

**Note:** The following variables were not included as they were the same for the given countries, even over time –

1. *contig –* Whether the two countries share a border or not
2. *comlang\_off –* Common official language
3. *comcol –* Common colonizer post 1945
4. *conflict –* Pair of countries are at war
5. *comcur –* Common currency
6. *comrelig –* Common religion
7. *gatt\_o –* Country of origin belongs to GATT/WTO
8. *gatt\_d –* Destination country belongs to GATT/WTO

Regression was run separately on exports and imports since net trade flows were negative and thus could not be log-transformed.

The variables used in the model are –

1. *log\_origin\_gdp –* Log of GDP of country from which trade flow originates
2. *log\_dest\_gdp –* Log of GDP of country to which trade flow goes to
3. *log\_dist –* Log of distance between countries, weighted by population
4. *entry\_cost\_o –* Cost of business start-up procedures as % of GNI in origin country
5. *entry\_cost\_d –* Cost of business start-up procedures as % of GNI in destination country
6. *exchange\_rate\_source –* Official exchange rate of origin country measured in LCU per US$ (period average)
7. *exchange\_rate\_dest –* Official exchange rate of destination country measured in LCU per US$ (period average)
8. *eu\_d –* Dummy indicating whether destination country belongs to EU or not
9. *entry\_proc\_d –* Number of start-up procedures required to set up a business in destination country
10. *entry\_proc\_o –* Number of start-up procedures required to set up a business in origin country
11. *gdpcap\_o –* GDP per capita in origin country
12. *gdpcap\_d –* GDP per capita in destination country

The dependent variables are –

1. *log\_exports –* Log of exports from origin country
2. *log\_imports –* Log of imports made by origin country