The currency union effect on trade is decreasing over time

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November 2011

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December 17, 2011

Abstract

Estimating a theoretical gravity model over a sixty-year period, from 1948 to 2009, I found an unexpected trend: the currency union impact on trade is decreasing over time. This result suggests that with trade and financial globalization currency unions become less and less important to promote trade.

Keywords: Currency; Unions; Dollarization; Trade; Gravity; Poisson.

JEL classification codes: F15, F33.

1 Introduction

Rose (2000) documented a striking result: two countries that share a currency trade three times as much as they would with different currencies, *ceteris paribus*. By web-posting his data sets and programs, Rose gave the profession a unique opportunity to "search and destroy" missions on the currency union effect on trade. There followed harsh debates between believers and skeptics (see Baldwin, 2006 and Santos Silva and Tenreyro, 2010).

In this short paper, I document an unexpected trend: the currency union (CU) impact on trade is decreasing over time. In contrast, the literature finds that the size of the CU effect is stable (Rose, 2000, Table 1) or even *increasing* over time (Glick and Rose, 2002, Table 3). The documented downward CU effect is based on a theoretically consistent estimation

*I thank Peter Egger, Keith Head, Jean Imbs, Joaquim Jarreau, John Romalis and Joao Santos Silva for much helpful advice and insightful discussions on this topic. I also thank Jules Hugot for outstanding research assistance.

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of the gravity equation: year by year, from 1948 to 2009, in its multiplicative form by the poisson pseudo-maximum likelihood (PPML) estimator with importer and exporter fixed effects. This estimator addresses two typical problems in estimating gravity equations with the Ordinary Least Squares (OLS): sample selection and inconsistency (Santos Silva and Tenreyro, 2006). The sample selection results from the conventional logarithmic transformation of the dependent variable that converts the zeros of the non-trading pairs to missing. The OLS inconsistency comes from the fact that the expected value of the log-linearized error will depend on covariates. This inconsistency is a first order issue. I find that the OLS estimates of the CU are quite stable while the PPML estimates are decreasing over time, with or without incorporating the zeros.

Thus, a question remains to be unanswered: why is the CU effect decreasing over time? In 1948, holding all other factors fixed, two countries that share a currency trade eight times as much as they would with different currencies, while sixty years later, in 2009, currency unions are found to have no positive effect on trade. It could be that with trade and financial globalization currency unions become less and less important to promote trade. If this is a valid economic argument, then the downward trend should be relatively insensitive to the types of CUs. Using Rose (2000)'s data set and specification, Levy-Yeyati (2003) documented differential effects on trade between multilateral and unilateral CUs. However, I find a downward trend for both currency arrangements, i.e., when countries negotiate multilaterally to set up a common currency or when they adopt unilaterally the currency of an anchor.

The rest of the paper is organized as follows. In the next section, I briefly describe the specification and data. In section (3), I present the results. The last section concludes.

2 Specification and Data

2.1. Specification Adopting the assumptions of an endowment economy, Armington specialization and identical constant elasticity of substitution, Anderson and van Wincoop (2003) obtain a simple gravity equation:

$$X_{ij} = (y_i y_j / y_w)(\tau_{ij} / P_i P_j)^{1-\sigma}, \tag{1}$$

where X_{ij} is the nominal value of exports from country i to country j, y_i is the nominal GDP of i, y_w is the nominal value of world output, σ is the elasticity of substitution between the countries' goods, $\tau_{ij} \geq 1$ is the iceberg-type trade costs (i.e., the units of the product must be shipped to j in order one for unit to arrive) and P_i is i's multilateral trade resistance (i.e., a price index that depends positively on trade barriers between i and all of its trading partners - not just j). From Eq. (1), two steps are necessary to get an estimable equation.

The first step is that the functional form for trade costs (τ_{ij}) has to be specified. As a benchmark, we follow Rose and van Wincoop (2001), who used Eq. (1) to estimate the CU effect on trade, and assume that τ_{ij} is a log-linear function of observables

$$\tau_{ij} = \prod_{m=1}^{M} (z_{ij}^{m})^{\gamma_m} \times \exp CU_{ij}{}^{-\gamma}, \tag{2}$$

where (CU) is the common Currency Union dummy variable and z_{ij}^{m} is a set of observable arguments, $m = 1, \ldots, M$, which affect bilateral trade. z_{ij} contains the bilateral distance, a typical proxy for transportation costs, and various dummies indicating whether two countries share a land border, share a language, share a Free Trade Agreement, have had a common colonizer after 1945, are currently in a colonial relationship, or were/are the same state or the same administrative entity for a long period.

The second step is to model the monadic i (y_i, P_i) and j (y_j, P_j) terms in Eq. (1). I use the simplest solution that consists to replace monadic terms by exporter (α_i) and importer (α_j) country fixed effects. Given this solution and the trade cost function (2), I estimate a stochastic version of Eq. (1) (dropping the constant term)

$$X_{ij} = \exp(\alpha_i + \alpha_j + \sum_{m=1}^{M} \lambda_m \ln z_{ij}^{m} + \lambda_h \mathrm{CU}_{ij}) u_{ij}, \tag{3}$$

where u represents unobserved determinants of trade, $\lambda_m = (1-\sigma)\gamma_m$ and $\lambda_h = (\sigma-1)\gamma_h$. I use the PPML technique to estimate consistently Eq. (3). In contrast, the conventional

approach for estimating (3) is to take logs of both sides to obtain a linear regression model

$$\ln X_{ij} = \alpha_i + \alpha_j + \sum_{m=1}^{M} \lambda_m \ln z_{ij}^m + \lambda_h \mathrm{CU}_{ij} + \ln u_{ij}. \tag{4}$$

Eq (4) is simply estimated with OLS. On the downside, the log model (4) drops zero values of trade and can cause severe inconsistency.

2.2. Data Following Rose (2001)'s advice that "a larger data set is unambiguously more informative than a smaller one", I use a large annual panel data set to document the decreasing effect of CU on trade. This represents an extension of the Glick and Rose (2002) sample, based on the same source of trade data, i.e., the International Monetary Fund's *Direction of Trade* Statistics (DOTS). It covers 203 countries and the period 1948-2009, which is of crucial importance since this includes the Economic and Monetary Union (EMU) creation in 1999.[1] Table (1) lists the countries in the sample.

Bilateral distance and the construction of the dummy variables contained in z_{ij} come from the CEPII distance database,[2] except the Free Trade Agreement dummy and the Currency Union dummy. The data on Free Trade agreements (FTA) are mainly constructed from three main sources: (1) Baier and Bergstrand (2007, Table 3); (2) WTO web site (`http://www.wto.org/english/tratop_e/region_e/region_e.htm`) and (3) qualitative information in Frankel (1997). The data on currency unions (CU) are an up dated and extended version of the list provided by Glick and Rose (2002).[3]

3 Results

To get theoretically consistent parameter estimates and account for the multilateral resistance terms (P_i and P_j), I run Eq. (3) and (4) year by year with directional country fixed effects from 1948 to 2009. Standard errors are clustered at the country-pair level. I consider that the pair of countries ij is in the same cluster as ji because a common shock may affect both direction of trade flows. For the sake of saving space, I plot in Figure (1) the annual

[1] See Head *et al.* (2010) for details on the compilation of trade flows from DOTS.

[2] Available at `http://www.cepii.fr/anglaisgraph/bdd/distances.htm`.

[3] Programs for constructing data on FTA and CU are available at `http://jdesousa.univ.free.fr/data.htm`.

estimates of the currency union dummy variable and the clustered 95% confidence interval around the point estimate. The overall PPML and OLS estimation results are reported in Tables (2) to (17) (in Appendices A and B).

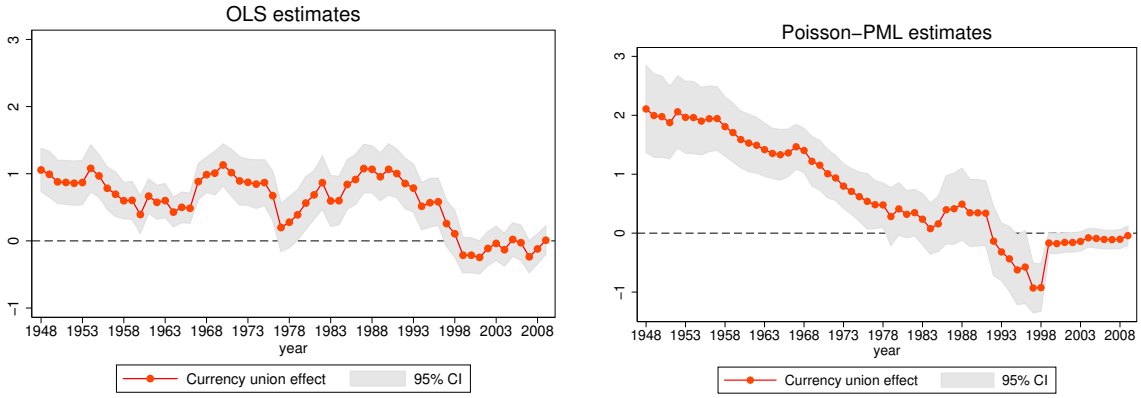

Figure 1: OLS (left) and Poisson-PML (right) currency union effects – 1948-2009

Figure (1) depicts interesting differences. In the left panel, the OLS CU effect is quite stable until 1992, despite a temporary drop in the end of the seventies. As an illustration of this stability, given the sampling error, the CU effect in 1948 is not statistically different from the one in 1992, forty-four years later. In 1948, two countries that share a currency trade 187% $[= (\exp(1.05) - 1) \times 100]$ as much as they would with different currencies, against 135% $[= (\exp(0.85) - 1) \times 100]$ in 1992. After 1992, the OLS CU effect decreases and is equal to zero from 1998 onwards.

The OLS results somewhat contrast with the PPML results shown in the right panel of Figure (1). In 1948, the PPML CU effect implies that, other things being equal, trade between two countries that share a currency is 8 times larger than trade between two countries using different currencies $[(\exp(2.11)) \approx 8]$. The CU effect is then decreasing sharply from 1948 to 1998. It becomes even significantly negative at the beginning of the nineties. As a comparison with the positive OLS estimate in 1992, the corresponding PPML estimate is negative (but statistically insignificant). Finally, in 1999, presumably due to the euro creation, the average CU effect increases to zero.

There is one interesting similarity between OLS and PPML estimates: from 1999 onwards the average CU effect is not statistically different from zero. However, the interpretation

of this similarity differs. The OLS pre-EMU effect tends to be larger, which suggests a comparatively smaller effect of the EMU on trade. In contrast, the PPML pre-EMU effect tends to be *lower*. This suggests a comparatively bigger effect of the EMU on trade.

The contrasting results of Figure (1) imply that the choice of the estimator matters. The PPML can address both inconsistency of the OLS and sample selection. The latter results from the logarithmic transformation converting the zeros of the non-trading pairs to missing. On average, depending on the year, this transformation leaves out about 50% of the observations. Dropping these observations can cause additional biases in the estimation. This can be "particularly problematic when one considers small or poor countries (such as the ones that have been clients in or part of multilateral currency unions in Rose's data)," (Santos Silva and Tenreyro, 2010, p. 57). However, the PPML estimates are remarkably similar using the whole sample or the positive-trade subsample.[4] Thus, the inconsistency of the OLS, addressed with the PPML, appears to explain the contrasting results of Figure (1).

Interestingly, the distance puzzle, that the volume of trade has become increasingly sensitive to distance, is an empirical regularity that also depends crucially on the choice of the estimator. The role of geographical distance as trade deterrent is significantly lower under PPML (Santos Silva and Tenreyro, 2006). My annual regressions confirm this finding [see Tables (10) to (17) in Appendix B]. Figure (2) depicts the increase in the absolute value of the OLS distance elasticity over time, documented in Disdier and Head (2008). With PPML the puzzling increase of the distance elasticity vanishes.[5]

Why does sharing a currency have smaller effects on trade over time? It could be that with trade and financial globalization the CUs are less important to promote trade. As pointed above, if this is a valid economic argument, then the downward trend should be relatively insensitive to the types of CUs. Using Rose (2000)'s data set and specification, Levy-Yeyati (2003) documented differential effects on trade between multilateral and unilateral currency unions. The latter are hub and spokes currency arrangements (Baldwin, 2006), i.e., some countries (the spokes) unilaterally adopt the currency of a larger country

[4]See Santos Silva and Tenreyro (2006, p. 650, f. 24) for a rationale. Tables (18) to (25) (in Appendix C) report the estimation results on the positive-trade subsample. Figure (4) replicates the right panel of Figure (1) using the positive-trade subsample. It is worth noting that the PPML estimator preforms very well even when the proportion of zeros is very large (see Santos Silva and Tenreyro, 2011).

[5]See Dias (2011) for a similar result.

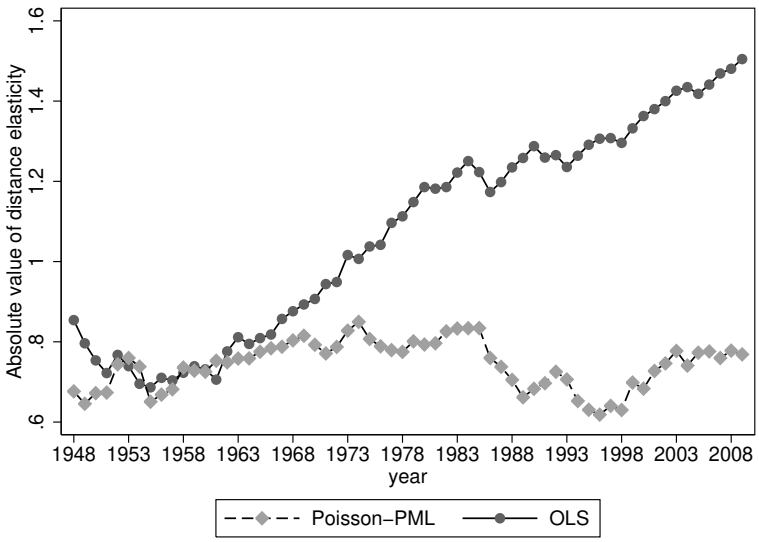

Figure 2: Absolute value of the distance elasticity on trade – 1948-2009

(the hub) as legal tender. They represent two types of bilateral trade flows: between the hub and a spoke and between the spokes. To check if the downward CU effect is driven by the differences in currency arrangements, I separate the CU dummy in Eq. (3) in two parts: (1) a multilateral CU dummy and (2) a unilateral CU dummy. They represent each about 1% of the observations. Figure (3) plots the annual PPLM estimates of both dummies.[6] The evolution of both effects mirrors the evolution of the average CU effect (right panel of Figure 1): i.e., a downward trend over time. There are some apparent differences: (1) between the mid-80's and mid-90's, the multilateral CU effect is zero (before 1991) or negative (after 1991), while the unilateral CU effect is positive (but statistically significant only in 1988); (2) in 1999, the multilateral CU effect, capturing the euro creation impact, is increasing while the unilateral CU effect is still decreasing.

4 Conclusion

The purpose of this short paper is simple. Estimating a theoretical gravity model over a sixty-year period, I found an unexpected trend: the currency union impact on trade is decreasing over time. The CU effect is found to be economically and statistically large until the seventies, then negative and finally insignificant at the beginning of the 21st century.

[6]The overall estimation results are reported in Tables (26) to (33) in Appendix D.

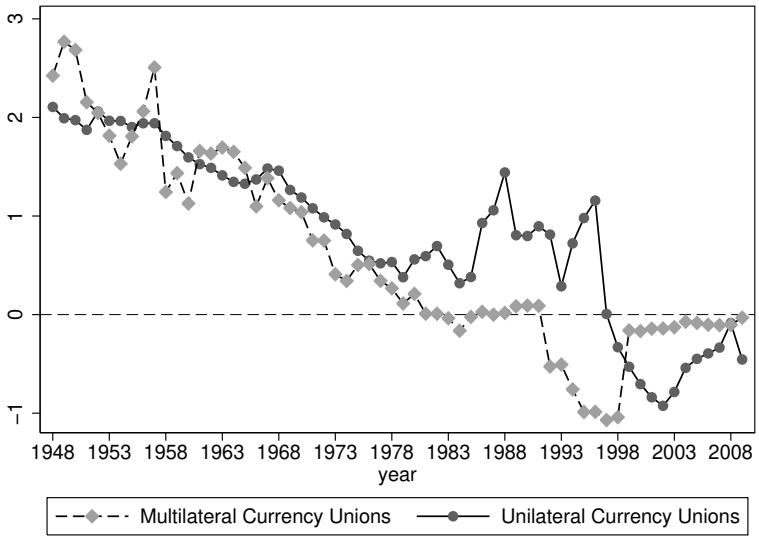

Figure 3: Poisson-PML multilateral and unilateral currency union effects – 1948-2009

This result holds when separating unilateral from multilateral currency unions. It could be that with trade and financial globalization the currency unions appear to be less and less important to promote trade.

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Appendices

Table 1: List of countries

Afghanistan	Dominican Republic	Kyrgyzstan	Saint Kitts and Nevis
Albania	Ecuador	Laos	Saint Lucia
Algeria	Egypt	Latvia	Saint Vincent and the Grenadines
Angola	El Salvador	Lebanon	Samoa
Antigua And Barbuda	Equatorial Guinea	Lesotho	Sao Tome And Principe
Argentina	Eritrea	Liberia	Saudi Arabia
Armenia	Estonia	Libya	Senegal
Aruba	Ethiopia	Lithuania	Seychelles
Australia	Falkland Islands	Macau	Sierra Leone
Austria	Faroe Islands	Macedonia	Singapore
Azerbaijan	Fiji	Madagascar	Slovak Republic
Bahamas	Finland	Malawi	Slovenia
Bahrain	Former Soviet Union	Malaysia	Solomon Islands
Bangladesh	France	Maldives	Somalia
Barbados	French Guiana	Mali	South Africa
Belarus	French Polynesia	Malta	Spain
Belgium	Gabon	Martinique	Sri Lanka
Belize	Gambia	Mauritania	St. Helena
Benin	Georgia	Mauritius	St. Pierre And Miquelon
Bermuda	Germany	Mexico	Sudan
Bhutan	Ghana	Moldova	Suriname
Bolivia	Gibraltar	Mongolia	Swaziland
Bosnia And Herzegovina	Greece	Morocco	Sweden
Botswana	Greenland	Mozambique	Switzerland
Brazil	Grenada	Myanmar	Syria
Brunei Darussalam	Guadeloupe	Namibia	Taiwan
Bulgaria	Guatemala	Nauru	Tajikistan
Burkina Faso	Guinea	Nepal	Tanzania
Burundi	Guinea-Bissau	Netherlands	Thailand
Cambodia	Guyana	Netherlands Antilles	Togo
Cameroon	Haiti	New Caledonia	Tonga
Canada	Honduras	New Zealand	Trinidad and Tobago
Cape Verde	Hong Kong	Nicaragua	Tunisia
Central African Republic	Hungary	Niger	Turkey
Chad	Iceland	Nigeria	Turkmenistan
Chile	India	Norway	Tuvalu
China	Indonesia	Oman	Uganda
Colombia	Iran	Pakistan	Ukraine
Comoros	Iraq	Palau	United Arab Emirates
Congo	Ireland	Panama	United Kingdom
Costa Rica	Israel	Papua New Guinea	United States
Cote D'Ivoire	Italy	Paraguay	Uruguay
Croatia	Jamaica	Peru	Uzbekistan
Cuba	Japan	Philippines	Vanuatu
Cyprus	Jordan	Poland	Venezuela
Czech Republic	Kazakhstan	Portugal	Viet Nam
Czechoslovakia	Kenya	Qatar	Yemen
Dem. Rep. of the Congo	Kiribati	Reunion	Yugoslavia
Denmark	Korea (Republic of)	Romania	Zambia
Djibouti	Korea, North	Russian Federation	Zimbabwe
Dominica	Kuwait	Rwanda	

Appendix A. OLS currency union effects – 1948-2009 Results used to construct the left panel of Figure (1)

Table 2: OLS currency union effects – 1948-1955

	Dependent Variable: Bilateral Exports							
	1948	1949	1950	1951	1952	1953	1954	1955
Currency union	1.06^a	0.99^a	0.88^a	0.87^a	0.86^a	0.87^a	1.08^a	0.97^a
	(0.16)	(0.17)	(0.16)	(0.17)	(0.17)	(0.17)	(0.18)	(0.16)
Ln Distance	-0.85^a	-0.80^a	-0.75^a	-0.72^a	-0.77^a	-0.74^a	-0.70^a	-0.69^a
	(0.04)	(0.04)	(0.04)	(0.04)	(0.04)	(0.04)	(0.04)	(0.04)
Share language	0.16^c	-0.01	0.09	0.02	0.07	0.18^b	0.11	0.14^c
	(0.09)	(0.09)	(0.08)	(0.08)	(0.08)	(0.08)	(0.09)	(0.08)
Contiguity	0.38^a	0.18	0.34^b	0.30^b	0.19	0.28^c	0.17	0.30^c
	(0.15)	(0.14)	(0.14)	(0.14)	(0.16)	(0.16)	(0.15)	(0.16)
Common colonizer	0.83^a	1.02^a	0.58^a	0.84^a	0.69^a	0.76^a	0.77^a	0.97^a
	(0.18)	(0.18)	(0.19)	(0.19)	(0.17)	(0.17)	(0.17)	(0.16)
Former colonial relationship	1.24^a	1.35^a	1.37^a	1.28^a	1.33^a	1.21^a	1.10^a	1.20^a
	(0.17)	(0.17)	(0.16)	(0.16)	(0.16)	(0.17)	(0.16)	(0.16)
Same country	0.11	-0.05	-0.06	-0.01	0.15	-0.10	0.11	0.02
	(0.24)	(0.27)	(0.30)	(0.32)	(0.30)	(0.27)	(0.27)	(0.24)
Origin effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Destination effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	3238	3024	3214	3339	3761	3829	3777	4018

Note: Robust standard errors clustered by country-pair in parentheses with ^{a}, ^{b} and ^{c} denoting respectively significance at 1%, 5% and 10%.

Table 3: OLS currency union effects – 1956-1963

	Dependent Variable: Bilateral Exports							
	1956	1957	1958	1959	1960	1961	1962	1963
Currency union	0.78^a	0.70^a	0.60^a	0.60^a	0.39^a	0.67^a	0.57^a	0.60^a
	(0.16)	(0.17)	(0.14)	(0.14)	(0.14)	(0.13)	(0.13)	(0.13)
Ln Distance	-0.71^a	-0.70^a	-0.72^a	-0.74^a	-0.73^a	-0.71^a	-0.78^a	-0.81^a
	(0.04)	(0.04)	(0.03)	(0.03)	(0.03)	(0.03)	(0.03)	(0.03)
Share language	0.16^b	0.18^b	0.14^c	0.18^b	0.18^a	0.22^a	0.18^a	0.17^a
	(0.08)	(0.08)	(0.07)	(0.07)	(0.07)	(0.07)	(0.06)	(0.06)
Contiguity	0.42^a	0.40^a	0.42^a	0.36^a	0.15	0.27^b	0.18	0.07
	(0.15)	(0.14)	(0.13)	(0.13)	(0.12)	(0.12)	(0.12)	(0.12)
Common colonizer	0.82^a	0.78^a	0.86^a	0.73^a	0.94^a	0.86^a	0.82^a	0.85^a
	(0.15)	(0.16)	(0.12)	(0.14)	(0.11)	(0.11)	(0.11)	(0.10)
Former colonial relationship	1.11^a	1.16^a	1.35^a	1.20^a	1.41^a	1.34^a	1.32^a	1.34^a
	(0.15)	(0.16)	(0.14)	(0.13)	(0.13)	(0.12)	(0.13)	(0.12)
Same country	-0.10	-0.30	-0.21	-0.15	-0.03	0.02	0.03	0.00
	(0.23)	(0.25)	(0.22)	(0.20)	(0.18)	(0.18)	(0.17)	(0.17)
Free trade agreement			-0.75^a	-0.58^a	0.12	0.25^c	0.25^c	0.34^a
			(0.15)	(0.14)	(0.13)	(0.13)	(0.13)	(0.12)
Origin effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Destination effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	4187	4173	4622	4566	4992	4989	5188	5574

Note: Robust standard errors clustered by country-pair in parentheses with ^{a}, ^{b} and ^{c} denoting respectively significance at 1%, 5% and 10%.

Table 4: OLS currency union effects – 1964-1971

	Dependent Variable: Bilateral Exports							
	1964	1965	1966	1967	1968	1969	1970	1971
Currency union	0.43^a	0.50^a	0.49^a	0.88^a	0.99^a	1.01^a	1.13^a	1.02^a
	(0.11)	(0.12)	(0.11)	(0.14)	(0.13)	(0.17)	(0.16)	(0.18)
Ln Distance	-0.79^a	-0.81^a	-0.82^a	-0.86^a	-0.88^a	-0.89^a	-0.91^a	-0.94^a
	(0.03)	(0.03)	(0.03)	(0.03)	(0.03)	(0.03)	(0.03)	(0.03)
Share language	0.25^a	0.26^a	0.22^a	0.24^a	0.27^a	0.37^a	0.36^a	0.38^a
	(0.06)	(0.06)	(0.06)	(0.06)	(0.06)	(0.06)	(0.06)	(0.06)
Contiguity	0.15	0.10	0.02	-0.05	-0.03	0.01	0.07	0.16
	(0.11)	(0.11)	(0.11)	(0.11)	(0.11)	(0.12)	(0.13)	(0.12)
Common colonizer	0.68^a	0.65^a	0.63^a	0.52^a	0.53^a	0.48^a	0.42^a	0.45^a
	(0.10)	(0.09)	(0.09)	(0.09)	(0.09)	(0.09)	(0.09)	(0.09)
Former colonial relationship	1.30^a	1.27^a	1.38^a	1.39^a	1.33^a	1.37^a	1.43^a	1.41^a
	(0.11)	(0.11)	(0.11)	(0.11)	(0.11)	(0.11)	(0.11)	(0.11)
Same country	0.13	0.32^c	0.44^b	0.56^a	0.25	0.79^a	0.77^a	0.81^a
	(0.17)	(0.17)	(0.19)	(0.20)	(0.17)	(0.18)	(0.20)	(0.20)
Free trade agreement	0.47^a	0.46^a	0.54^a	0.55^a	0.60^a	0.63^a	0.60^a	0.56^a
	(0.11)	(0.12)	(0.13)	(0.13)	(0.12)	(0.15)	(0.16)	(0.16)
Origin effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Destination effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	6172	6496	6879	6941	6891	7949	8340	8684

Note: Robust standard errors clustered by country-pair in parentheses with ^{a}, ^{b} and ^{c} denoting respectively significance at 1%, 5% and 10%.

Table 5: OLS currency union effects – 1972-1979

	Dependent Variable: Bilateral Exports							
	1972	1973	1974	1975	1976	1977	1978	1979
Currency union	0.89^a	0.87^a	0.85^a	0.87^a	0.67^a	0.20	0.28	0.39^b
	(0.18)	(0.18)	(0.18)	(0.17)	(0.19)	(0.18)	(0.19)	(0.19)
Ln Distance	-0.95^a	-1.02^a	-1.01^a	-1.04^a	-1.04^a	-1.10^a	-1.11^a	-1.15^a
	(0.03)	(0.03)	(0.03)	(0.03)	(0.03)	(0.03)	(0.03)	(0.03)
Share language	0.42^a	0.35^a	0.34^a	0.32^a	0.35^a	0.27^a	0.29^a	0.25^a
	(0.06)	(0.06)	(0.06)	(0.06)	(0.06)	(0.06)	(0.06)	(0.06)
Contiguity	0.31^a	0.28^b	0.32^a	0.14	0.11	0.04	-0.00	0.03
	(0.12)	(0.12)	(0.12)	(0.13)	(0.13)	(0.14)	(0.13)	(0.13)
Common colonizer	0.47^a	0.65^a	0.46^a	0.43^a	0.43^a	0.58^a	0.52^a	0.72^a
	(0.09)	(0.09)	(0.09)	(0.09)	(0.10)	(0.09)	(0.09)	(0.09)
Former colonial relationship	1.38^a	1.45^a	1.41^a	1.42^a	1.44^a	1.56^a	1.59^a	1.58^a
	(0.10)	(0.11)	(0.11)	(0.11)	(0.11)	(0.11)	(0.11)	(0.11)
Same country	0.52^b	0.62^a	0.61^a	0.68^a	0.62^a	0.65^a	0.84^a	0.77^a
	(0.21)	(0.19)	(0.21)	(0.20)	(0.20)	(0.20)	(0.20)	(0.20)
Free trade agreement	0.56^a	-0.15	0.04	-0.20	-0.19	-0.20	-0.13	-0.22^c
	(0.15)	(0.12)	(0.13)	(0.13)	(0.13)	(0.13)	(0.12)	(0.12)
Origin effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Destination effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	8972	9624	9899	9836	9923	10260	10203	10645

Note: Robust standard errors clustered by country-pair in parentheses with ^{a}, ^{b} and ^{c} denoting respectively significance at 1%, 5% and 10%.

Table 6: OLS currency union effects – 1980-1987

	Dependent Variable: Bilateral Exports							
	1980	1981	1982	1983	1984	1985	1986	1987
Currency union	0.56^a	0.69^a	0.87^a	0.60^a	0.60^a	0.84^a	0.91^a	1.08^a
	(0.20)	(0.18)	(0.20)	(0.19)	(0.18)	(0.19)	(0.19)	(0.18)
Ln Distance	-1.19^a	-1.18^a	-1.19^a	-1.22^a	-1.25^a	-1.22^a	-1.17^a	-1.20^a
	(0.03)	(0.03)	(0.03)	(0.03)	(0.03)	(0.03)	(0.03)	(0.03)
Share language	0.22^a	0.26^a	0.30^a	0.29^a	0.25^a	0.39^a	0.44^a	0.46^a
	(0.06)	(0.06)	(0.06)	(0.06)	(0.06)	(0.06)	(0.06)	(0.06)
Contiguity	0.05	0.05	0.12	0.03	0.13	0.05	0.18	0.23^c
	(0.13)	(0.14)	(0.14)	(0.14)	(0.13)	(0.12)	(0.13)	(0.13)
Common colonizer	0.47^a	0.58^a	0.60^a	0.53^a	0.43^a	0.39^a	0.48^a	0.48^a
	(0.09)	(0.09)	(0.09)	(0.09)	(0.09)	(0.09)	(0.09)	(0.09)
Former colonial relationship	1.58^a	1.54^a	1.44^a	1.46^a	1.43^a	1.29^a	1.35^a	1.29^a
	(0.11)	(0.11)	(0.11)	(0.11)	(0.11)	(0.11)	(0.11)	(0.11)
Same country	0.77^a	0.75^a	0.54^a	0.52^b	0.49^a	0.31^c	0.27	0.27
	(0.19)	(0.20)	(0.19)	(0.21)	(0.18)	(0.19)	(0.20)	(0.19)
Free trade agreement	-0.08	-0.00	0.05	0.15	-0.06	0.01	0.20^c	0.19^c
	(0.13)	(0.12)	(0.12)	(0.12)	(0.12)	(0.12)	(0.10)	(0.10)
Origin effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Destination effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	10704	10902	10833	10700	10898	11051	11225	11468

Note: Robust standard errors clustered by country-pair in parentheses with ^{a}, ^{b} and ^{c} denoting respectively significance at 1%, 5% and 10%.

Table 7: OLS currency union effects – 1988-1995

	Dependent Variable: Bilateral Exports							
	1988	1989	1990	1991	1992	1993	1994	1995
Currency union	1.07^a	0.96^a	1.07^a	1.00^a	0.85^a	0.79^a	0.52^a	0.57^a
	(0.18)	(0.18)	(0.19)	(0.18)	(0.19)	(0.18)	(0.18)	(0.18)
Ln Distance	-1.23^a	-1.26^a	-1.29^a	-1.26^a	-1.27^a	-1.24^a	-1.26^a	-1.29^a
	(0.03)	(0.03)	(0.03)	(0.03)	(0.03)	(0.03)	(0.02)	(0.03)
Share language	0.45^a	0.42^a	0.42^a	0.40^a	0.30^a	0.32^a	0.34^a	0.37^a
	(0.06)	(0.06)	(0.06)	(0.06)	(0.06)	(0.05)	(0.05)	(0.05)
Contiguity	0.11	0.26^b	0.32^a	0.32^b	0.63^a	0.78^a	0.81^a	0.74^a
	(0.13)	(0.12)	(0.12)	(0.13)	(0.13)	(0.11)	(0.11)	(0.11)
Common colonizer	0.47^a	0.55^a	0.53^a	0.56^a	0.89^a	0.97^a	0.97^a	0.89^a
	(0.08)	(0.08)	(0.08)	(0.08)	(0.09)	(0.08)	(0.07)	(0.07)
Former colonial relationship	1.32^a	1.32^a	1.33^a	1.30^a	1.45^a	1.37^a	1.40^a	1.42^a
	(0.11)	(0.11)	(0.11)	(0.11)	(0.11)	(0.11)	(0.10)	(0.10)
Same country	0.39^b	0.45^a	0.34^c	0.29	0.27	0.18	0.20	0.30^c
	(0.17)	(0.16)	(0.20)	(0.20)	(0.20)	(0.19)	(0.16)	(0.16)
Free trade agreement	0.20^c	0.20^b	0.15	0.21^b	0.30^a	0.33^a	0.24^a	0.33^a
	(0.10)	(0.10)	(0.10)	(0.10)	(0.09)	(0.09)	(0.08)	(0.07)
Origin effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Destination effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	12159	12864	13254	13282	14568	15610	16655	17486

Note: Robust standard errors clustered by country-pair in parentheses with ^{a}, ^{b} and ^{c} denoting respectively significance at 1%, 5% and 10%.

Table 8: OLS currency union effects – 1996-2003

	Dependent Variable: Bilateral Exports							
	1996	1997	1998	1999	2000	2001	2002	2003
Currency union	0.58[a]	0.26	0.11	-0.21	-0.21	-0.25[b]	-0.11	-0.04
	(0.18)	(0.17)	(0.18)	(0.13)	(0.13)	(0.12)	(0.13)	(0.13)
Ln Distance	-1.31[a]	-1.31[a]	-1.30[a]	-1.33[a]	-1.36[a]	-1.38[a]	-1.40[a]	-1.43[a]
	(0.03)	(0.03)	(0.03)	(0.02)	(0.02)	(0.02)	(0.02)	(0.02)
Share language	0.34[a]	0.41[a]	0.39[a]	0.40[a]	0.41[a]	0.44[a]	0.45[a]	0.47[a]
	(0.05)	(0.05)	(0.05)	(0.05)	(0.05)	(0.05)	(0.05)	(0.05)
Contiguity	0.76[a]	0.69[a]	0.64[a]	0.65[a]	0.70[a]	0.64[a]	0.63[a]	0.70[a]
	(0.12)	(0.11)	(0.11)	(0.11)	(0.10)	(0.11)	(0.11)	(0.11)
Common colonizer	0.83[a]	0.85[a]	0.77[a]	0.78[a]	0.86[a]	0.77[a]	0.75[a]	0.79[a]
	(0.07)	(0.07)	(0.07)	(0.06)	(0.06)	(0.06)	(0.06)	(0.06)
Former colonial relationship	1.39[a]	1.31[a]	1.30[a]	1.31[a]	1.33[a]	1.22[a]	1.21[a]	1.20[a]
	(0.10)	(0.10)	(0.10)	(0.10)	(0.11)	(0.11)	(0.10)	(0.10)
Same country	0.25	0.12	0.15	0.20	0.20	0.31[b]	0.32[b]	0.26[c]
	(0.17)	(0.18)	(0.17)	(0.16)	(0.15)	(0.15)	(0.15)	(0.15)
Free trade agreement	0.34[a]	0.37[a]	0.43[a]	0.54[a]	0.55[a]	0.51[a]	0.45[a]	0.47[a]
	(0.07)	(0.07)	(0.06)	(0.07)	(0.06)	(0.06)	(0.06)	(0.06)
Origin effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Destination effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	17909	17728	17964	18259	18932	19228	19456	19832

Note: Robust standard errors clustered by country-pair in parentheses with [a], [b] and [c] denoting respectively significance at 1%, 5% and 10%.

Table 9: OLS currency union effects – 2004-2009

	Dependent Variable: Bilateral Exports					
	2004	2005	2006	2007	2008	2009
Currency union	-0.13	0.02	-0.03	-0.24^{c}	-0.12	0.01
	(0.12)	(0.13)	(0.13)	(0.12)	(0.11)	(0.11)
Ln Distance	-1.43^{a}	-1.42^{a}	-1.44^{a}	-1.47^{a}	-1.48^{a}	-1.50^{a}
	(0.03)	(0.03)	(0.03)	(0.03)	(0.03)	(0.03)
Share language	0.49^{a}	0.48^{a}	0.46^{a}	0.53^{a}	0.51^{a}	0.48^{a}
	(0.05)	(0.05)	(0.05)	(0.05)	(0.05)	(0.05)
Contiguity	0.69^{a}	0.69^{a}	0.68^{a}	0.61^{a}	0.67^{a}	0.67^{a}
	(0.11)	(0.11)	(0.11)	(0.11)	(0.11)	(0.12)
Common colonizer	0.80^{a}	0.80^{a}	0.87^{a}	0.75^{a}	0.81^{a}	0.82^{a}
	(0.06)	(0.06)	(0.06)	(0.07)	(0.07)	(0.07)
Former colonial relationship	1.17^{a}	1.18^{a}	1.15^{a}	1.10^{a}	1.07^{a}	1.12^{a}
	(0.10)	(0.11)	(0.12)	(0.11)	(0.11)	(0.12)
Same country	0.38^{b}	0.40^{a}	0.41^{a}	0.39^{a}	0.36^{b}	0.28^{c}
	(0.15)	(0.15)	(0.16)	(0.15)	(0.16)	(0.16)
Free trade agreement	0.41^{a}	0.47^{a}	0.46^{a}	0.47^{a}	0.46^{a}	0.34^{a}
	(0.05)	(0.06)	(0.06)	(0.06)	(0.06)	(0.05)
Origin effects	Yes	Yes	Yes	Yes	Yes	Yes
Destination effects	Yes	Yes	Yes	Yes	Yes	Yes
Observations	19907	20035	20123	20198	20605	20453

Note: Robust standard errors clustered by country-pair in parentheses with ^{a}, ^{b} and ^{c} denoting respectively significance at 1%, 5% and 10%.

Appendix B. Poisson-PLM currency union effects – 1948-2009. Results used to construct the right panel of Figure (1)

Table 10: PPML currency union effects – 1948-1955

	Dependent Variable: Bilateral Exports							
	1948	1949	1950	1951	1952	1953	1954	1955
Currency union	2.11^a	2.00^a	1.98^a	1.88^a	2.06^a	1.97^a	1.96^a	1.90^a
	(0.37)	(0.36)	(0.35)	(0.31)	(0.31)	(0.31)	(0.31)	(0.29)
Ln Distance	-0.68^a	-0.65^a	-0.67^a	-0.67^a	-0.74^a	-0.76^a	-0.74^a	-0.65^a
	(0.08)	(0.08)	(0.07)	(0.08)	(0.07)	(0.07)	(0.07)	(0.08)
Share language	0.07	-0.02	0.02	0.11	0.16	0.15	0.21	0.31^b
	(0.18)	(0.19)	(0.17)	(0.16)	(0.16)	(0.16)	(0.15)	(0.15)
Contiguity	0.36^c	0.46^b	0.52^a	0.32^c	0.26	0.36^b	0.34^b	0.65^a
	(0.20)	(0.19)	(0.17)	(0.18)	(0.17)	(0.16)	(0.16)	(0.24)
Common colonizer	-0.44	-0.69	-0.91^c	-0.92^c	-1.07^b	-0.94^b	-0.83^c	-0.61
	(0.50)	(0.53)	(0.53)	(0.50)	(0.48)	(0.45)	(0.46)	(0.40)
Former colonial relationship	0.75^a	0.81^a	0.69^b	0.66^a	0.71^a	0.82^a	0.78^a	0.66^a
	(0.27)	(0.27)	(0.27)	(0.24)	(0.25)	(0.25)	(0.25)	(0.22)
Same country	0.11	0.13	0.23	0.21	-0.04	-0.12	-0.16	-0.32
	(0.29)	(0.36)	(0.41)	(0.42)	(0.31)	(0.32)	(0.30)	(0.27)
Origin effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Destination effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	7801	7265	7527	9268	7847	8100	7972	8551

Note: Robust standard errors clustered by country-pair in parentheses with ^{a}, ^{b} and ^{c} denoting respectively significance at 1%, 5% and 10%.

Table 11: PPML currency union effects – 1956-1963

	Dependent Variable: Bilateral Exports							
	1956	1957	1958	1959	1960	1961	1962	1963
Currency union	1.94^a	1.94^a	1.81^a	1.71^a	1.59^a	1.53^a	1.49^a	1.42^a
	(0.28)	(0.27)	(0.26)	(0.25)	(0.24)	(0.25)	(0.24)	(0.23)
Ln Distance	-0.67^a	-0.68^a	-0.74^a	-0.73^a	-0.73^a	-0.75^a	-0.75^a	-0.76^a
	(0.08)	(0.07)	(0.06)	(0.06)	(0.06)	(0.06)	(0.05)	(0.05)
Share language	0.26^c	0.22^c	0.23^c	0.28^b	0.32^b	0.34^a	0.37^a	0.39^a
	(0.14)	(0.13)	(0.14)	(0.13)	(0.13)	(0.13)	(0.12)	(0.12)
Contiguity	0.59^b	0.51^b	0.39^a	0.35^b	0.25^b	0.21^c	0.23^b	0.22^b
	(0.24)	(0.21)	(0.14)	(0.14)	(0.12)	(0.12)	(0.11)	(0.11)
Common colonizer	-0.82^b	-1.01^b	-1.16^a	-1.13^a	-1.00^a	-0.85^a	-0.87^a	-0.89^a
	(0.40)	(0.41)	(0.38)	(0.38)	(0.35)	(0.30)	(0.29)	(0.29)
Former colonial relationship	0.67^a	0.68^a	0.81^a	0.78^a	0.85^a	0.83^a	0.74^a	0.72^a
	(0.21)	(0.21)	(0.21)	(0.21)	(0.20)	(0.19)	(0.19)	(0.18)
Same country	-0.28	-0.24	0.12	0.06	0.04	0.05	0.04	0.06
	(0.27)	(0.31)	(0.25)	(0.24)	(0.21)	(0.22)	(0.21)	(0.19)
Free trade agreement			-0.38^b	-0.23	0.06	0.13	0.17	0.23^b
			(0.18)	(0.17)	(0.13)	(0.12)	(0.11)	(0.10)
Origin effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Destination effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	8993	9270	13767	14232	16335	16524	16467	17046

Note: Robust standard errors clustered by country-pair in parentheses with ^{a}, ^{b} and ^{c} denoting respectively significance at 1%, 5% and 10%.

Table 12: PPML currency union effects – 1964-1971

	Dependent Variable: Bilateral Exports							
	1964	1965	1966	1967	1968	1969	1970	1971
Currency union	1.35^a	1.33^a	1.36^a	1.47^a	1.40^a	1.22^a	1.15^a	1.01^a
	(0.22)	(0.22)	(0.20)	(0.19)	(0.19)	(0.21)	(0.21)	(0.21)
Ln Distance	-0.76^a	-0.78^a	-0.78^a	-0.79^a	-0.80^a	-0.82^a	-0.79^a	-0.77^a
	(0.05)	(0.05)	(0.05)	(0.05)	(0.05)	(0.05)	(0.05)	(0.05)
Share language	0.43^a	0.43^a	0.43^a	0.44^a	0.43^a	0.46^a	0.42^a	0.43^a
	(0.11)	(0.11)	(0.10)	(0.11)	(0.10)	(0.10)	(0.11)	(0.10)
Contiguity	0.19^c	0.19^c	0.18^c	0.23^b	0.22^b	0.23^b	0.31^b	0.37^a
	(0.10)	(0.10)	(0.10)	(0.10)	(0.10)	(0.10)	(0.14)	(0.13)
Common colonizer	-0.81^a	-0.87^a	-0.44^b	-0.45^b	-0.38^b	-0.34^b	-0.28^c	-0.19
	(0.28)	(0.27)	(0.18)	(0.17)	(0.18)	(0.17)	(0.16)	(0.16)
Former colonial relationship	0.69^a	0.70^a	0.64^a	0.65^a	0.62^a	0.62^a	0.62^a	0.53^a
	(0.17)	(0.16)	(0.15)	(0.15)	(0.15)	(0.16)	(0.17)	(0.16)
Same country	0.04	0.04	0.07	0.00	-0.06	-0.12	-0.14	-0.12
	(0.18)	(0.18)	(0.18)	(0.17)	(0.17)	(0.17)	(0.16)	(0.15)
Free trade agreement	0.32^a	0.33^a	0.37^a	0.40^a	0.45^a	0.51^a	0.54^a	0.58^a
	(0.09)	(0.09)	(0.09)	(0.09)	(0.09)	(0.09)	(0.09)	(0.09)
Origin effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Destination effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	18310	18286	18717	18688	19024	19899	20266	20218

Note: Robust standard errors clustered by country-pair in parentheses with ^{a}, ^{b} and ^{c} denoting respectively significance at 1%, 5% and 10%.

Table 13: PPML currency union effects – 1972-1979

	Dependent Variable: Bilateral Exports							
	1972	1973	1974	1975	1976	1977	1978	1979
Currency union	0.94^a	0.80^a	0.71^a	0.62^a	0.54^b	0.48^b	0.48^b	0.28
	(0.19)	(0.19)	(0.20)	(0.21)	(0.24)	(0.21)	(0.19)	(0.25)
Ln Distance	-0.79^a	-0.83^a	-0.85^a	-0.81^a	-0.79^a	-0.78^a	-0.78^a	-0.80^a
	(0.05)	(0.05)	(0.05)	(0.05)	(0.05)	(0.05)	(0.05)	(0.05)
Share language	0.41^a	0.37^a	0.30^a	0.32^a	0.31^a	0.29^a	0.24^a	0.20^b
	(0.10)	(0.09)	(0.09)	(0.09)	(0.09)	(0.09)	(0.09)	(0.09)
Contiguity	0.37^a	0.45^a	0.38^a	0.40^a	0.44^a	0.44^a	0.43^a	0.39^a
	(0.13)	(0.13)	(0.12)	(0.13)	(0.13)	(0.13)	(0.12)	(0.12)
Common colonizer	-0.19	-0.28^c	-0.32^c	-0.27	-0.31^c	-0.32^b	-0.32^b	-0.27^c
	(0.15)	(0.15)	(0.17)	(0.17)	(0.16)	(0.16)	(0.15)	(0.16)
Former colonial relationship	0.45^a	0.41^a	0.40^a	0.40^b	0.34^b	0.33^b	0.32^b	0.31^b
	(0.15)	(0.14)	(0.14)	(0.16)	(0.15)	(0.15)	(0.15)	(0.14)
Same country	-0.11	-0.12	-0.11	-0.07	-0.03	-0.04	-0.02	-0.01
	(0.15)	(0.15)	(0.14)	(0.14)	(0.14)	(0.14)	(0.13)	(0.13)
Free trade agreement	0.59^a	-0.01	-0.06	0.04	0.09	0.10	0.15	0.18
	(0.08)	(0.14)	(0.13)	(0.13)	(0.13)	(0.13)	(0.12)	(0.12)
Origin effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Destination effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	20645	20710	20742	20683	21076	21182	20988	20954

Note: Robust standard errors clustered by country-pair in parentheses with ^{a}, ^{b} and ^{c} denoting respectively significance at 1%, 5% and 10%.

Table 14: PPML currency union effects – 1980-1987

	Dependent Variable: Bilateral Exports							
	1980	1981	1982	1983	1984	1985	1986	1987
Currency union	0.41^{c}	0.32	0.35^{c}	0.24	0.08	0.16	0.40	0.41
	(0.23)	(0.20)	(0.20)	(0.22)	(0.22)	(0.24)	(0.29)	(0.31)
Ln Distance	-0.79^{a}	-0.80^{a}	-0.83^{a}	-0.83^{a}	-0.83^{a}	-0.83^{a}	-0.76^{a}	-0.74^{a}
	(0.05)	(0.05)	(0.05)	(0.06)	(0.05)	(0.05)	(0.05)	(0.05)
Share language	0.22^{a}	0.21^{b}	0.22^{a}	0.27^{a}	0.30^{a}	0.32^{a}	0.29^{a}	0.31^{a}
	(0.09)	(0.08)	(0.08)	(0.08)	(0.08)	(0.08)	(0.08)	(0.08)
Contiguity	0.33^{a}	0.34^{a}	0.32^{a}	0.34^{a}	0.33^{a}	0.35^{a}	0.41^{a}	0.41^{a}
	(0.11)	(0.11)	(0.10)	(0.10)	(0.09)	(0.09)	(0.09)	(0.09)
Common colonizer	-0.22	-0.09	-0.17	-0.22	-0.13	-0.18	-0.13	-0.16
	(0.17)	(0.17)	(0.17)	(0.17)	(0.18)	(0.19)	(0.18)	(0.18)
Former colonial relationship	0.37^{a}	0.37^{b}	0.37^{b}	0.26^{c}	0.18	0.18	0.21	0.18
	(0.14)	(0.15)	(0.15)	(0.15)	(0.15)	(0.14)	(0.13)	(0.13)
Same country	0.07	0.17	0.17	0.12	0.15	0.18	0.28	0.37
	(0.15)	(0.18)	(0.19)	(0.21)	(0.24)	(0.24)	(0.25)	(0.28)
Free trade agreement	0.28^{b}	0.20	0.14	0.18	0.18	0.20^{c}	0.41^{a}	0.48^{a}
	(0.14)	(0.13)	(0.12)	(0.12)	(0.12)	(0.12)	(0.13)	(0.13)
Origin effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Destination effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	21105	21720	21802	21850	21954	22132	22332	22852

Note: Robust standard errors clustered by country-pair in parentheses with ^{a}, ^{b} and ^{c} denoting respectively significance at 1%, 5% and 10%.

Table 15: PPML currency union effects – 1988-1995

	Dependent Variable: Bilateral Exports							
	1988	1989	1990	1991	1992	1993	1994	1995
Currency union	0.49	0.35	0.34	0.34	-0.14	-0.32	-0.44	-0.62^{b}
	(0.31)	(0.29)	(0.29)	(0.28)	(0.30)	(0.25)	(0.28)	(0.30)
Ln Distance	-0.71^{a}	-0.66^{a}	-0.68^{a}	-0.70^{a}	-0.73^{a}	-0.71^{a}	-0.65^{a}	-0.63^{a}
	(0.05)	(0.04)	(0.05)	(0.05)	(0.05)	(0.04)	(0.05)	(0.05)
Share language	0.28^{a}	0.19^{a}	0.23^{a}	0.20^{b}	0.19^{b}	0.17^{b}	0.18^{b}	0.19^{b}
	(0.07)	(0.07)	(0.08)	(0.08)	(0.08)	(0.08)	(0.08)	(0.08)
Contiguity	0.47^{a}	0.45^{a}	0.43^{a}	0.45^{a}	0.50^{a}	0.58^{a}	0.54^{a}	0.52^{a}
	(0.09)	(0.09)	(0.10)	(0.10)	(0.10)	(0.10)	(0.09)	(0.09)
Common colonizer	-0.21	-0.18	-0.21	-0.25	-0.08	-0.01	0.06	0.13
	(0.17)	(0.17)	(0.17)	(0.17)	(0.16)	(0.15)	(0.16)	(0.16)
Former colonial relationship	0.16	0.18	0.17	0.13	0.08	0.04	0.18	0.19
	(0.13)	(0.12)	(0.12)	(0.12)	(0.12)	(0.12)	(0.13)	(0.13)
Same country	0.43	0.48	0.42	0.43	0.39	0.25	0.25	0.22
	(0.29)	(0.31)	(0.34)	(0.33)	(0.30)	(0.26)	(0.24)	(0.23)
Free trade agreement	0.51^{a}	0.55^{a}	0.48^{a}	0.45^{a}	0.34^{a}	0.34^{a}	0.58^{a}	0.68^{a}
	(0.12)	(0.09)	(0.09)	(0.10)	(0.10)	(0.09)	(0.10)	(0.11)
Origin effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Destination effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	22978	23478	24222	24739	27254	28912	29844	30336

Note: Robust standard errors clustered by country-pair in parentheses with ^{a}, ^{b} and ^{c} denoting respectively significance at 1%, 5% and 10%.

Table 16: PPML currency union effects – 1996-2003

	Dependent Variable: Bilateral Exports							
	1996	1997	1998	1999	2000	2001	2002	2003
Currency union	-0.58^{c}	-0.93^{a}	-0.92^{a}	-0.17^{c}	-0.18^{b}	-0.16^{c}	-0.16^{c}	-0.14^{c}
	(0.31)	(0.21)	(0.20)	(0.09)	(0.09)	(0.08)	(0.08)	(0.08)
Ln Distance	-0.62^{a}	-0.64^{a}	-0.63^{a}	-0.70^{a}	-0.68^{a}	-0.73^{a}	-0.75^{a}	-0.78^{a}
	(0.05)	(0.05)	(0.05)	(0.05)	(0.05)	(0.04)	(0.04)	(0.04)
Share language	0.19^{b}	0.20^{a}	0.19^{a}	0.20^{a}	0.21^{a}	0.22^{a}	0.22^{a}	0.24^{a}
	(0.08)	(0.07)	(0.07)	(0.07)	(0.07)	(0.07)	(0.07)	(0.07)
Contiguity	0.53^{a}	0.46^{a}	0.43^{a}	0.44^{a}	0.46^{a}	0.44^{a}	0.44^{a}	0.39^{a}
	(0.09)	(0.07)	(0.07)	(0.08)	(0.08)	(0.07)	(0.07)	(0.07)
Common colonizer	0.11	0.26^{c}	0.28^{b}	0.09	0.04	0.13	0.11	0.13
	(0.16)	(0.14)	(0.12)	(0.20)	(0.20)	(0.18)	(0.18)	(0.18)
Former colonial relationship	0.21	0.21	0.23^{c}	0.16	0.15	0.15	0.14	0.13
	(0.13)	(0.14)	(0.13)	(0.14)	(0.14)	(0.14)	(0.14)	(0.15)
Same country	0.19	0.34^{c}	0.36^{c}	0.23	0.20	0.13	0.06	-0.03
	(0.22)	(0.20)	(0.20)	(0.20)	(0.19)	(0.18)	(0.16)	(0.16)
Free trade agreement	0.72^{a}	0.73^{a}	0.80^{a}	0.64^{a}	0.66^{a}	0.56^{a}	0.55^{a}	0.51^{a}
	(0.11)	(0.10)	(0.09)	(0.09)	(0.09)	(0.08)	(0.09)	(0.08)
Origin effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Destination effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	30796	29781	30119	30412	31971	31971	31971	31971

Note: Robust standard errors clustered by country-pair in parentheses with ^{a}, ^{b} and ^{c} denoting respectively significance at 1%, 5% and 10%.

Table 17: PPML currency union effects – 2004-2009

	Dependent Variable: Bilateral Exports					
	2004	2005	2006	2007	2008	2009
Currency union	-0.08	-0.09	-0.11	-0.11	-0.10	-0.04
	(0.08)	(0.08)	(0.08)	(0.08)	(0.08)	(0.08)
Ln Distance	-0.74^a	-0.77^a	-0.78^a	-0.76^a	-0.78^a	-0.77^a
	(0.04)	(0.04)	(0.04)	(0.04)	(0.04)	(0.04)
Share language	0.23^a	0.20^a	0.21^a	0.20^a	0.14^c	0.11
	(0.07)	(0.07)	(0.07)	(0.07)	(0.07)	(0.08)
Contiguity	0.38^a	0.39^a	0.39^a	0.39^a	0.42^a	0.40^a
	(0.07)	(0.07)	(0.07)	(0.07)	(0.07)	(0.08)
Common colonizer	0.25	0.25	0.33^c	0.44^a	0.49^a	0.51^a
	(0.18)	(0.17)	(0.17)	(0.16)	(0.17)	(0.16)
Former colonial relationship	0.15	0.17	0.15	0.20	0.18	0.23^c
	(0.13)	(0.14)	(0.13)	(0.13)	(0.14)	(0.13)
Same country	-0.07	-0.11	-0.13	-0.12	-0.11	-0.18
	(0.15)	(0.15)	(0.15)	(0.15)	(0.15)	(0.15)
Free trade agreement	0.61^a	0.49^a	0.50^a	0.54^a	0.42^a	0.42^a
	(0.08)	(0.09)	(0.08)	(0.08)	(0.08)	(0.08)
Origin effects	Yes	Yes	Yes	Yes	Yes	Yes
Destination effects	Yes	Yes	Yes	Yes	Yes	Yes
Observations	31971	31971	31762	31762	31762	31762

Note: Robust standard errors clustered by country-pair in parentheses with ^{a}, ^{b} and ^{c} denoting respectively significance at 1%, 5% and 10%.

Appendix C. Poisson-PML currency union effects – 1948-2009 (positive-trade subsample)

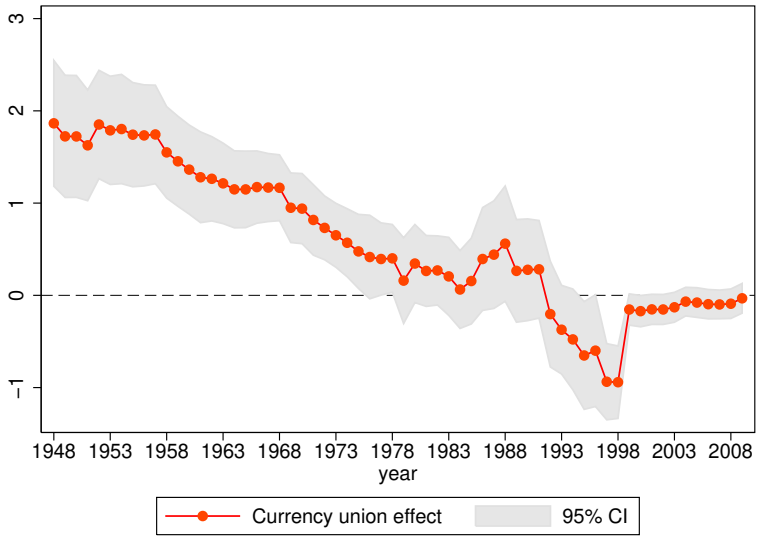

Figure 4: PPML currency union effects (positive-trade subsample) – 1948-2009

Table 18: PPML currency union effects (positive trade) – 1948-1955

	Dependent Variable: Bilateral Exports							
	1948	1949	1950	1951	1952	1953	1954	1955
Currency union	1.86^a	1.72^a	1.72^a	1.63^a	1.85^a	1.79^a	1.80^a	1.74^a
	(0.35)	(0.34)	(0.34)	(0.31)	(0.30)	(0.30)	(0.30)	(0.29)
Ln Distance	-0.61^a	-0.59^a	-0.62^a	-0.62^a	-0.69^a	-0.72^a	-0.70^a	-0.60^a
	(0.07)	(0.07)	(0.07)	(0.07)	(0.07)	(0.07)	(0.07)	(0.08)
Share language	0.03	-0.07	0.02	0.10	0.14	0.14	0.21	0.33^b
	(0.18)	(0.18)	(0.16)	(0.15)	(0.15)	(0.15)	(0.15)	(0.14)
Contiguity	0.43^b	0.58^a	0.61^a	0.43^b	0.34^b	0.44^a	0.43^b	0.68^a
	(0.20)	(0.19)	(0.17)	(0.18)	(0.16)	(0.16)	(0.17)	(0.22)
Common colonizer	-0.46	-0.57	-0.83	-0.72	-0.94^c	-0.96^b	-0.92^b	-0.71^c
	(0.49)	(0.51)	(0.52)	(0.50)	(0.49)	(0.45)	(0.46)	(0.39)
Former colonial relationship	0.74^a	0.84^a	0.69^a	0.67^a	0.70^a	0.81^a	0.77^a	0.60^a
	(0.25)	(0.25)	(0.26)	(0.23)	(0.24)	(0.24)	(0.23)	(0.22)
Same country	0.09	0.06	0.14	0.12	-0.08	-0.09	-0.08	-0.25
	(0.28)	(0.35)	(0.38)	(0.39)	(0.30)	(0.31)	(0.26)	(0.24)
Origin effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Destination effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	3048	2881	3070	3134	3598	3657	3616	3810

Note: Robust standard errors clustered by country-pair in parentheses with ^{a}, ^{b} and ^{c} denoting respectively significance at 1%, 5% and 10%.

Table 19: PPML currency union effects (positive trade) – 1956-1963

	Dependent Variable: Bilateral Exports							
	1956	1957	1958	1959	1960	1961	1962	1963
Currency union	1.73^{a}	1.74^{a}	1.55^{a}	1.45^{a}	1.36^{a}	1.28^{a}	1.26^{a}	1.21^{a}
	(0.28)	(0.27)	(0.25)	(0.25)	(0.25)	(0.25)	(0.23)	(0.22)
Ln Distance	-0.62^{a}	-0.62^{a}	-0.70^{a}	-0.69^{a}	-0.69^{a}	-0.70^{a}	-0.71^{a}	-0.73^{a}
	(0.07)	(0.07)	(0.06)	(0.06)	(0.06)	(0.05)	(0.05)	(0.05)
Share language	0.25^{c}	0.22^{c}	0.19	0.22^{c}	0.27^{b}	0.32^{a}	0.34^{a}	0.36^{a}
	(0.13)	(0.13)	(0.13)	(0.12)	(0.12)	(0.12)	(0.11)	(0.11)
Contiguity	0.65^{a}	0.59^{a}	0.49^{a}	0.46^{a}	0.32^{a}	0.28^{b}	0.28^{b}	0.27^{b}
	(0.21)	(0.19)	(0.14)	(0.14)	(0.12)	(0.12)	(0.11)	(0.11)
Common colonizer	-0.73^{c}	-0.92^{b}	-0.98^{b}	-0.94^{b}	-0.86^{b}	-0.62^{b}	-0.67^{b}	-0.67^{b}
	(0.40)	(0.41)	(0.39)	(0.39)	(0.36)	(0.30)	(0.30)	(0.29)
Former colonial relationship	0.65^{a}	0.67^{a}	0.83^{a}	0.80^{a}	0.82^{a}	0.77^{a}	0.69^{a}	0.68^{a}
	(0.20)	(0.20)	(0.19)	(0.19)	(0.18)	(0.18)	(0.17)	(0.17)
Same country	-0.26	-0.23	0.05	-0.01	0.02	0.03	0.01	-0.01
	(0.29)	(0.34)	(0.25)	(0.25)	(0.22)	(0.22)	(0.22)	(0.19)
Free trade agreement			-0.34^{b}	-0.20	0.13	0.20^{c}	0.23^{b}	0.28^{a}
			(0.17)	(0.17)	(0.12)	(0.11)	(0.11)	(0.10)
Origin effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Destination effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	4187	4173	4622	4566	4992	4989	5188	5574

Note: Robust standard errors clustered by country-pair in parentheses with ^{a}, ^{b} and ^{c} denoting respectively significance at 1%, 5% and 10%.

Table 20: PPML currency union effects (positive trade) – 1964-1971

	Dependent Variable: Bilateral Exports							
	1964	1965	1966	1967	1968	1969	1970	1971
Currency union	1.15^a	1.15^a	1.17^a	1.17^a	1.17^a	0.95^a	0.94^a	0.82^a
	(0.21)	(0.21)	(0.20)	(0.19)	(0.18)	(0.19)	(0.19)	(0.19)
Ln Distance	-0.74^a	-0.75^a	-0.76^a	-0.77^a	-0.78^a	-0.79^a	-0.77^a	-0.75^a
	(0.05)	(0.05)	(0.04)	(0.04)	(0.04)	(0.05)	(0.05)	(0.05)
Share language	0.37^a	0.38^a	0.37^a	0.38^a	0.38^a	0.41^a	0.40^a	0.41^a
	(0.10)	(0.10)	(0.10)	(0.10)	(0.10)	(0.10)	(0.10)	(0.10)
Contiguity	0.27^a	0.26^a	0.26^a	0.30^a	0.29^a	0.30^a	0.36^a	0.40^a
	(0.10)	(0.10)	(0.09)	(0.10)	(0.09)	(0.09)	(0.13)	(0.13)
Common colonizer	-0.68^b	-0.74^a	-0.33^c	-0.36^b	-0.28	-0.22	-0.24	-0.15
	(0.29)	(0.27)	(0.19)	(0.18)	(0.18)	(0.16)	(0.16)	(0.15)
Former colonial relationship	0.70^a	0.70^a	0.66^a	0.67^a	0.63^a	0.63^a	0.58^a	0.49^a
	(0.15)	(0.15)	(0.14)	(0.14)	(0.14)	(0.14)	(0.16)	(0.15)
Same country	-0.00	0.01	0.05	-0.01	-0.08	-0.09	-0.13	-0.09
	(0.18)	(0.17)	(0.16)	(0.16)	(0.16)	(0.16)	(0.15)	(0.15)
Free trade agreement	0.34^a	0.36^a	0.40^a	0.43^a	0.47^a	0.53^a	0.57^a	0.60^a
	(0.10)	(0.09)	(0.09)	(0.09)	(0.09)	(0.09)	(0.09)	(0.09)
Origin effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Destination effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	6172	6496	6879	6941	6891	7949	8340	8684

Note: Robust standard errors clustered by country-pair in parentheses with ^{a}, ^{b} and ^{c} denoting respectively significance at 1%, 5% and 10%.

Table 21: PPML currency union effects (positive trade)– 1972-1979

	Dependent Variable: Bilateral Exports							
	1972	1973	1974	1975	1976	1977	1978	1979
Currency union	0.73^a	0.65^a	0.57^a	0.48^b	0.42^c	0.39^b	0.40^b	0.16
	(0.18)	(0.18)	(0.19)	(0.20)	(0.23)	(0.20)	(0.19)	(0.24)
Ln Distance	-0.77^a	-0.80^a	-0.81^a	-0.77^a	-0.75^a	-0.73^a	-0.74^a	-0.77^a
	(0.05)	(0.05)	(0.05)	(0.05)	(0.05)	(0.05)	(0.05)	(0.05)
Share language	0.39^a	0.35^a	0.29^a	0.32^a	0.29^a	0.27^a	0.22^a	0.17^b
	(0.09)	(0.09)	(0.09)	(0.09)	(0.09)	(0.09)	(0.08)	(0.08)
Contiguity	0.40^a	0.48^a	0.43^a	0.44^a	0.47^a	0.47^a	0.47^a	0.42^a
	(0.13)	(0.13)	(0.11)	(0.12)	(0.12)	(0.12)	(0.12)	(0.11)
Common colonizer	-0.11	-0.18	-0.24	-0.18	-0.23	-0.23	-0.26^c	-0.18
	(0.15)	(0.15)	(0.17)	(0.17)	(0.16)	(0.16)	(0.15)	(0.16)
Former colonial relationship	0.42^a	0.39^a	0.38^a	0.38^a	0.33^b	0.32^b	0.32^b	0.31^b
	(0.14)	(0.13)	(0.13)	(0.15)	(0.14)	(0.14)	(0.14)	(0.13)
Same country	-0.10	-0.07	-0.06	-0.03	0.01	-0.00	0.02	0.05
	(0.15)	(0.14)	(0.14)	(0.13)	(0.13)	(0.13)	(0.12)	(0.12)
Free trade agreement	0.61^a	0.08	0.06	0.16	0.22^c	0.24^c	0.26^b	0.26^b
	(0.08)	(0.14)	(0.12)	(0.13)	(0.12)	(0.12)	(0.12)	(0.12)
Origin effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Destination effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	8972	9624	9899	9836	9923	10260	10203	10645

Note: Robust standard errors clustered by country-pair in parentheses with ^{a}, ^{b} and ^{c} denoting respectively significance at 1%, 5% and 10%.

Table 22: PPML currency union effects (positive trade) – 1980-1987

	Dependent Variable: Bilateral Exports							
	1980	1981	1982	1983	1984	1985	1986	1987
Currency union	0.34	0.26	0.27	0.21	0.06	0.16	0.39	0.44
	(0.22)	(0.20)	(0.19)	(0.22)	(0.22)	(0.24)	(0.28)	(0.30)
Ln Distance	-0.74^a	-0.73^a	-0.76^a	-0.77^a	-0.78^a	-0.78^a	-0.71^a	-0.69^a
	(0.05)	(0.05)	(0.05)	(0.05)	(0.05)	(0.05)	(0.05)	(0.05)
Share language	0.19^b	0.18^b	0.20^a	0.24^a	0.27^a	0.30^a	0.27^a	0.28^a
	(0.08)	(0.08)	(0.08)	(0.07)	(0.07)	(0.07)	(0.07)	(0.07)
Contiguity	0.37^a	0.39^a	0.36^a	0.39^a	0.39^a	0.40^a	0.46^a	0.46^a
	(0.11)	(0.11)	(0.10)	(0.10)	(0.09)	(0.09)	(0.09)	(0.08)
Common colonizer	-0.21	-0.06	-0.16	-0.25	-0.18	-0.22	-0.18	-0.24
	(0.16)	(0.16)	(0.17)	(0.18)	(0.20)	(0.21)	(0.21)	(0.22)
Former colonial relationship	0.31^b	0.31^b	0.28^b	0.17	0.09	0.08	0.12	0.10
	(0.12)	(0.13)	(0.14)	(0.14)	(0.13)	(0.13)	(0.12)	(0.11)
Same country	0.16	0.26	0.26	0.22	0.24	0.26	0.37	0.47^c
	(0.15)	(0.18)	(0.19)	(0.20)	(0.23)	(0.23)	(0.24)	(0.27)
Free trade agreement	0.42^a	0.40^a	0.30^b	0.34^a	0.32^a	0.33^a	0.52^a	0.59^a
	(0.13)	(0.13)	(0.12)	(0.12)	(0.12)	(0.12)	(0.13)	(0.12)
Origin effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Destination effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	10704	10902	10833	10700	10898	11051	11225	11468

Note: Robust standard errors clustered by country-pair in parentheses with ^{a}, ^{b} and ^{c} denoting respectively significance at 1%, 5% and 10%.

Table 23: PPML currency union effects (positive trade) – 1988-1995

	Dependent Variable: Bilateral Exports							
	1988	1989	1990	1991	1992	1993	1994	1995
Currency union	0.56^{c}	0.27	0.28	0.28	-0.20	-0.37	-0.48^{c}	-0.65^{b}
	(0.32)	(0.28)	(0.28)	(0.27)	(0.29)	(0.25)	(0.28)	(0.30)
Ln Distance	-0.67^{a}	-0.65^{a}	-0.67^{a}	-0.69^{a}	-0.71^{a}	-0.69^{a}	-0.65^{a}	-0.63^{a}
	(0.05)	(0.04)	(0.05)	(0.05)	(0.05)	(0.04)	(0.04)	(0.05)
Share language	0.25^{a}	0.17^{b}	0.20^{a}	0.18^{b}	0.17^{b}	0.16^{b}	0.18^{b}	0.19^{b}
	(0.07)	(0.07)	(0.07)	(0.08)	(0.08)	(0.08)	(0.08)	(0.08)
Contiguity	0.50^{a}	0.45^{a}	0.43^{a}	0.45^{a}	0.51^{a}	0.59^{a}	0.55^{a}	0.52^{a}
	(0.08)	(0.08)	(0.09)	(0.10)	(0.10)	(0.10)	(0.09)	(0.09)
Common colonizer	-0.31	-0.14	-0.18	-0.20	-0.04	0.02	0.09	0.16
	(0.22)	(0.18)	(0.17)	(0.17)	(0.16)	(0.15)	(0.16)	(0.16)
Former colonial relationship	0.08	0.18	0.17	0.15	0.10	0.06	0.18	0.19
	(0.11)	(0.11)	(0.11)	(0.11)	(0.12)	(0.11)	(0.12)	(0.13)
Same country	0.54^{b}	0.57^{c}	0.52	0.45	0.41	0.26	0.26	0.23
	(0.27)	(0.31)	(0.34)	(0.32)	(0.30)	(0.25)	(0.24)	(0.23)
Free trade agreement	0.58^{a}	0.61^{a}	0.54^{a}	0.50^{a}	0.39^{a}	0.38^{a}	0.59^{a}	0.68^{a}
	(0.12)	(0.09)	(0.09)	(0.10)	(0.09)	(0.09)	(0.10)	(0.11)
Origin effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Destination effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	12159	12864	13254	13282	14568	15610	16655	17486

Note: Robust standard errors clustered by country-pair in parentheses with ^{a}, ^{b} and ^{c} denoting respectively significance at 1%, 5% and 10%.

Table 24: PPML currency union effects (positive trade) – 1996-2003

	Dependent Variable: Bilateral Exports							
	1996	1997	1998	1999	2000	2001	2002	2003
Currency union	-0.60^{c}	-0.94^{a}	-0.94^{a}	-0.15^{c}	-0.17^{b}	-0.15^{c}	-0.15^{c}	-0.13
	(0.31)	(0.21)	(0.20)	(0.09)	(0.09)	(0.08)	(0.08)	(0.08)
Ln Distance	-0.61^{a}	-0.63^{a}	-0.62^{a}	-0.69^{a}	-0.68^{a}	-0.73^{a}	-0.75^{a}	-0.78^{a}
	(0.05)	(0.05)	(0.05)	(0.04)	(0.05)	(0.04)	(0.04)	(0.04)
Share language	0.18^{b}	0.19^{a}	0.19^{a}	0.20^{a}	0.20^{a}	0.20^{a}	0.21^{a}	0.23^{a}
	(0.08)	(0.07)	(0.07)	(0.07)	(0.07)	(0.07)	(0.07)	(0.07)
Contiguity	0.53^{a}	0.46^{a}	0.43^{a}	0.44^{a}	0.45^{a}	0.44^{a}	0.43^{a}	0.40^{a}
	(0.09)	(0.07)	(0.07)	(0.08)	(0.08)	(0.07)	(0.07)	(0.07)
Common colonizer	0.14	0.27^{b}	0.29^{b}	0.09	0.01	0.12	0.09	0.14
	(0.16)	(0.14)	(0.12)	(0.21)	(0.20)	(0.19)	(0.18)	(0.18)
Former colonial relationship	0.21	0.21	0.23^{c}	0.16	0.15	0.15	0.14	0.13
	(0.13)	(0.14)	(0.13)	(0.14)	(0.14)	(0.14)	(0.14)	(0.15)
Same country	0.20	0.34^{c}	0.37^{c}	0.23	0.21	0.13	0.07	-0.03
	(0.22)	(0.20)	(0.20)	(0.20)	(0.19)	(0.18)	(0.16)	(0.16)
Free trade agreement	0.74^{a}	0.73^{a}	0.81^{a}	0.65^{a}	0.67^{a}	0.57^{a}	0.55^{a}	0.50^{a}
	(0.10)	(0.10)	(0.09)	(0.09)	(0.09)	(0.08)	(0.09)	(0.08)
Origin effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Destination effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	17909	17728	17964	18259	18932	19228	19456	19832

Note: Robust standard errors clustered by country-pair in parentheses with ^{a}, ^{b} and ^{c} denoting respectively significance at 1%, 5% and 10%.

Table 25: PPML currency union effects (positive trade) – 2004-2009

	Dependent Variable: Bilateral Exports					
	2004	2005	2006	2007	2008	2009
Currency union	-0.07	-0.08	-0.10	-0.10	-0.09	-0.03
	(0.08)	(0.08)	(0.08)	(0.08)	(0.08)	(0.08)
Ln Distance	-0.74^a	-0.77^a	-0.78^a	-0.76^a	-0.78^a	-0.77^a
	(0.04)	(0.04)	(0.04)	(0.04)	(0.04)	(0.04)
Share language	0.22^a	0.20^a	0.20^a	0.20^a	0.14^c	0.11
	(0.07)	(0.07)	(0.07)	(0.07)	(0.07)	(0.08)
Contiguity	0.38^a	0.39^a	0.39^a	0.39^a	0.42^a	0.40^a
	(0.07)	(0.07)	(0.07)	(0.07)	(0.07)	(0.08)
Common colonizer	0.25	0.25	0.34^c	0.45^a	0.50^a	0.51^a
	(0.18)	(0.18)	(0.17)	(0.17)	(0.17)	(0.16)
Former colonial relationship	0.15	0.16	0.15	0.19	0.18	0.23^c
	(0.13)	(0.14)	(0.13)	(0.13)	(0.14)	(0.13)
Same country	-0.07	-0.11	-0.13	-0.12	-0.10	-0.17
	(0.15)	(0.15)	(0.15)	(0.15)	(0.15)	(0.15)
Free trade agreement	0.60^a	0.49^a	0.49^a	0.53^a	0.40^a	0.41^a
	(0.08)	(0.09)	(0.08)	(0.08)	(0.08)	(0.08)
Origin effects	Yes	Yes	Yes	Yes	Yes	Yes
Destination effects	Yes	Yes	Yes	Yes	Yes	Yes
Observations	19907	20035	20123	20198	20605	20453

Note: Robust standard errors clustered by country-pair in parentheses with ^{a}, ^{b} and ^{c} denoting respectively significance at 1%, 5% and 10%.

Appendix D. Poisson-PML multilateral and unilateral currency union effects – 1948-2009. Results used to construct Figure (3)

Table 26: PPML multilateral and unilateral currency union effects – 1948-1955

	Dependent Variable: Bilateral Exports							
	1948	1949	1950	1951	1952	1953	1954	1955
Unilateral currency union	2.11^a	1.99^a	1.97^a	1.87^a	2.06^a	1.97^a	1.96^a	1.90^a
	(0.37)	(0.36)	(0.35)	(0.31)	(0.31)	(0.31)	(0.31)	(0.29)
Multilateral currency union	2.42^a	2.77^a	2.68^a	2.15^a	2.05^a	1.82^a	1.53^b	1.81^a
	(0.76)	(0.75)	(0.82)	(0.78)	(0.67)	(0.64)	(0.65)	(0.52)
Ln Distance	-0.68^a	-0.64^a	-0.67^a	-0.67^a	-0.74^a	-0.76^a	-0.74^a	-0.65^a
	(0.08)	(0.08)	(0.07)	(0.08)	(0.07)	(0.07)	(0.07)	(0.08)
Share language	0.07	-0.02	0.02	0.11	0.16	0.15	0.22	0.31^b
	(0.18)	(0.19)	(0.17)	(0.16)	(0.16)	(0.16)	(0.15)	(0.15)
Contiguity	0.36^c	0.47^b	0.52^a	0.32^c	0.26	0.36^b	0.34^b	0.65^a
	(0.20)	(0.19)	(0.17)	(0.18)	(0.17)	(0.16)	(0.16)	(0.24)
Common colonizer	-0.46	-0.73	-0.96^c	-0.94^c	-1.07^b	-0.92^b	-0.79^c	-0.60
	(0.51)	(0.53)	(0.53)	(0.50)	(0.49)	(0.45)	(0.47)	(0.41)
Former colonial relationship	0.75^a	0.81^a	0.69^b	0.66^a	0.71^a	0.82^a	0.78^a	0.66^a
	(0.27)	(0.27)	(0.27)	(0.24)	(0.25)	(0.25)	(0.25)	(0.22)
Same country	0.12	0.14	0.24	0.21	-0.04	-0.13	-0.17	-0.32
	(0.29)	(0.36)	(0.41)	(0.42)	(0.31)	(0.32)	(0.30)	(0.27)
Origin effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Destination effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	7801	7265	7527	9078	7847	8100	7972	8551

Note: Robust standard errors clustered by country-pair in parentheses with ^{a}, ^{b} and ^{c} denoting respectively significance at 1%, 5% and 10%.

Table 27: PPML multilateral and unilateral currency union effects – 1956-1963

	Dependent Variable: Bilateral Exports							
	1956	1957	1958	1959	1960	1961	1962	1963
Unilateral currency union	1.94^{a}	1.94^{a}	1.81^{a}	1.71^{a}	1.59^{a}	1.53^{a}	1.49^{a}	1.41^{a}
	(0.28)	(0.28)	(0.26)	(0.25)	(0.25)	(0.25)	(0.24)	(0.23)
Multilateral currency union	2.06^{a}	2.51^{a}	1.24^{b}	1.43^{b}	1.13^{b}	1.66^{a}	1.63^{a}	1.69^{a}
	(0.59)	(0.57)	(0.62)	(0.56)	(0.52)	(0.51)	(0.47)	(0.39)
Ln Distance	-0.67^{a}	-0.68^{a}	-0.74^{a}	-0.73^{a}	-0.73^{a}	-0.75^{a}	-0.75^{a}	-0.76^{a}
	(0.08)	(0.07)	(0.06)	(0.06)	(0.06)	(0.06)	(0.05)	(0.05)
Share language	0.26^{c}	0.22^{c}	0.24^{c}	0.28^{b}	0.32^{b}	0.34^{a}	0.36^{a}	0.39^{a}
	(0.14)	(0.13)	(0.14)	(0.13)	(0.13)	(0.13)	(0.12)	(0.12)
Contiguity	0.59^{b}	0.51^{b}	0.39^{a}	0.35^{b}	0.24^{b}	0.21^{c}	0.23^{b}	0.22^{b}
	(0.24)	(0.21)	(0.14)	(0.14)	(0.12)	(0.12)	(0.11)	(0.11)
Common colonizer	-0.83^{b}	-1.07^{b}	-1.10^{a}	-1.10^{a}	-0.93^{b}	-0.87^{a}	-0.89^{a}	-0.93^{a}
	(0.41)	(0.43)	(0.40)	(0.39)	(0.36)	(0.31)	(0.30)	(0.31)
Former colonial relationship	0.67^{a}	0.68^{a}	0.81^{a}	0.78^{a}	0.85^{a}	0.83^{a}	0.74^{a}	0.72^{a}
	(0.21)	(0.21)	(0.21)	(0.21)	(0.20)	(0.19)	(0.19)	(0.18)
Same country	-0.28	-0.23	0.11	0.06	0.04	0.05	0.04	0.06
	(0.27)	(0.30)	(0.26)	(0.24)	(0.22)	(0.22)	(0.21)	(0.19)
Free trade agreement			-0.38^{b}	-0.23	0.06	0.13	0.17	0.23^{b}
			(0.18)	(0.17)	(0.13)	(0.12)	(0.11)	(0.10)
Origin effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Destination effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	8993	9270	13767	14232	16335	16524	16467	17046

Note: Robust standard errors clustered by country-pair in parentheses with ^{a}, ^{b} and ^{c} denoting respectively significance at 1%, 5% and 10%.

Table 28: PPML multilateral and unilateral currency union effects – 1964-1971

	Dependent Variable: Bilateral Exports							
	1964	1965	1966	1967	1968	1969	1970	1971
Unilateral currency union	1.35^a	1.33^a	1.37^a	1.48^a	1.46^a	1.26^a	1.19^a	1.08^a
	(0.22)	(0.22)	(0.21)	(0.22)	(0.22)	(0.26)	(0.26)	(0.25)
Multilateral currency union	1.65^a	1.49^a	1.10^a	1.38^a	1.16^a	1.08^a	1.04^a	0.75^a
	(0.41)	(0.35)	(0.31)	(0.27)	(0.31)	(0.29)	(0.30)	(0.26)
Ln Distance	-0.76^a	-0.78^a	-0.78^a	-0.79^a	-0.80^a	-0.82^a	-0.79^a	-0.77^a
	(0.05)	(0.05)	(0.05)	(0.05)	(0.05)	(0.05)	(0.05)	(0.05)
Share language	0.43^a	0.43^a	0.43^a	0.44^a	0.43^a	0.46^a	0.42^a	0.43^a
	(0.11)	(0.11)	(0.10)	(0.11)	(0.10)	(0.10)	(0.11)	(0.10)
Contiguity	0.20^c	0.19^c	0.18^c	0.23^b	0.22^b	0.23^b	0.31^b	0.37^a
	(0.10)	(0.10)	(0.10)	(0.10)	(0.10)	(0.10)	(0.14)	(0.13)
Common colonizer	-0.85^a	-0.88^a	-0.41^b	-0.42^b	-0.30^c	-0.30^c	-0.25	-0.13
	(0.30)	(0.28)	(0.19)	(0.18)	(0.18)	(0.16)	(0.16)	(0.15)
Former colonial relationship	0.69^a	0.70^a	0.64^a	0.65^a	0.62^a	0.62^a	0.62^a	0.53^a
	(0.17)	(0.16)	(0.16)	(0.15)	(0.15)	(0.16)	(0.17)	(0.16)
Same country	0.04	0.04	0.08	0.01	-0.06	-0.12	-0.14	-0.11
	(0.18)	(0.18)	(0.18)	(0.17)	(0.17)	(0.17)	(0.17)	(0.16)
Free trade agreement	0.32^a	0.33^a	0.37^a	0.40^a	0.44^a	0.50^a	0.54^a	0.58^a
	(0.09)	(0.09)	(0.09)	(0.09)	(0.09)	(0.09)	(0.09)	(0.09)
Origin effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Destination effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	18310	18286	18717	18688	19024	19899	20266	20218

Note: Robust standard errors clustered by country-pair in parentheses with ^{a}, ^{b} and ^{c} denoting respectively significance at 1%, 5% and 10%.

Table 29: PPML multilateral and unilateral currency union effects – 1972-1979

	Dependent Variable: Bilateral Exports							
	1972	1973	1974	1975	1976	1977	1978	1979
Unilateral currency union	0.99[a]	0.91[a]	0.82[a]	0.65[a]	0.55[c]	0.52[b]	0.53[b]	0.38
	(0.23)	(0.22)	(0.23)	(0.25)	(0.29)	(0.25)	(0.22)	(0.37)
Multilateral currency union	0.75[a]	0.41[c]	0.34	0.50[c]	0.51[c]	0.34	0.27	0.11
	(0.24)	(0.25)	(0.26)	(0.26)	(0.26)	(0.25)	(0.23)	(0.23)
Ln Distance	-0.79[a]	-0.83[a]	-0.85[a]	-0.81[a]	-0.79[a]	-0.78[a]	-0.78[a]	-0.80[a]
	(0.05)	(0.05)	(0.05)	(0.05)	(0.05)	(0.05)	(0.05)	(0.05)
Share language	0.41[a]	0.37[a]	0.30[a]	0.32[a]	0.31[a]	0.29[a]	0.24[a]	0.20[b]
	(0.10)	(0.09)	(0.09)	(0.09)	(0.09)	(0.09)	(0.09)	(0.09)
Contiguity	0.37[a]	0.45[a]	0.38[a]	0.40[a]	0.44[a]	0.44[a]	0.43[a]	0.40[a]
	(0.13)	(0.13)	(0.12)	(0.13)	(0.13)	(0.13)	(0.12)	(0.12)
Common colonizer	-0.14	-0.19	-0.24	-0.24	-0.30[c]	-0.29[c]	-0.28[c]	-0.24
	(0.15)	(0.14)	(0.17)	(0.17)	(0.17)	(0.17)	(0.16)	(0.16)
Former colonial relationship	0.45[a]	0.40[a]	0.40[a]	0.40[b]	0.34[b]	0.33[b]	0.32[b]	0.31[b]
	(0.15)	(0.14)	(0.14)	(0.16)	(0.15)	(0.15)	(0.15)	(0.14)
Same country	-0.11	-0.11	-0.10	-0.06	-0.03	-0.04	-0.02	-0.01
	(0.16)	(0.15)	(0.15)	(0.14)	(0.14)	(0.14)	(0.13)	(0.13)
Free trade agreement	0.59[a]	-0.02	-0.07	0.04	0.09	0.10	0.14	0.17
	(0.08)	(0.14)	(0.13)	(0.13)	(0.13)	(0.13)	(0.12)	(0.12)
Origin effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Destination effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	20645	20710	20742	20683	21076	21182	20988	20954

Note: Robust standard errors clustered by country-pair in parentheses with [a], [b] and [c] denoting respectively significance at 1%, 5% and 10%.

Table 30: PPML multilateral and unilateral currency union effects – 1980-1987

	Dependent Variable: Bilateral Exports							
	1980	1981	1982	1983	1984	1985	1986	1987
Unilateral currency union	0.56^{c}	0.59^{c}	0.70^{b}	0.51	0.32	0.38	0.93	1.06^{c}
	(0.34)	(0.31)	(0.29)	(0.36)	(0.35)	(0.42)	(0.58)	(0.61)
Multilateral currency union	0.21	0.01	0.01	-0.04	-0.16	-0.02	0.03	-0.00
	(0.24)	(0.23)	(0.23)	(0.23)	(0.23)	(0.23)	(0.21)	(0.20)
Ln Distance	-0.79^{a}	-0.80^{a}	-0.83^{a}	-0.83^{a}	-0.83^{a}	-0.83^{a}	-0.76^{a}	-0.74^{a}
	(0.05)	(0.05)	(0.05)	(0.06)	(0.05)	(0.05)	(0.05)	(0.05)
Share language	0.22^{a}	0.21^{b}	0.22^{a}	0.27^{a}	0.30^{a}	0.32^{a}	0.29^{a}	0.30^{a}
	(0.09)	(0.08)	(0.08)	(0.08)	(0.08)	(0.08)	(0.08)	(0.07)
Contiguity	0.33^{a}	0.35^{a}	0.33^{a}	0.35^{a}	0.34^{a}	0.36^{a}	0.42^{a}	0.42^{a}
	(0.11)	(0.11)	(0.10)	(0.10)	(0.10)	(0.09)	(0.09)	(0.09)
Common colonizer	-0.18	-0.03	-0.09	-0.15	-0.07	-0.13	-0.03	-0.05
	(0.17)	(0.17)	(0.16)	(0.16)	(0.18)	(0.18)	(0.17)	(0.16)
Former colonial relationship	0.37^{a}	0.37^{b}	0.37^{b}	0.26^{c}	0.18	0.18	0.21	0.18
	(0.14)	(0.15)	(0.15)	(0.15)	(0.15)	(0.14)	(0.13)	(0.13)
Same country	0.08	0.18	0.19	0.13	0.16	0.18	0.30	0.38
	(0.16)	(0.18)	(0.20)	(0.21)	(0.25)	(0.24)	(0.25)	(0.28)
Free trade agreement	0.28^{b}	0.19	0.13	0.18	0.17	0.20	0.41^{a}	0.47^{a}
	(0.14)	(0.13)	(0.12)	(0.12)	(0.12)	(0.12)	(0.13)	(0.13)
Origin effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Destination effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	21105	21720	21802	21850	21954	22132	22332	22852

Note: Robust standard errors clustered by country-pair in parentheses with ^{a}, ^{b} and ^{c} denoting respectively significance at 1%, 5% and 10%.

Table 31: PPML multilateral and unilateral currency union effects – 1988-1995

	Dependent Variable: Bilateral Exports							
	1988	1989	1990	1991	1992	1993	1994	1995
Unilateral currency union	1.44^{b}	0.81	0.80	0.90	0.81	0.29	0.72	0.98
	(0.62)	(0.64)	(0.62)	(0.65)	(0.65)	(0.61)	(0.65)	(0.65)
Multilateral currency union	0.02	0.08	0.09	0.09	-0.53^{b}	-0.51^{b}	-0.76^{a}	-0.99^{a}
	(0.19)	(0.22)	(0.22)	(0.23)	(0.23)	(0.23)	(0.24)	(0.23)
Ln Distance	-0.71^{a}	-0.66^{a}	-0.68^{a}	-0.70^{a}	-0.72^{a}	-0.70^{a}	-0.65^{a}	-0.63^{a}
	(0.05)	(0.04)	(0.05)	(0.05)	(0.05)	(0.04)	(0.05)	(0.05)
Share language	0.27^{a}	0.19^{a}	0.22^{a}	0.19^{b}	0.18^{b}	0.17^{b}	0.18^{b}	0.18^{b}
	(0.07)	(0.07)	(0.07)	(0.08)	(0.08)	(0.08)	(0.08)	(0.08)
Contiguity	0.47^{a}	0.46^{a}	0.44^{a}	0.45^{a}	0.51^{a}	0.58^{a}	0.55^{a}	0.53^{a}
	(0.09)	(0.09)	(0.10)	(0.10)	(0.10)	(0.10)	(0.09)	(0.09)
Common colonizer	-0.07	-0.12	-0.14	-0.17	0.02	0.04	0.15	0.23
	(0.15)	(0.16)	(0.15)	(0.16)	(0.16)	(0.15)	(0.15)	(0.15)
Former colonial relationship	0.16	0.18	0.17	0.13	0.09	0.05	0.19	0.20
	(0.12)	(0.12)	(0.12)	(0.12)	(0.12)	(0.12)	(0.13)	(0.13)
Same country	0.45	0.49	0.43	0.45	0.42	0.27	0.28	0.25
	(0.29)	(0.31)	(0.34)	(0.33)	(0.30)	(0.26)	(0.24)	(0.23)
Free trade agreement	0.50^{a}	0.55^{a}	0.47^{a}	0.44^{a}	0.35^{a}	0.35^{a}	0.59^{a}	0.69^{a}
	(0.12)	(0.09)	(0.09)	(0.10)	(0.10)	(0.09)	(0.10)	(0.11)
Origin effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Destination effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	22978	23478	24222	24739	27254	28912	29844	30336

Note: Robust standard errors clustered by country-pair in parentheses with ^{a}, ^{b} and ^{c} denoting respectively significance at 1%, 5% and 10%.

Table 32: PPML multilateral and unilateral currency union effects – 1996-2003

	Dependent Variable: Bilateral Exports							
	1996	1997	1998	1999	2000	2001	2002	2003
Unilateral currency union	1.16^{c}	0.01	-0.33	-0.53	-0.71^{b}	-0.84^{b}	-0.92^{b}	-0.79^{b}
	(0.64)	(0.38)	(0.39)	(0.39)	(0.36)	(0.41)	(0.37)	(0.40)
Multilateral currency union	-0.99^{a}	-1.07^{a}	-1.04^{a}	-0.16^{c}	-0.17^{c}	-0.14^{c}	-0.14^{c}	-0.13
	(0.23)	(0.21)	(0.20)	(0.09)	(0.09)	(0.08)	(0.08)	(0.08)
Ln Distance	-0.61^{a}	-0.64^{a}	-0.63^{a}	-0.70^{a}	-0.69^{a}	-0.73^{a}	-0.75^{a}	-0.78^{a}
	(0.05)	(0.05)	(0.05)	(0.05)	(0.05)	(0.04)	(0.04)	(0.04)
Share language	0.18^{b}	0.20^{a}	0.19^{a}	0.20^{a}	0.21^{a}	0.22^{a}	0.22^{a}	0.24^{a}
	(0.08)	(0.07)	(0.07)	(0.07)	(0.07)	(0.07)	(0.07)	(0.07)
Contiguity	0.54^{a}	0.46^{a}	0.43^{a}	0.43^{a}	0.45^{a}	0.44^{a}	0.43^{a}	0.39^{a}
	(0.09)	(0.07)	(0.07)	(0.08)	(0.08)	(0.07)	(0.07)	(0.07)
Common colonizer	0.22	0.30^{b}	0.31^{b}	0.09	0.03	0.13	0.10	0.13
	(0.15)	(0.13)	(0.12)	(0.21)	(0.20)	(0.19)	(0.18)	(0.18)
Former colonial relationship	0.21	0.21	0.24^{c}	0.16	0.14	0.15	0.14	0.13
	(0.13)	(0.14)	(0.13)	(0.14)	(0.14)	(0.14)	(0.14)	(0.15)
Same country	0.22	0.35^{c}	0.37^{c}	0.23	0.20	0.13	0.06	-0.03
	(0.22)	(0.20)	(0.20)	(0.20)	(0.19)	(0.18)	(0.16)	(0.16)
Free trade agreement	0.74^{a}	0.73^{a}	0.80^{a}	0.64^{a}	0.66^{a}	0.56^{a}	0.54^{a}	0.51^{a}
	(0.11)	(0.10)	(0.09)	(0.09)	(0.09)	(0.08)	(0.09)	(0.08)
Origin effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Destination effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	30796	29781	30119	30412	31971	31971	31971	31971

Note: Robust standard errors clustered by country-pair in parentheses with ^{a}, ^{b} and ^{c} denoting respectively significance at 1%, 5% and 10%.

Table 33: PPML multilateral and unilateral currency union effects – 2004-2009

	Dependent Variable: Bilateral Exports					
	2004	2005	2006	2007	2008	2009
Unilateral currency union	-0.54	-0.45	-0.39	-0.33	-0.09	-0.46
	(0.36)	(0.32)	(0.31)	(0.29)	(0.29)	(0.36)
Multilateral currency union	-0.07	-0.08	-0.10	-0.11	-0.10	-0.03
	(0.08)	(0.08)	(0.08)	(0.08)	(0.08)	(0.08)
Ln Distance	-0.74^a	-0.77^a	-0.78^a	-0.76^a	-0.78^a	-0.77^a
	(0.04)	(0.04)	(0.04)	(0.04)	(0.05)	(0.04)
Share language	0.23^a	0.20^a	0.21^a	0.20^a	0.14^c	0.11
	(0.07)	(0.07)	(0.07)	(0.07)	(0.07)	(0.08)
Contiguity	0.38^a	0.39^a	0.39^a	0.39^a	0.42^a	0.40^a
	(0.07)	(0.07)	(0.07)	(0.07)	(0.07)	(0.08)
Common colonizer	0.24	0.24	0.33^c	0.44^a	0.49^a	0.50^a
	(0.18)	(0.18)	(0.17)	(0.16)	(0.17)	(0.16)
Former colonial relationship	0.15	0.17	0.15	0.20	0.18	0.23^c
	(0.13)	(0.14)	(0.13)	(0.13)	(0.14)	(0.13)
Same country	-0.07	-0.11	-0.13	-0.12	-0.11	-0.18
	(0.15)	(0.15)	(0.15)	(0.15)	(0.15)	(0.15)
Free trade agreement	0.61^a	0.49^a	0.50^a	0.54^a	0.42^a	0.42^a
	(0.08)	(0.09)	(0.08)	(0.08)	(0.08)	(0.08)
Origin effects	Yes	Yes	Yes	Yes	Yes	Yes
Destination effects	Yes	Yes	Yes	Yes	Yes	Yes
Observations	31971	31971	31762	31762	31762	31762

Note: Robust standard errors clustered by country-pair in parentheses with ^{a}, ^{b} and ^{c} denoting respectively significance at 1%, 5% and 10%.