.236**	-1.470**	-1.352**
	(0.498)	(0.635)	(0.583)
US RCA	2.133***	4.543***	3.879***
	(0.272)	(0.231)	(0.177)
R-squared	0.677	0.644	0.655
Observations	112,575	290,110	491,154

Notes: The unit of observation is a country *c* in year *t* in a 2, 3 or 4-digit SITC industry *i,* where *t* ranges from 1962 to 1989. The dependent variable is the natural log of imports form the US normalized by total GDP. All regressions include year fixed effects, country fixed effects, industry fixed effects, Baier and Bergstrand multilateral resistance terms, a Soviet intervention control, importer RCA, importer RCA interacted with *US influence*, ln per capita income, an indicator for leader turnover, current leader tenure, an democracy indicator, as well as Baier and Bergstrand (2009) controls for trade costs and multilateral resistance terms. These are a function of the natural log of bilateral distance, an indicator variable for a common language, an indicator variable for a shared border, an indicator for both trading partners being GATT participants and an indicator for the trading partners being part of a regional trade agreement. Coefficients are reported with standard errors clustered at the country-year level in brackets. ***, **, and * indicate significance at the 1, 5 and 10% levels.

Industry-by-Industry Estimates

SITC 2 digit	Industry description	Coef	SE	Obs
34	Gas, natural and manufactured	-0.597	(0.598)	1,058
22	Oil seeds, oil nuts and oil kernels	-0.494	(0.566)	1,621
28	Metalliferous ores and metal scrap	-0.486*	(0.288)	1,581
42	Fixed vegetable oils and fats	-0.240	(0.213)	2,420
24	Wood, lumber and cork	-0.220	(0.233)	1,819
61	Leather, leather manufactures nes and dressed fur skins	-0.107	(0.232)	1,870
41	Animal oils and fats	0.003	(0.259)	1,824
21	Hides, skins and fur skins, undressed	0.029	(0.325)	1,335
85	Footwear	0.038	(0.315)	1,779
12	Tobacco and tobacco manufactures	0.090	(0.155)	2,622
68	Non ferrous metals	0.155	(0.192)	2,367
04	Cereals and cereal preparations	0.161	(0.148)	2,935
03	Fish and fish preparations	0.174	(0.261)	1,708
26	Textile fibres, not manufactured, and waste	0.189	(0.228)	2,650
63	Wood and cork manufactures excluding furniture	0.194	(0.199)	2,102
32	Coal, coke and briquettes	0.195	(0.293)	1,400
11	Beverages	0.202	(0.231)	2,059
84	Clothing	0.206	(0.245)	2,494
29	Crude animal and vegetable materials, nes	0.247**	(0.120)	2,351
43	Animal and vegetable oils and fats, processed	0.252	(0.253)	1,752
73	Transport equipment	0.255	(0.171)	2,412
88	Photographic apparatus, optical goods, watches	0.269*	(0.149)	2,591
52	Crude chemicals from coal, petroleum and gas	0.280	(0.174)	2,503
71	Machinery, other than electric	0.280**	(0.128)	2,824
33	Petroleum and petroleum products	0.323*	(0.168)	2,691
89	Miscellaneous manufactured articles, nes	0.327*	(0.169)	2,788
87	Professional, scientific and controlling instruments	0.337**	(0.140)	2,893
27	Crude fertilizers and crude minerals, nes	0.341**	(0.145)	2,294
65	Textile yarn, fabrics, made up articles, etc.	0.345**	(0.170)	2,778
82	Furniture	0.357*	(0.182)	2,442
53	Dyeing, tanning and colouring materials	0.364***	(0.128)	2,461
66	Non metallic mineral manufactures, nes	0.370***	(0.127)	2,608
25	Pulp and paper	0.374	(0.305)	1,660
74	General industrial machinery, equipment and parts	0.380**	(0.153)	2,925

77	Electrical machinery, apparatus and appliances nes	0.381**	(0.174)	2,811
57	Explosives and pyrotechnic products	0.383	(0.270)	1,639
83	Travel goods, handbags and similar articles	0.399*	(0.215)	1,810
58	Artificial resins and plastic materials, etc.	0.402**	(0.185)	2,493
05	Fruit and vegetables	0.434***	(0.151)	2,476
64	Paper, paperboard and manufactures thereof	0.438***	(0.164)	2,622
51	Chemical elements and compounds	0.439***	(0.160)	2,485
56	Fertilizers, manufactured	0.444*	(0.240)	1,878
59	Chemical materials and products, nes	0.446**	(0.176)	2,813
69	Manufactures of metal, nes	0.449***	(0.127)	2,783
06	Sugar, sugar preparations and honey	0.452**	(0.176)	1,992
81	Sanitary, plumbing, heating and lighting fixtures	0.455***	(0.166)	2,255
62	Rubber manufactures, nes	0.457***	(0.154)	2,648
55	Perfume materials, and toilet and cleansing products	0.464***	(0.124)	2,535
67	Iron and steel	0.466***	(0.180)	2,600
23	Crude rubber including synthetic and reclaimed	0.470***	(0.176)	1,942
75	Office machines and automatic data processing equipment	0.484***	(0.152)	2,766
54	Medicinal and pharmaceutical products	0.485***	(0.185)	2,813
72	Electrical machinery, apparatus and appliances	0.497***	(0.150)	3,003
76	Telecommunications and sound recording apparatus	0.555***	(0.146)	2,859
78	Road vehicles	0.575***	(0.199)	2,897
02	Dairy products and eggs	0.581***	(0.205)	2,387
00	Live animals	0.599**	(0.233)	1,703
07	Coffee, tea, cocoa, spices and manufactures thereof	0.599**	(0.251)	1,839
08	Feed stuff for animals excluding unmilled cereals	0.602**	(0.240)	1,988
09	Miscellaneous food preparations	0.621***	(0.160)	2,586
01	Meat and meat preparations	0.636*	(0.331)	1,939
79	Other transport equipment	0.658***	(0.219)	2,786
95	Firearms of war and ammunition	0.667**	(0.314)	1,030

Notes: The table reports estimates of equation (7), with the sample restricted to trade within a 2-digit SITC industry. Each row of the table reports the coefficient, standard error from one regression, as well as the number of observations in the regression. Standard errors are Newey-West standard errors with a maximum lag of 40.