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Ronald B Davies, University College Dublin and
Rodolphe Desbordes, University of Strathclyde

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The Impact of Everything But Arms on EU Relative Labour Demand*

Ronald B. Davies† Rodolphe Desbordes‡

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Abstract

The Everything But Arms agreement, introduced by the EU in 2001, eliminated duties on most imports from the least developed countries. To avail of these benefits, however, the exported product must contain a sufficiently large share of local content. Thus, the agreement may have affected both the quantity and the factor content of exports from the least developed countries to the EU. Using a panel of sector-level data across countries, our estimates suggest that, contrary to expectations, the agreement may have increased the skill-content of these exports, benefitting the lowest-skilled EU workers at the expense of their highest-skilled counterparts. This result, however, is entirely driven by textile trade; when omitting this industry, we find no significant effects. This suggests that the EBA may have led to the local provision of higher-skill inputs in the textile industry.

JEL classification: F16, F13

Keywords: Everything But Arms; Local Content; Trade Agreements; Relative Wages

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†University College Dublin. ronbdavies@gmail.com

‡University of Strathclyde rodolphe.desbordes@strath.ac.uk

1 Introduction

There is a well established link between trade and economic growth, with the consensus being that, depending on the time period, countries which trade more grow faster.[1] Inspired by this notion, in 2001 the European Union (EU) introduced the Everything But Arms (EBA) agreement as part of its Generalized System of Preferences (GSP). This agreement eliminated quotas and duties on imports (excepting armaments) from the least developed countries (LDCs).[2] One important limitation of the EBA, however, is that it includes significant rules of origin requirements.[3] These regulations also have strict limitations on cumulation (i.e. the usage of imported intermediates). These requirements can limit the share of the value attributable to imported intermediates, the type of imported intermediates, and the activities done in the LDC which count as creating local value added. Together, these requirements are designed to ensure that, to avail of the reduced trade barriers, the imported product is produced from locally made inputs. Thus, the EBA can have two impacts on EU imports from LDCs. First, as one might expect that they increase imports from LDCs. Second, if firms alter their input mix in order to meet the rules of origin requirements, this can affect the factor content of the imports. In particular, if it increases the use of local, presumably low-skill, labour, this would reduce the skill intensity of the imports reducing the relative labour demand for low-skill workers in the EU. Note that this effect can persist even if total trade values do not change. It is this impact that we address in this paper.

To date, the empirical work on EBA has focused on its effect on the level of trade between the EU and the LDCs. Here, the evidence is somewhat mixed. Using a panel of product level imports for a select group of EU countries, Gamberoni (2007) finds that the EBA reduces trade at both the extensive and intensive margins. A similar finding is found in aggregate data by Gradeva and Martínez-Zarzoso (2010). In contrast, Cirera, Foliano, and Gasiorek

[1] See Singh (2010) for a recent overview.

[2] Bananas did not qualify until 2006; sugar and rice were not covered until 2009.

[3] These are contained in Articles 66-97w and Annexes 13a-d, 16-18 and 21 of Commission Regulation No. 2454/93 (the implementing provisions of the Community Customs Code), as amended by Regulation (EU) No 1063/2010 and Regulation (EU) No 530/2013.

(2011) use even more disaggregated data than Gamberoni (2007) and include information on the actual duties paid and preferential trade regime under which a given import is traded.[4] When doing so, they find a positive effect of the EBA on trade. This latter result then fits into the overall literature estimating the effect of trade preferences on trade.[5]

In addition to these impacts on the level of trade, the EBA's rules of origin may affect the factor content of imports from EBA nations. As discussed in the survey of Feenstra and Hanson (2003), the effect of globalization on relative labour demand depends on the factor content of offshored activity. In particular, increased imports should reduce the relative demand for the local factors which are used intensively in that industry. As they discuss, the evidence generally finds effects consistent with the result. Against this backdrop, one would then expect that, if the EBA lowered the skill intensity of products from those exporters to the EU, that this would shift demand away from low-skill EU labour towards their higher-skill counterparts.

We investigate this using a panel of sector-level compensation for 14 manufacturing sectors in 36 countries from 1995 to 2009. As this sample includes both EU and non-EU importers as well as pre- and post-EBA data, we are able to employ a difference-in-differences methodology. Contrary to expectations, this suggests that the EBA increased the skill content of imports from EBA countries. This finding, however, is entirely driven by the textile industry, the exports of which dominate EBA trade. One explanation for this is that, at least in this industry, the rules of origin requirements of the EBA led to a vertical re-integration as fewer imported intermediates were used with the result being that the skill content of LDC textiles increased. Although Eliassen (2012) suggests that this may be at play, Goldstein, et al. (2006) argue the opposite. In any case, as the textile industry is a small part of overall value added in the EU, these effects are likely small in economic terms.[6]

In Section 2, we discuss our data and lay out our empirical strategy. Section 3 contains

[4]Some LDCs have access to alternative preferential regimes such as the Cotonou Convention.

[5]Evenett (2009) provides an overview.

[6]Further, it is critical to note that these are *relative* changes, thus it can be that all groups gain in absolute, if not relative, ways.

the results. Section 4 concludes.

2 Data and Empirical Methodology

In this section we describe our data and our empirical methodology. We combine data from two sources. First, we are able to obtain information on sector-level compensation for 14 manufacturing sectors in 36 countries from 1995 to 2009 from the World Input-Output Database (WOID).[7] We then combine this with bilateral trade data obtained from the CEPII's BACI database so that we have imports for each of these countries from EBA-eligible nations, non-EBA developing countries (DCs), and OECD countries.[8] Note that our set of importers includes EU and non-EU countries as well as OECD and non-OECD nations. This is an advantage as the EBA only applies to imports to the EU countries, enabling us to apply a difference-in-differences estimation. The list of importers is in Table 1. Table 2 lists the LDC countries that are eligible for the EBA.[9] Table 3 lists the sectors used and their share in EBA exports over the sample, both to all of the importers in our sample as well as to the EU only. As is immediately apparent, LDC exports are dominated by textiles which account for two-thirds of their exports.

Figure 1 illustrates the shares of LDC, other developing countries (DC), and OECD members in the total imports during the sample period. Figure 2 does so just for the EU countries. In both cases, two things are clear. First, LDCs contribute a very small share of total imports. Second, there has been a shift from OECD imports to those produced in the developing countries. Although the LDCs do comprise a very small share of imports, there share did grow substantially. As shown in Table 4, the EBA countries made up about .2% of imports (both overall and to the EU). By 2009, this share had nearly doubled (with a notable change taking place around the time of the EBAs implementation). In particular,

[7] This can be accessed at `http://www.wiod.org/new_site/database/seas.htm`.

[8] This can be found at `http://www.cepii.fr/CEPII/en/bdd_modele/presentation.asp?id=1`.

[9] Although the Maldives has been removed from the list of LDCs, it continued to enjoy EBA access until 2013. Myanmar/Burma had its eligibility from LDC benefits withdrawn in 1997 due to labour standard violations. They were restored in 2012.

the percentage increase was larger for EU than non-EU nations.

It is against this background that we examine whether, as a result of the EBA and its potential for affecting the factor content of trade, there has been an impact on the relative wages of skilled workers in the EU.

2.1 Empirical Methodology

Our empirical approach draws from the large literature on the effect of trade on relative labour demand which estimates a set of relative labour demand equations in which trade is a demand shifter that alters the relative demand for high-skilled (HS), medium-skilled (MS), and low-skilled (LS) workers.[10] The beginning point for this analysis considers a cost minimizing representative firm in a particular country-sector-year (the subscripts for which are omitted for simplicity). This firm minimizes the short-run cost function $C(.)$ by choosing these inputs:

$$C(w^H S, w^M S, w^L S, Y, K, Z) = \min\{w^H SHS + w^M SMS + w^L SLS\} \tag{1}$$

so that output Y is achievable given its capital stock K:

$$Y = f\left(H, M, L, K, Z\right) \tag{2}$$

where w^i is the wage of worker type i and Z is a vector of shift factors that affect total costs (where we use imports). Applying Shepard's Lemma to this cost function would result in a demand equation for the variable input (i.e. labour type) $i \in I = \{HS, MS, LS\}$:

$$i = g^i\left(w^H S, w^M S, w^L S, Y, K, Z\right) \tag{3}$$

[10]This approach has been employed by Morrison and Siegel (2001), Falk and Koebel (2001), Ekholm and Hakkala (2006), Hijzen et al. (2005), and Crinó (2012). See Davies and Desbordes (2015) for a recent discussion of this literature.

Note that the firm is treating exogenous factors (including imports), as parameters in its cost minimization problem. To arrive obtain a functional form for (3), we assume that the cost function is translog:

$$\begin{aligned}
&\ln C = \alpha + \sum_{i\in I} \beta^i \ln w^i + \beta^Y \ln Y + \beta^K \ln K + \sum_{z\in Z} \beta^z \ln z \\
&+\tfrac{1}{2}\left(\sum_{i\in I}\sum_{j\in I} \beta^{i,j} \ln w^i \ln w^j + \beta^{Y,Y} (\ln Y)^2 + \beta^{K,K} (\ln K)^2 + \sum_{z\in Z}\sum_{k\in Z} \beta^{z,k} \ln z \ln k\right) \\
&+\sum_{i\in I} \beta^{i,Y} \ln w^i \ln Y + \sum_{i\in I} \beta^{i,K} \ln w^i \ln K + \sum_{i\in I}\sum_{z\in Z} \beta^{i,z} \ln w^i \ln z \\
&+\beta^{Y,K} \ln Y \ln K + \sum_{z\in Z} \beta^{Y,z} \ln Y \ln z + \sum_{z\in Z} \beta^{K,z} \ln K \ln z
\end{aligned} \tag{4}$$

Linear price homogeneity and symmetry then imply that:

$$\sum_{i\in i} \beta^i = 1, \tag{5}$$

$$\beta^{i,j} = \beta^{j,i} \text{ for } i = \{HS, MS, LS\} \text{ and } j = \{HS, MS, LS, Y, K, z\}, \tag{6}$$

and

$$\sum_{i\in i} \beta^{i,j} = 0 \text{ for } j = \{HS, MS, LS, Y, K, z\}. \tag{7}$$

As a result, applying Shepard's lemma to (4), we get three compensation share functions, where the share of labour type i in total labour compensation (s^i) is:[11]

$$S^i = \beta^i \sum_{j\in I} \beta^{i,j} \ln w^j + \beta^{i,Y} \ln Y + \beta^{i,K} \ln K + \sum_{z\in Z} \beta^{i,z} \ln z. \tag{8}$$

Thus, if $\beta^{i,z}$ is positive, this means that an increase in imports increases the share of total wages spent on labour type i. As has been discussed in, for example, Slaughter (2000), this

[11]To recognize why this results in the compensation share rather than labour demand, it is helpful to recognize that we are taking the derivative of logged costs, which depends on logged wages, with respect to the non-logged wage.

effect likely depends on the factor content of imports, i.e. imports from developing countries likely substitutes for low-skilled workers whereas those from developed countries are more likely to substitute for high-skilled workers.

Applying the linear price homogeneity parameter restrictions to (8), we end up with two equations to be estimated (one for the relative share of HS workers and one for the relative share of MS workers):

$$\begin{aligned} \Delta S_{sit}^{HS} &= \alpha_{si}^{HS} + \beta_1^{HS}\Delta ln(\frac{w_{it}^{HS}}{w_{it}^{LS}})_{eit} + \beta_2^{HS}\Delta ln(\frac{w_{it}^{MS}}{w_{it}^{LS}}) + \beta_3^{HS}\Delta ln(K_{sit}) + \beta_4^{HS}\Delta ln(Y_{sit}) \\ &\quad + \beta_5^{HS}\Delta IM_{s,i,t} + T_t^{HS} + \Delta\epsilon_{fsit} \end{aligned} \tag{9}$$

$$\begin{aligned} \Delta S_{sit}^{MS} &= \alpha_{si}^{MS} + \beta_1^{MS}\Delta ln(\frac{w_{it}^{HS}}{w_{it}^{LS}})_{sit} + \beta_2^{MS}\Delta ln(\frac{w_{it}^{MS}}{w_{it}^{LS}}) + \beta_3^{MS}\Delta ln(K_{sit}) \\ &\quad + \beta_4^{HS}\Delta ln(Y_{sit}) + \beta_5^{MS}\Delta IM_{s,i,t} + T_t^{MS} + \Delta\upsilon_{fsit} \end{aligned} \tag{10}$$

where Δ indicates that the variable has been first-differenced and ϵ_{fsit} and υ_{fsit} are error terms. Our dependent variable ΔS_{sit} is the change in the share of a given category of workers in total labour compensation of sector s of importer country i at time t. Given the restrictions that we have imposed and the fact that our dependent variables sum up to unity, we can retrieve the estimates of the parameters of the ΔS_{sit}^{LS} equation from the estimated coefficients of equations (9) and (10). We do so through seemingly unrelated estimation of both equations, with a variance-covariance matrix adjusted for clustering at the sector-country level.

The IM variable in equations (9) and (10) is imports relative to value-added in the sector, i.e. the import intensity. We can decompose this variable into total, those from OECD versus developing countries, and decompose the developing country imports further into those from EBA-eligible LDCs and those from other DCs. Furthermore, we can interact these with a dummy variable equal to one in 2001 and later (the time period when the EBA was in effect) and one equal to one for EU countries. Thus, by examining the coefficient that

is non-zero only under the EBA and then only for EU countries, we can examine whether there is evidence of changes in relative labour demands as a result of the EBA. In addition, in robustness checks we include other inputs.

We control for unobserved time-invariant factors which may have an impact on *levels and changes* of our dependent variables by initially first-differencing our data and subsequently including sector-country fixed effects. In line with previous studies, we weigh all our regressions by the average sector share in total labour compensation across OECD countries. In that way, by giving more weight to large sectors, we may obtain a more representative impact of outbound FDI on the labour market of the home countries.

Our excepting the trade data, all our data come from the WOID database. For both, when needed, we converted nominal values to constant 1995 dollars using the appropriate deflator in the WOID database and the exchange rate obtained from version 8.1 of the Penn World Tables.[12] The distinction between skill levels is driven by education (see the WOID documentation for details). Table 5 presents summary statistics.

3 Results

Table 6 presents results first using total imports (columns 1-3) and then decomposing total imports into those from OECD countries and non-OECD countries (which includes both EBA-eligible nations and other DCs). Columns 1 and 4 present the results for the share of wages accruing to high-skill workers, 2 and 5 are the results for medium-skill workers, and 3 and 4 are for low-skill workers. As can be seen, we find only one significant result, which weakly suggests that an increase in total imports is associated with skill downgrading as it reduces the wage share of high-skill workers.

Table 7 further breaks down the non-OECD imports into those from EBA countries and those from other DCs. Comparable to the results in columns 4-6 of Table 6, we find no significant results. One important aspect of this, however, is that it assumes that the

[12]This can be found at `http://www.rug.nl/research/ggdc/data/pwt/pwt-8.1`.

impact of imports is the same across countries and over time. Clearly with respect to the EBA, this is not correct as it only began in 2001 (half-way through the sample) and then only applies to EU members. Thus, it seems quite possible that the effects of imports may differ across time periods and importers. To investigate this, columns 4-6 introduce a set of interactions for each category of imports: one interacted with an EU importer dummy, one interacted with a dummy equal to one after 2000 (i.e. during the EBA), and one interacted with both of these variables. This latter variable then indicates the impact the EBA had on participating importers. As can be seen in columns 4-6, doing this results in a significant impact of imports.

Beginning with the OECD imports, we see that greater imports shifts labour demand from high- to medium-skill workers. For EU countries, medium-skill workers also lose out (.063-.335=-.272); however, there we find that low-skill workers gain from higher imports. This is in line with these imports having a high-skill factor content. These effects, however, only hold prior to 2001. After that point we find no significant impacts on relative labour demand. DC imports, in contrast, have little effect. At best, they seem to have a marginal positive effect on low-skill labour demand, and then only prior to 2001.

Turning to imports from EBA countries, we find that the impacts on only on the high- and low-skill workers. For non-EU countries, greater imports from these nations shift labour demand from high- to low-skill workers, a counter-intuitive result as we would expect these products to be low-skill intensive. After the EBA takes effect, however, as with the OECD import effect this result evaporates. In EU countries, prior to 2001 we find that higher EBA imports increase the relative demand for high-skill workers at the expense of low-skilled ones. However, this result too evaporates after the EBA takes effect. Thus, it seems that for countries importing under the EBA agreement, this reduces demand for high-skill labour while increasing that for low-skill workers, a result which is very much counter-intuitive.

Table 8 repeats Table 9 but uses shares of logged imports. Here, we find little of significance, although the double interaction with EBA imports again suggests that the EBA

increased relative demand for low-skill labour, albeit here it increases at the expense of medium-skill workers.

As highlighted in Table 3, EBA exports are dominated by textiles. With this in mind, one might wonder whether the counter-intuitive findings in Tables 7 and 8 are being driven by the textile industry. With this in mind, Table 9 replicates the estimation of Table 7 but omits the textile sector. As can be seen, doing so does indeed affect the results. First, there is no longer any significant impact from EBA imports. Second, we now find a significant polarized skill upgrading effect from DC imports, i.e. increased imports from non-EBA developing countries shifts labour demand from medium- to high-skill workers. For OECD imports, however, the results are comparable to when textiles are included. Thus, this set of results is consistent with the factor content of imports shifting relative labour demand, throughout the period for DC-originating goods and prior to 2001 for OECD-originating products.

Finally, Table 10 runs the baseline specification separately for OECD importers and non-OECD importers. For the OECD importers, the results are broadly consistent with the baseline results. For non-OECD importers, however, we find very limited effects of imports.

4 Conclusion

Created as a method of promoting development in the poorest countries, the Everything but Arms agreement was intended to increase exports from those nations to the European Union. Whil the evidence on its effectiveness in that regard has been somewhat mixed, the most detailed data suggests that it has indeed had such an effect. In addition to impacting the level of trade, due to its stringent rules of origin requirements, it should have increased the use of inputs from the least-developed countries, altering the factor content of those imports. As such, one might expect this to shift labour demand away from low-skill labour in importers that participate in the EBA. Using data on 14 manufacturing sectors in 36

importers from 1995 to 2009, we do indeed find such an effect. This, however, is driven by the textile sector, an industry which comprises two-thirds of EBA exports. For other sectors, we find no significant effect. As this industry makes up only .4% of the importing countries' value-added in our data and the share of imports from EBA countries is very low, this implies that the impact on EU labour demand is economically small.

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Figure 1: Import Shares

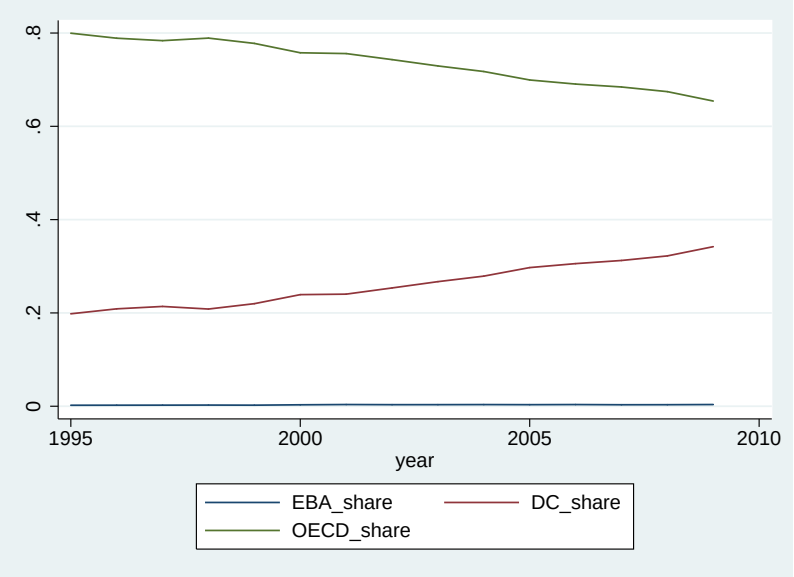

Figure 2: Import Shares, EU Only

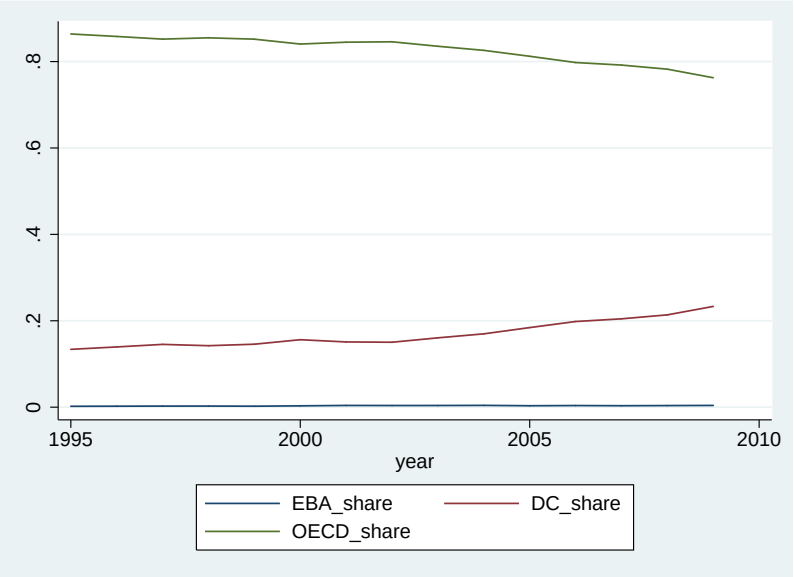

Table 1: List of Importers

Australia	Estonia*	Italy*	Portugal*
Austria*	Finland*	Japan	Romania*
Brazil	France*	Korea	Russia
Bulgaria*	Germany*	Latvia*	Slovakia*
Canada	Greece*	Lithuania*	Slovenia*
China	Hungary*	Malta*	Spain*
Cyprus*	India	Mexico	Sweden*
Czech Republic*	Indonesia	Netherlands*	United Kingdom*
Denmark*	Ireland*	Poland*	United States

Notes: * indicates EU member. Note that new accession countries are not counted as EU until after they join.

Table 2: List of EBA-Eligible LDCs

Afghanistan	Comoros	Lao PDR	Niger	Timor-Leste
Angola	Congo, Dem. Rep.	Lesotho	Rwanda	Togo
Bangladesh	Djibouti	Liberia	Samoa	Tuvalu
Benin	Equatorial Guinea	Madagascar	Sao Tome and Principe	Uganda
Bhutan	Eritrea	Malawi	Senegal	Vanuatu
Burkina Faso	Ethiopia	Maldives	Sierra Leone	Yemen
Burundi	Gambia	Mali	Solomon Islands	Zambia
Cambodia	Guinea	Mauritania	Somalia	
Central African Rep.	Guinea-Bissau	Mozambique	Sudan	
Chad	Haiti	Nepal	Tanzania	

Table 3: List of Sectors

	NACE Sector	Share in EBA Exports	
		Total	EU Only
Food, beverages, and tobacco	15,16	2.38	3.51
Textiles	17,18	64.94	65.38
Leather and footwear	19	3.14	3.5
Wood	20	1.24	1.17
Pulp, paper, printing, and publishing	21,22	0.39	0.5
Coke, refined petroleum and nuclear fuel	23	6.83	2.69
Chemicals and chemical	24	2.54	1.48
Rubber and plastics	25	0.26	0.17
Other non-metallic minerals	26	0.24	0.28
Basic and fabricated metals	27,28	10.04	12.15
Machinery	29	0.77	0.8
Electrical and optical equipment	30-33	1.83	1.32
Transport Equipment	34,35	3.56	5.67
Manufacturing n.e.c. and Recycling	36,37	1.83	1.38

Table 4: Evolution of EBA Import Share

Year	All Importers	Only EU Importers
1995	0.218	0.212
1996	0.228	0.231
1997	0.236	0.256
1998	0.253	0.263
1999	0.232	0.233
2000	0.311	0.315
2001	0.371	0.405
2002	0.338	0.386
2003	0.342	0.395
2004	0.359	0.42
2005	0.337	0.339
2006	0.364	0.384
2007	0.32	0.343
2008	0.333	0.379
2009	0.371	0.41

Table 5: Summary Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
High Share	5812	21.22651	10.65574	0.7527628	63.10871
Medium Share	5812	50.25722	19.00212	8.708335	87.65405
Low Share	5812	28.51627	22.23056	0.0251849	85.49734
Value Added	5812	7.27673	2.39113	-1.438586	13.52935
Capital	5812	6.235901	2.494307	-3.071521	12.32108
Inputs	5812	8.093553	2.415891	-0.7884606	14.3388
EBA Share	5812	0.0184737	0.6668229	0	50.72062
OECD Share	5812	2.740002	12.59678	0.004763	560.7188
DC Share	5812	1.358136	27.45424	0.0024594	2011.107
Restriction 1	5812	0.7448725	0.3606862	-0.1483337	2.133452
Restriction 2	5812	0.2463874	0.2158632	-0.4946475	1.771649

Table 6: Trade and Compensation Shares

	(1) High	(2) Medium	(3) Low	(4) High	(5) Medium	(6) Low
Total Imports	-0.0195*	0.0186	0.000912			
	(0.0109)	(0.0143)	(0.00705)			
Imports from non-OECD				0.00308	-0.00266	-0.000418
				(0.00982)	(0.0138)	(0.0101)
Imports from OECD				-0.0381	0.0361	0.00200
				(0.0264)	(0.0290)	(0.0116)
Value Added	-0.439	-0.174	0.612***	-0.429	-0.183	0.612***
	(0.331)	(0.290)	(0.236)	(0.331)	(0.290)	(0.236)
Capital	0.0204	0.0529	-0.0733	0.0239	0.0497	-0.0735
	(0.0947)	(0.114)	(0.0896)	(0.0944)	(0.114)	(0.0896)
Inputs	-0.162	-0.201	0.363*	-0.169	-0.194	0.363*
	(0.310)	(0.283)	(0.211)	(0.310)	(0.282)	(0.211)
Constant	0.0390***	-0.0199***	-0.0191**	0.0391***	-0.0199***	-0.0191**
	(0.00687)	(0.00685)	(0.00777)	(0.00686)	(0.00684)	(0.00777)
Observations	5,812	5,812	5,812	5,812	5,812	5,812
R-squared	0.362	0.481	0.702	0.362	0.481	0.702
Restriction 1	13.12***	-8.585***	-4.534***	13.12***	-8.581***	-4.534***
	(0.881)	(1.337)	(0.746)	(0.881)	(1.337)	(0.747)
Restriction 2	-9.503***	17.42***	-7.915***	-9.499***	17.41***	-7.915***
	(0.996)	(1.423)	(0.686)	(0.996)	(1.424)	(0.686)

Robust standard errors in parentheses
*** p¡0.01, ** p¡0.05, * p¡0.1

Table 7: The Effect of the EBA on Compensation Shares

	(1) High	(2) Medium	(3) Low	(4) High	(5) Medium	(6) Low
EBA Imports	1.289	-0.855	-0.434	-7.922**	-0.533	8.455**
	(1.010)	(0.611)	(0.892)	(3.592)	(1.867)	(3.640)
EBA Imports*EU				17.72***	1.089	-18.81***
				(5.589)	(3.969)	(6.418)
EBA Imports*post-2000				8.938***	-0.264	-8.674**
				(3.093)	(1.775)	(3.542)
EBA Imports*EU*post-2000				-16.58***	-0.910	17.49**
				(5.926)	(3.442)	(6.863)
OECD Imports	-0.0371	0.0355	0.00169	-0.0676**	0.0630**	0.00453
	(0.0263)	(0.0290)	(0.0115)	(0.0269)	(0.0300)	(0.0148)
OECD Imports*EU				0.0123	-0.335***	0.323***
				(0.0885)	(0.0828)	(0.0971)
OECD Imports*post-2000				0.0758**	-0.0607**	-0.0150
				(0.0348)	(0.0249)	(0.0158)
OECD Imports*EU*post-2000				-0.0143	0.334***	-0.320***
				(0.0898)	(0.0832)	(0.0971)
DC Imports	0.00235	-0.00218	-0.000172	0.0403*	-0.0459**	0.00558
	(0.00961)	(0.0137)	(0.0101)	(0.0225)	(0.0224)	(0.0164)
DC Imports*EU				-0.475	-0.235	0.710*
				(0.303)	(0.264)	(0.418)
DC Imports*post-2000				-0.00372	-0.00638	0.0101
				(0.0249)	(0.0232)	(0.0157)
DC Imports*EU*post-2000				0.438	0.290	-0.728*
				(0.304)	(0.264)	(0.418)
Value Added	-0.431	-0.181	0.613***	-0.434	-0.177	0.612**
	(0.331)	(0.290)	(0.236)	(0.334)	(0.291)	(0.238)
Capital	0.0217	0.0511	-0.0728	0.0262	0.0603	-0.0865
	(0.0946)	(0.114)	(0.0897)	(0.0961)	(0.116)	(0.0922)
Inputs	-0.164	-0.197	0.362*	-0.165	-0.196	0.362*
	(0.310)	(0.282)	(0.211)	(0.311)	(0.281)	(0.209)
Constant	0.0391***	-0.0199***	-0.0191**	0.0601***	-0.0398***	-0.0204***
	(0.00686)	(0.00685)	(0.00777)	(0.00640)	(0.00691)	(0.00757)
Observations	5,812	5,812	5,812	5,812	5,812	5,812
R-squared	0.363	0.482	0.702	0.366	0.485	0.705
Restriction 1	13.11***	-8.577***	-4.532***	13.08***	-8.548***	-4.536***
	(0.880)	(1.336)	(0.747)	(0.877)	(1.339)	(0.754)
Restriction 2	-9.481***	17.40***	-7.921***	-9.472***	17.39***	-7.919***
	(0.995)	(1.423)	(0.687)	(0.992)	(1.427)	(0.692)

Robust standard errors in parentheses
*** p¡0.01, ** p¡0.05, * p¡0.1

Table 8: Logged Trade Shares

	(1) High	(2) Medium	(3) Low	(4) High	(5) Medium	(6) Low
EBA Imports	0.0548**	-0.0348	-0.0200	0.0499	-0.0688*	0.0189
	(0.0263)	(0.0263)	(0.0237)	(0.0423)	(0.0404)	(0.0411)
EBA Imports*EU				-0.0267	0.0875*	-0.0608
				(0.0464)	(0.0464)	(0.0435)
EBA Imports*post-2000				0.0390	0.0475	-0.0865*
				(0.0405)	(0.0414)	(0.0463)
EBA Imports*EU*post-2000				-0.0144	-0.104**	0.119***
				(0.0458)	(0.0467)	(0.0434)
OECD Imports	-0.00901	-0.646*	0.655*	-0.110	-0.531	0.642*
	(0.206)	(0.335)	(0.362)	(0.224)	(0.346)	(0.362)
OECD Imports*EU				0.408	-0.355	-0.0529
				(0.302)	(0.274)	(0.224)
OECD Imports*post-2000				0.149	-0.151	0.00235
				(0.173)	(0.164)	(0.0930)
OECD Imports*EU*post-2000				-0.301	0.294	0.00718
				(0.244)	(0.226)	(0.204)
DC Imports	-0.195*	0.111	0.0844	-0.266*	0.114	0.152
	(0.116)	(0.147)	(0.118)	(0.150)	(0.181)	(0.138)
DC Imports*EU				0.301	-0.133	-0.168
				(0.183)	(0.209)	(0.190)
DC Imports*post-2000				-0.0245	0.160	-0.136
				(0.134)	(0.144)	(0.115)
DC Imports*EU*post-2000				-0.0889	0.0116	0.0774
				(0.188)	(0.195)	(0.170)
Value Added	-0.697	0.0234	0.674**	-0.716*	0.0812	0.635**
	(0.436)	(0.383)	(0.313)	(0.427)	(0.390)	(0.302)
Capital	0.0183	0.0976	-0.116	0.0253	0.0891	-0.114
	(0.129)	(0.151)	(0.116)	(0.129)	(0.152)	(0.117)
Inputs	-0.208	-0.357	0.565**	-0.174	-0.391	0.565**
	(0.391)	(0.359)	(0.253)	(0.386)	(0.362)	(0.244)
Constant	0.0439***	-0.0379***	-0.00601	0.0465***	-0.0549***	0.00842
	(0.00794)	(0.00950)	(0.0100)	(0.0105)	(0.0119)	(0.0133)
Observations	5,032	5,032	5,032	5,032	5,032	5,032
R-squared	0.349	0.480	0.693	0.352	0.483	0.698
Restriction 1	12.69***	-8.433***	-4.259***	12.65***	-8.369***	-4.281***
	(0.865)	(1.321)	(0.790)	(0.850)	(1.325)	(0.801)
Restriction 2	-8.993***	17.37***	-8.374***	-8.969***	17.33***	-8.356***
	(1.006)	(1.448)	(0.770)	(0.995)	(1.450)	(0.774)

Robust standard errors in parentheses
*** p¡0.01, ** p¡0.05, * p¡0.1

Table 9: No Textiles

	(1) High	(2) Medium	(3) Low
EBA Imports	0.182	-0.902	0.720
	(3.933)	(5.428)	(3.627)
EBA Imports*EU	9.008	-2.563	-6.445
	(5.943)	(8.363)	(7.318)
EBA Imports*post-2000	1.109	-0.423	-0.686
	(3.936)	(5.411)	(3.629)
EBA Imports*EU*post-2000	-6.463	4.050	2.413
	(6.357)	(7.390)	(7.324)
OECD Imports	-0.0665**	0.0654**	0.00116
	(0.0278)	(0.0292)	(0.0128)
OECD Imports*EU	0.0286	-0.338***	0.310***
	(0.0897)	(0.0880)	(0.101)
OECD Imports*post-2000	0.0788**	-0.0626**	-0.0162
	(0.0352)	(0.0250)	(0.0157)
OECD Imports*EU*post-2000	-0.0306	0.335***	-0.305***
	(0.0908)	(0.0885)	(0.101)
DC Imports	0.0429*	-0.0484**	0.00546
	(0.0237)	(0.0227)	(0.0169)
DC Imports*EU	-0.421	-0.199	0.620
	(0.307)	(0.270)	(0.425)
DC Imports*post-2000	-0.000438	-0.00801	0.00845
	(0.0245)	(0.0231)	(0.0155)
DC Imports*EU*post-2000	0.380	0.256	-0.637
	(0.308)	(0.271)	(0.425)
Value Added	-0.411	-0.201	0.613**
	(0.331)	(0.287)	(0.240)
Capital	0.0838	0.00642	-0.0903
	(0.0988)	(0.118)	(0.0982)
Inputs	-0.271	-0.0905	0.361*
	(0.291)	(0.273)	(0.213)
Constant	0.0600***	-0.0409***	-0.0192**
	(0.00672)	(0.00724)	(0.00777)
Observations	5,397	5,397	5,397
R-squared	0.365	0.476	0.702
Restriction 1	13.08***	-8.616***	-4.459***
	(0.925)	(1.417)	(0.799)
Restriction 2	-9.465***	17.39***	-7.926***
	(1.051)	(1.517)	(0.740)

Robust standard errors in parentheses
*** p¡0.01, ** p¡0.05, * p¡0.1

Table 10: OECD vs. Non-OECD Importers

	(1)	(2)	(3)	(4)	(5)	(6)
	OECD Importer			Non-OECD Importer		
	High	Medium	Low	High	Medium	Low
EBA Imports	-8.797	-0.446	9.242**	1.529	-1.987	0.458
	(10.92)	(8.050)	(4.223)	(1.780)	(3.263)	(2.822)
EBA Imports*EU	17.27*	3.676	-20.94***	3.717	-12.54	8.828
	(10.23)	(7.910)	(6.588)	(7.208)	(12.85)	(9.220)
EBA Imports*post-2000	12.37***	-0.957	-11.42***	-0.796	1.559	-0.763
	(4.702)	(4.384)	(3.357)	(1.672)	(3.241)	(2.843)
EBA Imports*EU*post-2000	-20.12***	-3.049	23.17***			
	(7.053)	(5.798)	(6.949)			
OECD Imports	-0.135**	0.234***	-0.0992**	0.00227	0.00482	-0.00709
	(0.0669)	(0.0747)	(0.0392)	(0.00870)	(0.0115)	(0.0116)
OECD Imports*EU	0.105	-0.341***	0.236**	-0.0155	0.00647	0.00907
	(0.134)	(0.126)	(0.107)	(0.0199)	(0.0184)	(0.00836)
OECD Imports*post-2000	0.163*	-0.0964	-0.0668*	-0.00130	-0.0193	0.0206**
	(0.0940)	(0.0804)	(0.0374)	(0.0118)	(0.0119)	(0.0101)
OECD Imports*EU*post-2000	-0.120	0.357***	-0.237**			
	(0.128)	(0.121)	(0.110)			
DC Imports	-0.208	0.424	-0.216	-0.00780	-0.00682	0.0146
	(0.647)	(0.689)	(0.385)	(0.0123)	(0.0124)	(0.0135)
DC Imports*EU	-0.265	-0.394	0.659	-0.0241	0.0575*	-0.0333*
	(0.707)	(0.690)	(0.529)	(0.0287)	(0.0312)	(0.0170)
DC Imports*post-2000	-0.470	0.512	-0.0419	0.0287	-0.0486	0.0199
	(0.532)	(0.632)	(0.449)	(0.0291)	(0.0334)	(0.0139)
DC Imports*EU*post-2000	0.909	0.183	-1.093*			
	(0.638)	(0.740)	(0.649)			
Value Added	-0.980*	-0.188	1.168***	-0.340	-0.102	0.442**
	(0.576)	(0.485)	(0.424)	(0.364)	(0.344)	(0.221)
Capital	0.286	-0.0631	-0.223	-0.0764	0.0139	0.0625
	(0.178)	(0.204)	(0.175)	(0.111)	(0.115)	(0.1000)
Inputs	-0.0129	-0.644	0.657**	-0.199	0.0165	0.183
	(0.518)	(0.484)	(0.314)	(0.331)	(0.347)	(0.242)
Constant	0.0566***	-0.0606***	0.00404	0.0730***	0.00599	-0.0790***
	(0.00914)	(0.00855)	(0.00779)	(0.00933)	(0.0132)	(0.0150)
Observations	3,893	3,893	3,893	1,919	1,919	1,919
R-squared	0.312	0.398	0.647	0.574	0.716	0.840
Restriction 1	13.12***	-10.52***	-2.604***	13.32***	-5.506***	-7.817***
	(1.270)	(1.698)	(0.908)	(1.305)	(1.777)	(0.720)
Restriction 2	-9.993***	18.64***	-8.649***	-9.131***	16.02***	-6.890***
	(1.508)	(2.071)	(1.108)	(1.384)	(1.586)	(0.391)

Robust standard errors in parentheses
*** p¡0.01, ** p¡0.05, * p¡0.1

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