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December 2021

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Keywords: GSP, EBA, Export, Cambodia, European Union
JEL classification: F14, F63

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The European Union's Withdrawal of Trade Preferences for Cambodia[†]

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Abstract

Following Cambodia's violation of human and labor rights, the European Union (EU) decided in February 2020 to withdraw trade preferences for the country temporarily from August 2020. This paper estimates the short-run impact of preference withdrawal on EU imports from Cambodia. As the EU withdrew preferential tariffs only for certain products and maintained duty-free quota-free access for others, I adopt a difference-in-differences regression framework and provide supporting evidence for the parallel trend assumption. The results show that preference withdrawal has a significantly positive impact on EU import of affected goods from Cambodia in July 2020, consistent with a last-minute shipment effect to avoid tariff increases. Subsequently, tariff increases have a significantly negative impact on EU import of affected goods. These effects are heterogeneous across knitted garments, woven garments, and footwear products.

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1. Introduction

The growth of export industries can contribute to poverty reduction and sustainable development in the developing world. To promote exports in developing economies, developed economies unilaterally grant preferential trade access to their markets under the Generalized System of Preferences (GSP) programs. Preference-granting countries may require preference-receiving countries to respect human rights, labor rights, and good governance in GSP programs (Brandtner and Rosas, 1999; Zhou and Cuyvers, 2011).[1] If beneficiary countries systematically violate these rights, preferential trade access may be temporarily withdrawn from them. However, there is limited assessment of the temporary withdrawal of trade preferences (Bandara and Naranpanawa, 2015; Gnutzmann and Gnutzmann-Mkrtchyan, 2020; Hakobyan, 2020; Albornoz et al., 2021). Thus, a crucial question is whether preference withdrawal affects exports in a beneficiary country.[2]

In this paper, I assess the effect of preference withdrawal by the European Union (EU) on exports in Cambodia. The EU has unilaterally granted developing countries preferential access to the EU under the GSP since 1971. The Everything But Arms (EBA) scheme in the EU's GSP grants least developing countries (LDCs) duty-free and quota-free access for all tariff lines except for arms and ammunition. After Cambodia became a beneficiary under the EBA scheme in 2001, the EU became a major export market for Cambodia. However, there was a growing concern about the country's violation of human and labor rights, and the European Commission (EC) started a procedure for the temporary withdrawal of trade preferences from Cambodia on February 11, 2019. After the monitoring and evaluation period, the EC decided to withdraw preferential tariffs from August 12, 2020, for sugar, travel goods, selected garment products, and selected footwear products. Figure 1 shows the total value of imports in 27 EU markets from Cambodia from January 2019 to March 2021.[3] While the COVID-19 pandemic should decrease the overall imports in 2020, there was a sharp decline in imports following the EU's withdrawal. For instance, the value of imports declined by 23.7% from August to September 2020, compared to a 5.1% decline for the same period in 2019. A casual observation suggests a negative impact of tariff increases, but does not clearly identify the role of preference withdrawal, thereby providing a motivation to formally assess the EU's withdrawal.

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[1] See Borchert et al. (2021) for non-trade policy objectives in EU trade policy.

[2] Prior literature tends to show the positive impact of granting trade preferences on exports in developing economies (Gil-Pareja et al., 2014; Ornelas, 2016; Ito and Aoyagi, 2019).

[3] I exclude the United Kingdom from the EU throughout the analysis.

---Figure 1 here---

Preference withdrawal can produce two trade effects on EU imports from Cambodia. First, the EU regulations stipulate that the temporary withdrawal of tariff preferences came into effect from August 12, 2020, but does not apply to the imports of products that are already on the way to the EU on August 12, 2020. Tariff increases from August 2020 should induce last-minute imports of affected goods to the EU customs in July 2020, thereby producing the last-minute shipment effect of the preference withdrawal. Second, a removal of preferential tariffs can increase the price of imported products from Cambodia and reduce a demand in the EU. While it is unclear how importers and consumers pass on tariff increases on the price of imported products from Cambodia, higher prices should generally discourage imports from Cambodia, thereby producing a negative tariff effect.

To identify the causal effect of preference withdrawal, I exploit the fact that the EU withdrew preferential tariffs only on certain products originating from Cambodia and maintained duty-free quota-free access in other products. This feature allows me to adopt a difference-in-differences (DID) regression framework for identification. Since there are not sufficient comparison groups in sugar and travel goods, I focus on garment and footwear products for the analysis. A graphical analysis supports the parallel-trend assumption in that import trends would move in tandem for preference-withdrawn and duty-free products, even in the absence of the EU's withdrawal. Additionally, I exploit the fact that the EU imposed the Most-Favored Nation (MFN) tariff rates on selected products from August 2020, which allows me to estimate the relationship between MFN tariff rates and EU imports of affected goods. This specification helps to reduce a reverse causality bias in tariff increases because MFN tariff rates in the EU were previously determined in multilateral trade negotiations, and industries in Cambodia should had little influence over tariff increases on their exports to the EU after preference withdrawal.

The main results are summarized as follows. First, preference withdrawal has a positive impact on EU imports of preference-withdrawn goods from Cambodia by 33.6% in July 2020, a period just before tariff increases for affected goods. This result suggests that the EU's withdrawal produces a last-minute shipment effect on imports from Cambodia. Second, preference withdrawal has a negative impact on EU imports of affected goods from Cambodia by 33.6% from August 2020 onward, consistent with the negative tariff effect on import flows. Specifically, a 1% increase in gross tariff rates is predicted to decrease the value of EU imports from Cambodia by 4.2%. Third, I find little evidence of differential import trends between the affected and non-affected groups, consistent with the parallel-trends assumption in my DID analysis. The main results are

robust after accounting for zero import flows. Thus, my findings suggest that the estimated tariff effects should capture the causal relationship. Additionally, preference withdrawal has heterogeneous impacts across products such as knit garments, woven garments, and footwear products. Thus, product heterogeneity is an important feature of the short-run response to tariff increases.

The EU has previously withdrawn trade preferences from Myanmar and Belarus. On the former, the EC obtained evidence that Myanmar's military regime violated principles laid down in the International Labor Organization (ILO) Convention concerning Forced or Compulsory Labor, No. 29. The EU temporarily withdrew preferential tariffs for industrial and agricultural products originating from Myanmar on March 24, 1997. Meanwhile, the EU found that Belarus did not comply with the ILO obligations on the freedom of association for workers in 2006, and announced the withdrawal of GSP preferences from Belarus on June 21, 2007. Zhou and Cuyvers (2011) examine the trade effects of these preference withdrawals, and their descriptive analysis suggests a limited impact on aggregate exports in these countries. Additionally, Gnutzmann and Gnutzmann-Mkrtchyan (2020) adopt a triple difference-in-differences approach to estimate the impact of the EU's preferential withdrawal on exports of eligible products for Belarus. Their results show a negative impact of preference withdrawal on Belarus's exports in preference-eligible products.

This paper contributes to the limited literature on the trade impact of preference withdrawal in two ways. First, to the best of my knowledge, this paper is the first to provide a formal assessment of the EU's preference withdrawal from Cambodia.[4] While there exists an economic forecast on possible trade impacts of preference withdrawal (World Bank, 2019; Tanaka, 2020), I provide an *ex-post* analysis of the trade effects of preference withdrawal. Second, I adopt a DID regression model to identify the causal impact of preference withdrawal on EU imports from Cambodia. By presenting import trends in the treatment and control groups, I carefully check the parallel-trends assumption in a DID method. This paper presents a credible empirical approach to estimating the causal impact of preference withdrawal on exports in a beneficiary country.

The rest of this paper is organized as follows. Section 2 presents the background of the EU's withdrawal of trade preferences for Cambodia. Section 3 shows an empirical framework to estimate the causal impact of preference withdrawal on EU imports from Cambodia, followed by data description. Section 4 presents the estimation results. Finally, section 5 concludes.

[4] For an empirical investigation of EU's trade preferences, see Cirera (2014), Persson and Wilhelmsson (2016), and Cipollina et al. (2017).

2. Background

2.1. The EU's GSP

The EU has unilaterally granted developing countries preferential access to EU markets under the GSP since 1971. The EU's GSP aims to support sustainable development and good governance in developing countries through international trade. While the preferential arrangement in favor of developing countries are not consistent with an equal-treatment principle in multilateral trade agreements, the "Enabling Clause" allows an exception to the MFN principle in WTO law.

The EU's GSP consists of three preferential trade schemes First, the standard GSP grants low- or lower-middle-income countries with duty reductions for 66% of all EU tariff lines. Second, the special incentive arrangement for sustainable development and good governance (the so-called 'GSP+') grants duty-free access in the same 66 per cent of tariff lines as the standard GSP for countries with vulnerable economic structures. Beneficiary countries are required to follow international conventions such as human and labor rights, environmental protection, and good governance. Third, the EBA arrangement grants LDCs duty-free and quota-free access for all tariff lines except for arms and ammunition.

Cambodia obtained GSP status from the EU in 1997 and has become a beneficiary under the EBA arrangement since 2001. The Cambodian economy has experienced the rapid growth of exports to the EU. According to the EUROSTAT database, the total value of imports in 27 EU markets from Cambodia increased from 0.25 billion Euros in 2000 to 0.73 billion Euros in 2010. The European Commission adopted a new regulation on rules of origin in the GSP in November 2010, which simplified restrictive origin requirements for products originating from beneficiary countries to qualify for preferential treatment. Tanaka (2021) demonstrates that the EU's reform in rules of origin for the GSP scheme contributed to a significant increase in Cambodia's exports of garment products to the EU. Consequently, imports from Cambodia have substantially increased to 4.6 billion Euros in 2019. Thus, preferential market access with liberal origin requirements plays a key role in promoting Cambodia's exports to the EU.

2.2. The EU's Decision to Withdraw Trade Preferences

The EU's GSP has explicit conditionality on human and labor rights, and the EU requires preference-receiving countries to comply with these rights. In the case of systematic violations, the EU can temporarily withdraw trade preferences to any extent. Specifically, the EU can remove preferential tariffs for all or certain products originating

from beneficiary countries. Meanwhile, the withdrawal of tariff preferences does not prohibit beneficiary countries to export to the EU. If beneficiary countries are WTO members, they can export to the EU at MFN tariff rates. A removal of preferential tariffs may be temporary, suggesting that the EU can reinstate trade preferences later.

Specifically, the EU's GSP regulation stipulates that the EU may withdraw preferential arrangements for a serious and systematic violation of principles laid down in the core human and labor rights UN/ILO conventions.[5] The EC initiated a procedure for the temporary withdrawal of tariff preferences from Cambodia on February 11, 2019 because of the findings that Cambodia violated principles laid down in the following four conventions: (i) International Covenant on Civil and Political Rights (ICCPR) (1966); (ii) Convention concerning Freedom of Association and Protection of the Right to Organize, No. 87 (1984); (iii) Convention concerning the Application of the Principles of the Right to Organize and to Bargain Collectively, No. 98 (1949); and (iv) International Covenant on Economic Social and Cultural Rights (1966).

The EC invited Cambodia and third parties to submit their observations to the EC regarding the country's violations of human and labor rights. Following the initiation of the temporary withdrawal procedure, the EC monitored and evaluated Cambodia's implementation of the four conventions, and ended the initiation procedure on August 12, 2019. During the monitoring and evaluation period, the EC provided an opportunity for Cambodia to cooperate and submit its views. In a reply, Cambodia emphasized its remedial actions to be undertaken. The EC submitted a report to Cambodia regarding its findings and conclusions on November 12, 2019, while Cambodia submitted its observations on the report on December 12, 2019. Finally, the EC publishes the delegated regulation on February 12, 2020, which is based on the findings and evidence after December 12, 2019.

The EC presented the following findings as evidence of serious and systematic violations of principles in ICCPR. First, Cambodia has taken repressive actions against the main opposition party, the Cambodia National Rescue Party (CNRP), including unequal amendments to the Law on Political Parties, the arrest of the CNRP's president Kem Sokha, and the court-ordered dissolution of the CNRP. The dissolution of the CNRP led to the removal from their positions of 5,007 CNRP commune/local councilors elected in June 2017. The CNRP members of the National Assembly were replaced by unelected

[5] See Commission Delegated Regulation (EU) 2020/550 of 12 February 2020 amending Annexes II and IV to Regulation (EU) No 978/2012 of the European Parliament and of the Council as regards the temporary withdrawal of the arrangements referred to in Article 1(2) of Regulation (EU) No 978/2012 in respect of certain products originating in the Kingdom of Cambodia.

individuals. Any credible opposition party was removed ahead of the July 2018 national elections, thereby making *de facto* a one-party state with no parliamentary opposition. These actions curtail political participation and electoral rights by Cambodians, and thus violate the principles in Article 25 of the ICCPR, where every citizen shall have the right and the opportunity to participate in the conduct of public affairs, to vote and to be elected at genuine periodical elections, and to have access to public services in their country.

Second, Cambodia's laws allow Cambodia authorities to exercise a wide margin of discretion to bring charges for offences related to the exercise of freedom of expression. The Cambodian authorities implemented the closure of the Cambodia Daily newspaper following a tax audit, the local operations of Radio Free Asia and Voice of America, and other radio frequencies. The Cambodian government charged or detained journalists for the reason that they had reportedly spoken out against the Cambodian government. These actions to restrict the right to freedom of expression violate the principles in Article 19 of the ICCPR, where everyone shall have the right to hold opinions without interference.

Third, Cambodia's Law on Non-Governmental Organizations (LANGO) imposes several restrictions on the registration of associations and their activities, including extensive reporting obligations. Cambodia has taken several actions to repress the freedom of association through arrest and detention of key civil society, land rights and environmental activists. Civil society organization experienced intrusive monitoring and harassment by the local police, military, and judiciary. Cambodia's use of its law and judicial and administrative actions demonstrates the violation of the principles in Articles 21 and 22 of the ICCPR, where the right of association and peaceful assembly shall be recognized.

In addition to these issues, the EC highlights the remaining issues: (i) civil and criminal cases against trade union leaders and the investigations of the murders of trade union leaders, and (ii) land disputes concerning economic land concessions in the sugar sector. After considering Cambodia's comments and views on these issues, the EC decided to withdraw the preferential arrangement granted to Cambodia temporarily until the reasons for justifying the withdrawal are not applicable.

2.3. The Scope of Preference-Withdrawn Products

The EU regulations indicate that the scope of products for preference withdrawal was determined after considering the economic development needs of Cambodia, the need for Cambodia to diversify its export base, and the socioeconomic impact of the withdrawal on local workers and industries. Specifically, the EU decided to withdraw tariff preferences for sugar, travel goods, selected garment products, and selected footwear

products from August 12, 2020. Appendix Table 1 presents the 6-digit harmonized system (HS) codes for these products. The EC indicates that the withdrawal of tariff preferences would amount to approximately one-fifth of the total yearly imports in the EU markets from Cambodia (EC, 2020).[6]

Table 1 presents the value of imports in preferential-tariff withdrawn products from Cambodia into 27 EU markets during 2019. While the value of sugar imports was quite small, the import value of preferential-tariff withdrawn products was 138 million Euros for travel goods in HS chapter 12, 452 million Euros for knitted apparel in HS chapter 61, 158 million Euros for woven apparel in HS chapter 62, and 196 million Euros for footwear in HS chapter 64. The total value of imports in these products amounted to 944 million Euros. While the value of these affected imports is relatively large for Cambodia, they accounted for only 2.2% of the total imports in 27 EU markets. Thus, the EU's withdrawal is likely to have a modest impact on importers and consumers in the EU, but may produce an economically large effect for affected producers and workers in Cambodia.

---Table 1 here---

3. Empirical Framework and Data

3.1. Empirical Model

This section describes an empirical framework to assess the impact of preference withdrawal on EU imports from Cambodia. As preferential tariffs on selected goods were replaced by EU standard tariffs, tariff increases should increase the price of Cambodia's products in the EU, which reduces a demand for imported products from Cambodia. As a result, tariff increases should reduce EU imports of affected goods following preference withdrawal in August 2020. Additionally, I predict a last-minute shipment effect of the EU's withdrawal on affected goods. The EU regulation published on February 12, 2020, stipulates that the temporary withdrawal of tariff preferences would come into effect from August 12, 2020. However, the temporary withdrawal did not apply to imported products that were already on the way to the EU on August 12, 2020. For this reason, the EU's regulation may induce exporters to avoid tariff increases by shipping a bulk of the affected goods to EU customs just before the effective date of the preference withdrawal, that is, July 2020.

To identify the effects of preference withdrawal on EU imports from Cambodia, I exploit the fact that the EU withdrew preferential tariffs only on certain products

[6] Presumably, the total yearly imports in the EU markets may include those in the U.K., which seceded from the EU on February 1, 2020.

originating from Cambodia in August 2020, and maintained duty-free quota-free access in other products. Using this feature of preference withdrawal, I adopt a DID regression framework to estimate the impact of the withdrawal on EU imports from Cambodia. Specifically, I estimate an empirical model for product *i*, importer *j*, and time *t*:

$$\ln IMP_{ijt} = \beta_0 + \beta_1 PW_i \cdot J20_t + \beta_2 PW_i \cdot P_t + f_{ij} + f_{jt} + \varepsilon_{ijt} \quad (1)$$

where IMP_{ijt} is the value of imports of product *i* from Cambodia to EU importer *j* in time *t*. Import products are defined at the 6-digit level in the HS classification for 2017 and measured at the monthly frequency. PW_i is a dummy variable that takes on unity for product *i*, for which preferential tariffs in the EU were withdrawn, and zero otherwise. $J20_t$ is a dummy variable that takes on unity in July 2020, and zero otherwise. P_t is a dummy variable that takes on unity from August 2020, and zero otherwise. f_{ij} is product-country fixed effects to control for unobserved product-country-specific determinants of imports. These determinants include consumer preferences and local competition for specific garment products that are persistent during the sample period. f_{jt} is time-varying importer fixed effects to control for unobserved importer-specific determinants of imports over time. These include a standard determinants of trade such as the economic size, population, infrastructure, and multilateral resistance in import markets. These fixed effects also control for aggregate economic shocks caused by the COVID-19 pandemic, including a negative demand shock in the EU and a delay in input procurement from China.[7] Finally, ε_{ijt} is an error term. Standard errors are two-way clustered by product and importing country.

β_1 is a coefficient to measure a last-minute shipment effect of the EU's withdrawal on imports from Cambodia. As Cambodia's exporters may rush to deliver affected goods in July 2020 just before preferential tariffs are replaced by standard tariffs, I predict that β_1 is positive. β_2 is a coefficient of main interest in measuring the causal impact of preference withdrawal. My identification exploits two sources of variations in EU imports: (i) a difference between preference-withdrawn products (treatment groups) and duty-free products (control groups), and (ii) a difference in imports before and after the EU's withdrawal in August 2020. The impact of preference withdrawal on imports is measured by comparing changes in imports of preference-withdrawn products before and after August 2020 with changes in imports of duty-free products before and after August 2020. Since tariff increases discourage exports from Cambodia, I predict that β_2 is negative.

My empirical strategy assumes that the impact of preference withdrawal is measured

[7] According to the Worldometer, a serious spread of COVID-19 infection occurred in Cambodia after March 2021, which is after the observation period of my sample.

by comparing imports between preference-withdrawn and duty-free products and only tariff changes are a crucial difference between these imports after accounting for unobserved determinants of treatment and control imports. This suggests that a comparison of similar product groups is more reasonable than that of largely different products.[8] Regarding my sample, only sugar is a treatment product in HS chapter 12, whereas there are only a small number of control products in HS chapter 42. For these products, it is difficult to make a reasonable comparison between treatment and control products within the same product group. Thus, I focus on the sample in HS chapters 61, 62, and 64 for the following analysis.

While specification (1) allows me to estimate overall net effects of preference withdrawal on selected products originating from Cambodia, it does not take into account the fact that the EU started to impose standard MFN tariff rates on the selected products from August 2020. To incorporate this feature in my regression framework, I modify an empirical model for product *i*, country *j*, and time *t*:

$$\ln IMP_{ijt} = \gamma_0 + \gamma_1 PW_i \cdot J20_t + \gamma_2 \ln(1 + Tariff_i) \cdot PW_i \cdot P_t + f_{ij} + f_{jt} + e_{ijt} \quad (2)$$

where $Tariff_i$ is applied MFN tariff rates on imports of product *i* in the EU as of 2020. The variable, $\ln(1 + Tariff_i) \cdot PW_i \cdot P_t$, takes on the log of gross tariff rates for preference-withdrawn product *i* from August 2020, and zero otherwise. f_{ij} is time-constant product-country fixed effects, and f_{jt} are time-varying country fixed effects. Finally, e_{ijt} is an error term. Standard errors are two-way clustered by product and importing country.

The coefficient γ_2 captures an elasticity of preference-withdrawn imports with respect to gross tariff rates in the EU. This approach provides a direct estimate of tariff effects on EU imports from Cambodia after the EU's withdrawal in August 2020. While I use data on import products at the 6-digit level, MFN tariff rates are defined at the finer level, which may cause an aggregation bias in trade data. For robustness checks, I use the average, minimum, and maximum rates of MFN tariff rates within the 6-digit level product category. Additionally, MFN tariff rates in the EU were previously determined in multilateral trade negotiations, which are completely unrelated to the EU's decision to withdraw preferential tariffs for selected products originating from Cambodia. This suggests that industries in Cambodia should have little influence on tariff increases faced by their industry after the EU's withdrawal. Given that MFN tariff rates in the EU markets

[8] A comparison of affected and non-affected imports within EU importers is more reasonable than that of imports in affected goods between EU and non-EU importers because exporters in Cambodia may re-direct a shipment of preference-withdrawn products from the EU to non-EU markets, which may invalidate the approach to using non-EU markets as a control group.

are plausibly exogenous for Cambodia's exports, this specification should remove substantially a reverse causality bias in tariff increases.

3.2. Import Trends in Treatment and Control Groups

By adopting a DID method in a regression model, I seek to estimate the causal impact of preference withdrawal on EU's imports from Cambodia. While a large number of fixed effects at the country and product level can reduce a variety of confounding factors, a remaining question is whether an estimated coefficient β_2 represents the causal relationship between preference withdrawal and imports. To this end, it is crucial to check the identification assumption in my DID method. Specifically, my identification depends crucially on the assumption that EU imports from Cambodia in preference-withdrawn and duty-free products would exhibit parallel trends in imports in the absence of the EU's withdrawal. Without the EU's withdrawal, import trends would need to move in tandem between the treatment and control groups. If import trends are different between these groups, import trends in duty-free products may not well represent counterfactual import trends in preference-withdrawn products that would have prevailed in the absence of the EU's withdrawal. As a result, the DID method may not provide a valid estimate of the causal impact of preference withdrawal on EU imports from Cambodia.

A solution to this issue is to check counterfactual import trends of preference-withdrawn products, but it is not possible to observe counterfactuals and prove whether a parallel-trends assumption is valid. Nevertheless, I can shed light on the empirical validity of the parallel-trends assumption by observing import trends in the treatment and control groups during the pre-policy period. Figure 2 shows trends in EU imports from Cambodia for preference-withdrawn and duty-free products in HS chapters 61, 62, and 64 between January 2020 and March 2021. The import values are normalized to take on a value of 100 in July 2020. From August onwards, the treatment group shows a sharp decrease in the import trend. While the control group also shows a declining import trend from August, the treatment group exhibits a remarkably sharper decline in the import trend. Additionally, both the treatment and control groups appear to exhibit a largely similar movement in imports across months before the EU's withdrawal. This observation supports the validity of the parallel-trends assumption. However, it is not possible to rule out subjective judgments in a graphical assessment, and the following analysis provides a statistical test of differential import trends between the treatment and control groups.

---Figure 2 here---

3.3. Data Sources

Data on EU imports come from the EUROSTAT database. I use monthly trade statistics reported by 27 EU members from January 2019 to March 2021. Data on MFN applied tariff rates are taken from the Tariff Download Facility by the World Trade Organization.[9] The MFN tariff is a normal non-discriminatory tariff rate on imports, which excludes preferential tariffs under other schemes. Tariff rates are measured as the ad valorem tariff rate and set at the 8-digit or higher level for each tariff line. To match import products at the HS 6-digit level, I use a simple average of MFN tariff rates for tariff lines in the 6-digit subheading products. For a robustness check, I use the lowest and highest tariff rates among the 6-digit subheading products.

4. Results

4.1. Main Results

Table 2 presents the summary statistics of the sample used in estimation. The sample includes 232 import products at the HS 6-digit level across 27 EU importers for a total of 27 months between January 2019 and March 2021. The total number of preference-withdrawn and duty-free products is 59 and 173, respectively. Specifically, HS chapter 61 includes 23 preference-withdrawn and 80 duty-free products, whereas HS chapter 62 has 23 preference-withdrawn and 81 duty-free products. Additionally, there are 13 preference-withdrawn and 12 duty-free products in HS chapter 64.

---Tables 2 and 3 here---

Column (1) in Table 3 presents the benchmark result of specification (1) estimated by an ordinary least squares (OLS) method. In column (1), the coefficient of $PW_i \cdot J20_t$ is significant and positive, consistent with a last-minute shipment effect of the EU's regulation on preference withdrawal.[10] The coefficient of $PW_i \cdot P_t$ is significant and negative, supporting the hypothesis that the EU's withdrawal of tariff preferences discourages Cambodia's exports of affected goods. To gauge the economic magnitude, preference withdrawal increased the EU import of affected goods from Cambodia by 33.6% in July 2020 and decreased that by 33.6% after the withdrawal of tariff preferences.[11] By way of comparison, Gnutzmann and Gnutzmann-Mkrtchyan (2020) report that the removal of the EU's GSP reduced Belarusian exports to the EU by 28.8%. Although the degree of preference removal in their study is different from my analysis,

[9] Data source is found in the website: http://tariffdata.wto.org/ReportersAndProducts.aspx

[10] Appendix Table 2 presents the results for including other dummies in April, May, and June for 2020. The results show that the coefficients of these dummies are not significant across alternative specifications.

[11] These figures are computed by $100 \times (exp(0.29) - 1)$ and $100 \times (exp(-0.41) - 1)$, respectively.

my estimate of the EU's withdrawal is similar in magnitude as their estimated treatment effect for Belarus.

Column (2) shows the estimation result of specification (2). The coefficient of $PW_i \cdot P_t$ remains significant and negative, with a similar magnitude. Consistent with the result in column (1), the coefficient of the variable $\ln(1 + Tariff_i) \cdot PW_i \cdot P_t$ is significant and negative, suggesting that a 1% increase in gross tariff rates would decrease the value of EU imports from Cambodia by 4.2%. Columns (3) and (4) show that the coefficient of the variable, $\ln(1 + Tariff_i) \cdot PW_i \cdot P_t$, is also significant and negative for the minimum and maximum gross tariff rates, respectively. As compared with the average gross tariff rates, the absolute size of the coefficient is slightly larger for the minimum gross tariffs and smaller for the maximum gross tariffs. These results are consistent with the interpretation that the minimum (maximum) gross tariffs may underestimate (overestimate) the actual tariff increases in affected goods.

As mentioned previously, the empirical validity of a parallel-trend assumption is key to interpreting the coefficient of $PW_i \cdot P_t$ as representing the causal impact of tariff increases on imports. To complement graphical evidence, I estimate a group-specific linear trend by including the variable $PW_i \cdot Trend_t$ in my specification; $Trend_t$ is a linear trend variable.[12] If import trends between preference-withdrawn and duty-free products are similar during the study period, the coefficient of $PW_i \cdot Trend_t$ should not be statistically different from zero. Table 4 presents the estimation results of the modified specification. In column (1), the coefficient of $PW_i \cdot Trend_t$ is not significant. Columns (2) to (4) also show that the coefficient of $PW_i \cdot Trend_t$ remains insignificant. These results suggest that there is no significant difference in import trends between the treatment and control groups, consistent with the parallel-trends assumption.

---Table 4 here---

My baseline specifications may suffer from an econometric problem of heteroscedasticity and the presence of zero import flows (Santos Silva and Tenreyro, 2006). To address a bias in the OLS estimator for heteroscedasticity in import flows, I use Poisson pseudo-maximum likelihood (PPML) estimation for specification (1). I exclude fixed effects groups with only a single observation to address a concern of artificially low standard errors due to an overstated number of clusters (Correia, 2015). Table 5 presents the PPML results for import values including zero imports.[13] Column (1) shows that the

[12] To check a parallel trends assumption in a DID method, Wing et al. (2018) suggest to estimate a DID regression model that allows for group-specific linear trends and test the null hypothesis that the coefficients of group-specific linear trends are jointly zero.

[13] To implement PPML estimation with high dimensional fixed effects, we adopt the estimation approach by Correia et al. (2020), i.e., ppmlhdfe in STATA command.

coefficient of $PW_i \cdot J20_t$ is significant and positive, whereas the coefficient of $PW_i \cdot Post_t$ is significant and negative. These results are consistent with the results of benchmark specifications estimated by the OLS method. Additionally, columns (2) to (4) show that the coefficient of the variable $\ln(1 + Tariff_i) \cdot PW_i \cdot P_t$ is significant and negative across alternative specifications, suggesting that tariff increases have a negative impact on EU imports of affected goods from Cambodia. Thus, the benchmark results are robust to an econometric problem of zero-import flows.

---Table 5 here---

4.2.Extensive Margin

The analysis up to this point has focused on the intensive margin of imports in the EU, and thus it remains unclear whether the negative impact of preference withdrawal is driven by a decline in the number of import products. To assess the response of imports at the extensive margin, I estimate a linear probability model for product *i*, importer *j*, and time *t*:

$$\mathrm{P}(D_{ijt} = 1) = \delta_0 + \delta_1 PW_i \cdot J20_t + \delta_2 PW_i \cdot P_t + f_{ij} + f_{jt} + u_{ijt} \qquad (3)$$

where D_{ijt} is a dummy variable that takes on unity if importer *j* has positive imports from Cambodia in product *i* for time *t*, and zero otherwise.[14] $\mathrm{P}(D_{ijt})$ shows the probability that importer *j* imports product *i* from Cambodia for time *t*. If tariff increases in the EU induce exporters in Cambodia to stop exporting affected products, I predict that δ_2 should be negative. The advantage of the linear probability model is that it can control for a large number of fixed effects in several dimensions of panel data, whereas the disadvantage is that predicted values may not be between zero and one. However, it is not a serious concern because the causal effect of preference withdrawal is central to my analysis.

Column (1) in Table 6 shows the result of specification (3). The coefficient of $PW_i \cdot J20_t$ is not significant, suggesting that preference withdrawal does not produce a last-minute shipment effect on the extensive margin of EU imports from Cambodia. The coefficient of $PW_i \cdot Post_t$ is not significant, implying that preference withdrawal has little impact on the extensive margin of affected goods. Additionally, the results for tariff variables in columns (2) to (4) show that the coefficients of $PW_i \cdot J20_t$ and $\ln(1 + Tariff_i) \cdot PW_i \cdot P_t$ are not significant across alternative specifications. Taken together, these results suggest that the negative impact of preference withdrawal on EU's imports is explained by a decline in import quantity, rather than variety.

[14] I remove products with no import from Cambodia during the study period.

---Table 6 here---

By way of comparison, prior related studies find a negative impact at the extensive margin, suggesting that tariff increases due to the suspension of tariff preferences reduce the probability of exporting at the product- and firm-level (Gnutzmann and Gnutzmann-Mkrtchyan, 2020; Hakobyan, 2020; Albornoz et al., 2021). While these studies use annual data, I use monthly data to estimate the short-run impact at the extensive margin. This difference implies that tariff increases reduce a demand for affected goods, but do not completely remove a consumers' demand in a relatively short period. Following preference withdrawal, exporters of affected goods would reduce the volume of shipments, rather than stop exporting completely.

4.3.Product Heterogeneity

While the previous results present an aggregate trade impact of preference withdrawal, exporters and importers may respond differently to the withdrawal of preferential tariffs. As aggregate estimates may mask heterogeneous impacts across product categories, I estimate the following specification for product *i*, importer *j*, and time *t*:

$$\begin{aligned}\ln IMP_{ijt} = \rho_0 + \rho_1 KN_i \cdot J20_t + \rho_2 KN_i \cdot P_t + \rho_3 WV_i \cdot J20_t + \rho_4 WV_i \cdot P_t \\ + \rho_5 FT_i \cdot J20_t + \rho_6 FT_i \cdot P_t + f_{ij} + f_{jt} + \varepsilon_{ijt}\end{aligned} \quad (4)$$

where KN_i is a dummy variable that takes on unity if preferential tariffs for product *i* in knitted garments (HS chapter 61) were withdrawn, and zero otherwise; WV_i is a dummy variable that takes on unity if preferential tariffs for product *i* in woven garments (HS chapter 62) were withdrawn, and zero otherwise; and FT_i is a dummy variable that takes on unity if preferential tariffs for product *i* in footwear goods (HS chapter 64) were withdrawn, and zero otherwise. Specification (4) allows me to estimate differential last-minute shipment effects and tariff impacts separately for knitted garments, woven garments, and footwear products.

Column (1) of Table 7 presents the result of specification (4) by the OLS estimator for the log of import values. The coefficient of $KN_i \cdot J20_t$ is significant and positive, consistent with a last-minute shipment effect on knitted garment imports. The coefficient of $KN_i \cdot P_t$ is significant and negative, implying that preference withdrawal reduces knitted garment imports significantly after the EU's withdrawal. While the coefficient of $WV_i \cdot P_t$ is also significant and negative, the coefficient of $WV_i \cdot J20_t$ is not significant. This suggests that there was no surge in woven garment imports into the EU from Cambodia just before tariff increases. A plausible reason is that woven garments typically include jackets, suits, and trousers made from woven fabric, and some of these garments are shipped to the EU for sales in the winter season. A timeline for manufacturing orders

and cross-border shipments may make it difficult to deliver woven garments to EU customs before tariff increases. Additionally, the coefficient of $FT_i \cdot J20_t$ is significant and positive, but the coefficient of $FT_i \cdot P_t$ is not significant. By contrast with woven garments, only the last-minute shipment effect is significant for footwear products. This result may reflect the fact that tariff increases due to preference withdrawal are lower for footwear products than for knit and woven garments. Specifically, my sample shows that the average MFN rates in affected goods are 12% for knit garment, 10.9% for woven garment, and 6.4% for footwear.[15]

---Table 7 here---

For a robustness check, column (2) reports the PPML result of specification (4) for import values including zero import values. Consistent with the OLS result, the coefficients of $KN_i \cdot J20_t$ and $FT_i \cdot J20_t$ are significant and positive, whereas the coefficients of $KN_i \cdot P_t$ and $WV_i \cdot P_t$ are significant and negative. While the estimated coefficients are generally similar in magnitude between the OLS and PPML results, the PPML estimate for the coefficient of $KN_i \cdot J20_t$ is much smaller than the OLS estimate.

4.4. The Selection of Preference Withdrawal

Discussions up to this point have assumed that the scope of preference withdrawal is plausibly exogenous from exporters' perspective. This assumption is reasonable because a systematic violation of human rights in Cambodia is a primary source of preference withdrawal and the scope of preference-withdrawn products is determined by the EC. However, a plausible concern is that tariff increases may be disproportionately applied to a group of export products that had grown (declined) systematically over past periods, thereby producing any systematic bias in the estimated treatment effect of preference withdrawal.

To address this concern, I estimate a linear probability model for product *i*:

$$PW_i = \pi_0 + \pi_1 AM_i + \pi_3 GM_i + HS_i + u_i \quad (5)$$

where AM_i is the log of the average import values for years 2016-2018 in product *i* from Cambodia to the EU. GM_i is a compound average growth rate of import values from 2010 to 2018 in product *i*. HS_i is a dummy variable for HS chapters 61, 62, and 64. These variables are constructed from yearly import values of 27 EU members in the EUROSTAT. While there are 277 product categories at the HS 6-digit level in these chapters, the number of sample products conditional on positive import values is smaller.

In column (1) of Table 8, the coefficients of AM_i and GM_i are not significant. This

[15] Another plausible reason is that EU importers had a long-term contract with footwear factories in Cambodia and could not change sourcing in this period.

suggests that the selection of preference withdrawal is not systematically related to average import values and past growth rates across garment and footwear products. In column (2), I include the log of gross tariff rates and unit values in the model. The coefficient of the unit values is not significant, while the coefficient of the tariff rates is significant and negative. The coefficients of AM_i and GM_i remain insignificant. Thus, the selection of preference withdrawal is not likely to be determined by import trends, thereby producing little systematic influence on the treatment effect of tariff increases.

---Table 8 here---

5. Conclusion

Following Cambodia's violation of human and labor rights, the EC decided to withdraw preferential tariffs from August 12, 2020, for sugar, travel goods, selected garment products, and selected footwear products. The value of EU imports from Cambodia declined by 23.7% from August to September 2020, as compared to a 5.1% decline for the same period in 2019. A casual observation highlights the role of preference withdrawal in EU imports. This paper estimates two trade effects of preference withdrawal. First, the EU's regulation stipulates that the temporary withdrawal of tariff preferences came into effect from August 12, 2020, but does not apply to the imports of products that were already on the way to the EU on August 12, 2020. This feature of the EU's regulation can induce last-minute imports of affected goods to EU customs in July 2020. Second, the removal of preferential tariffs should increase the price of Cambodia's products and reduce a demand in the EU, thereby producing a negative impact on EU imports from Cambodia.

I adopt a DID regression framework to exploit the feature of preference withdrawal; that is, the EU withdrew preferential tariffs only on certain products originating from Cambodia and maintained duty-free quota-free access in other products. Since there are not sufficient comparison groups for sugar and travel goods, I focus on garment and footwear products for analysis. A graphical analysis supports the parallel-trend assumption in that import trends would move in tandem for preference-withdrawn and duty-free products even in the absence of the EU's withdrawal. The results show that preference withdrawal has a positive impact on EU imports of affected goods in July 2020, a period just before tariff increases for affected goods. This result supports that the EU's withdrawal produces a last-minute shipment effect on imports from Cambodia. Second, preference withdrawal has a negative impact on EU imports of affected goods after August 2020, consistent with the negative tariff effect on import flows. Specifically, a 1% increase in gross tariff rates would decrease the value of EU imports from Cambodia by

4.2%. Additionally, preference withdrawal does not have a last-minute shipment for woven garments, suggesting that manufacturing orders for woven garments such as jackets, suits, and trousers for sales in the winter season might be difficult to ensure the arrival of shipments at EU customs in July 2020.

A key motivation for the EU's withdrawal is Cambodia's violation of political rights, restrictive actions on civil society and trade unions, and economic land concessions in the sugar sector. As the EU clearly stipulates human-rights conditionality in the EU GSP programs, the withdrawal decision is a natural consequence of political decisions in transparent institutional settings. The partial loss of duty-free quota-free access to the EU produced a large negative impact of EU imports from Cambodia, and the COVID-19 pandemic from 2020 on should also magnify the negative consequences of the EU's withdrawal in the country's export industries, including the closure of garment factories and job cuts for garment workers. Since female workers account for a large share of employment in the garment and footwear industries, this shock would have a pronounced impact on poor female workers from rural regions. Meanwhile, there has been no clear improvement in recent efforts by the Cambodian authorities to address the EU's concerns about political issues in Cambodia. In this respect, the EU's action to improve political situations through preference withdrawal should merely cause a disproportionate negative impact on ordinary Cambodian workers and firms in export industries.

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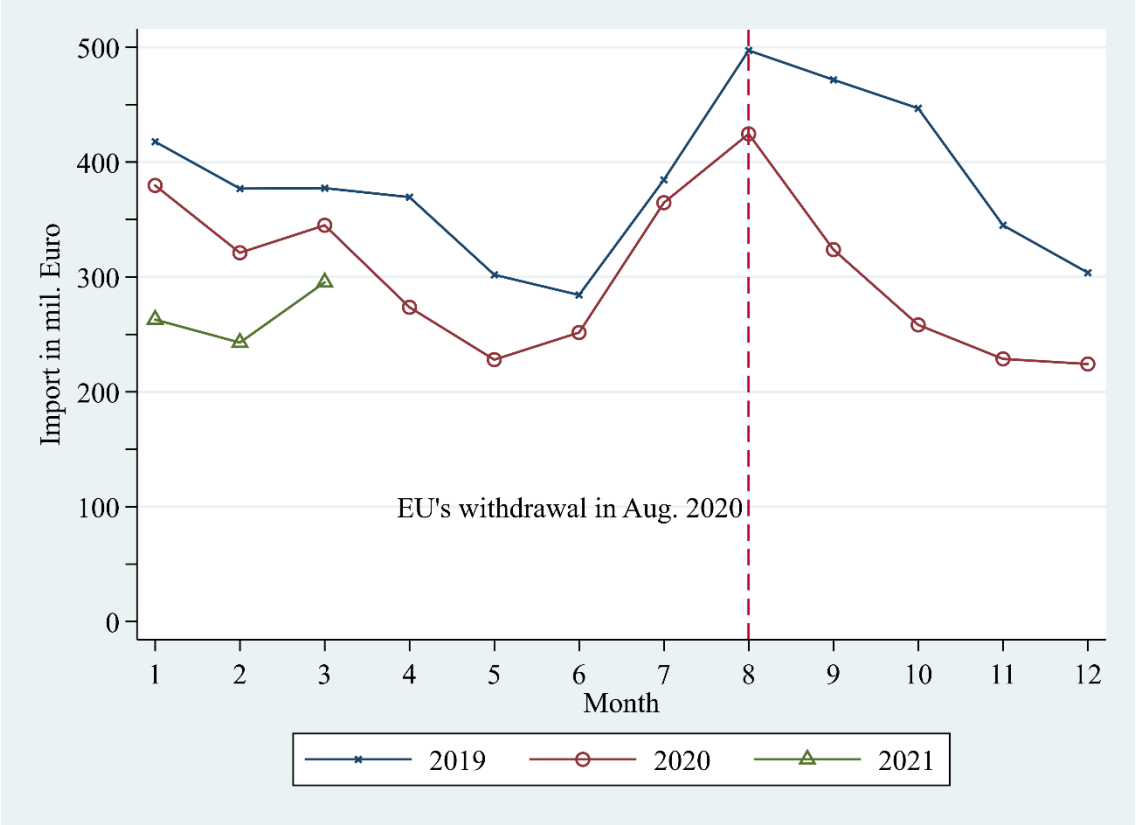
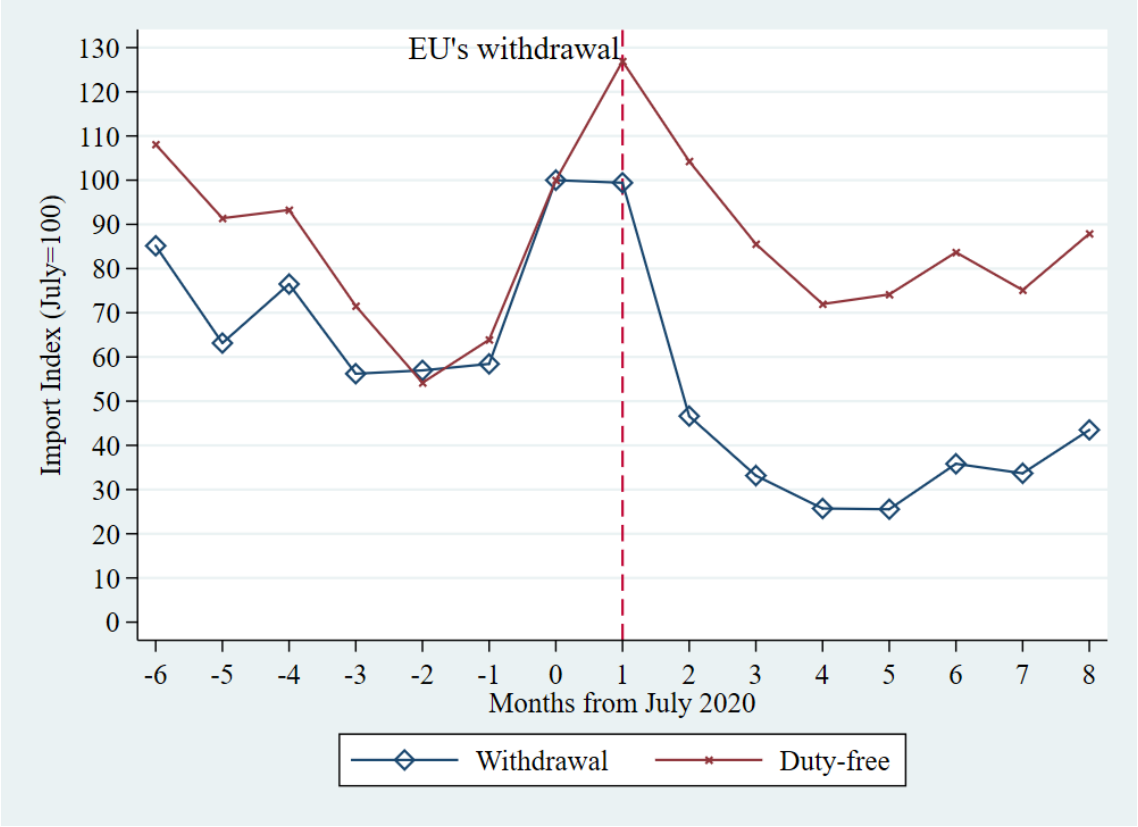
Figure 1. Total Imports in the EU27 from Cambodia



Notes: EU's withdrawal of preferential tariffs came into effect from August 12, 2020.

Source: Author's calculation using Eurostat.

Figure 2. Import Trends in Preferential-Tariff Withdrawn and Duty-Free Products



Notes: The value of imports in the EU27 from Cambodia is normalized to take a value of 100 for July 2020; Withdrawal and Duty-free show the total imports in HS chapters 61, 62, and 64 for preferential-tariff withdrawn and duty-free products, respectively.

Source: Author's calculation using Eurostat.

Table 1. EU's imports of preference-withdrawn products for 2019

HS Chapter	Withdrawn products	Import markets: Cambodia	Import markets: Extra EU27	Cambodia's share
12	Sugar	0.0003	1.6	0.02%
42	Travel goods; saddlery, trunks, wallets, handbags, travelling-bags	138	11,915	1.2%
61	Knitted apparels; men's trousers, shirts, nightshirts	452	13,589	3.3%
62	Woven apparels; men's trousers, shirts, underpants, nightshirts, swimwear	158	7,606	2.1%
64	Footwear	196	9,634	2.0%
	Total	944	42,745	2.2%

Notes: Figures show the value of imports in million Euro; Appendix Table 1 shows 6-digit HS codes of tariff-withdrawn products; Extra EU27 shows imports from the world minus imports from intra EU27.

Source: Author's calculation using Eurostat.

Table 2. Summary statistics of the sample

Variable	No. of obs.	Mean	Std. Dev.	Min	Max
Log imports	31,877	9.24	3.27	2.30	16.73
Import dummy	175,689	0.19	0.39	0	1
Withdrawal	31,877	0.25	0.43	0	1
Withdrawal×July 2020	31,877	0.01	0.10	0	1
Withdrawal×Post	31,877	0.08	0.28	0	1
ln(1+tariff)×Withdrawal×Post	31,877	0.01	0.03	0	0.11
$\ln(1+\text{tariff}_{min})$×Withdrawal×Post	31,877	0.01	0.03	0	0.11
$\ln(1+\text{tariff}_{man})$×Withdrawal×Post	31,877	0.01	0.03	0	0.16

Table 3. Benchmark results

Dependent variable: log of imports

	(1)	(2)	(3)	(4)
Withdrawal×July 2020	0.29+	0.28+	0.28+	0.29+
	(0.16)	(0.16)	(0.15)	(0.16)
Withdrawal×Post	-0.41**			
	(0.15)			
ln(1+tariff)×Withdrawal×Post		-4.20**		
		(1.39)		
$\ln(1+\text{tariff}_{min})$×Withdrawal×Post			-4.45**	
			(1.38)	
$\ln(1+\text{tariff}_{man})$×Withdrawal×Post				-3.94*
				(1.44)
Product-country fixed effects	Yes	Yes	Yes	Yes
Month-country fixed effects	Yes	Yes	Yes	Yes
No. of observations	31,877	31,877	31,877	31,877
R-squared	0.73	0.73	0.73	0.73

Notes: Parentheses report standard errors corrected for two-way clustering in import markets and products; constant is not reported; **, *, and + denote significance at the 1%, 5%, and 10% level, respectively.

Table 4. Testing for differential trends

Dependent variable: log of imports

	(1)	(2)	(3)	(4)
Withdrawal×Trend	-0.00010	0.0023	0.0034	-0.00065
	(0.0080)	(0.0079)	(0.0087)	(0.0075)
Withdrawal×July 2020	0.29+	0.26+	0.25	0.29+
	(0.15)	(0.15)	(0.15)	(0.15)
Withdrawal×Post	-0.41**			
	(0.13)			
ln(1+tariff)×Withdrawal×Post		-4.49**		
		(1.27)		
$\ln(1+\text{tariff}_{min})$×Withdrawal×Post			-4.90**	
			(1.35)	
$\ln(1+\text{tariff}_{man})$×Withdrawal×Post				-3.86**
				(1.38)
Product-country fixed effects	Yes	Yes	Yes	Yes
Month-country fixed effects	Yes	Yes	Yes	Yes
No. of observations	31,877	31,877	31,877	31,877
R-squared	0.73	0.73	0.73	0.73

Notes: Parentheses report standard errors corrected for two-way clustering in import markets and products; constant is not reported; **, *, and + denote significance at the 1%, 5%, and 10% level, respectively.

Table 5. Results of Poisson pseudo maximum likelihood estimation

Dependent variable: value of imports

	(1)	(2)	(3)	(4)
Withdrawal×July 2020	0.33*	0.33*	0.33**	0.33*
	(0.13)	(0.13)	(0.13)	(0.13)
Withdrawal×Post	-0.36**			
	(0.12)			
ln(1+tariff)×Withdrawal×Post		-3.54**		
		(1.12)		
$\ln(1+\text{tariff}_{min})$×Withdrawal×Post			-3.65**	
			(1.14)	
$\ln(1+\text{tariff}_{man})$×Withdrawal×Post				-3.47**
				(1.12)
Product-country fixed effects	Yes	Yes	Yes	Yes
Month-country fixed effects	Yes	Yes	Yes	Yes
No. of observations	84,671	84,671	84,671	84,671
Pseudo R-squared	0.90	0.90	0.90	0.90

Notes: Parentheses report standard errors corrected for two-way clustering in import markets and products; constant is not reported; **, *, and + denote significance at the 1%, 5%, and 10% level, respectively.

Table 6. Results of the extensive margin

Dependent variable: import dummy

	(1)	(2)	(3)	(4)
Withdrawal×July 2020	0.0045	0.0035	0.0030	0.0038
	(0.0071)	(0.0073)	(0.0073)	(0.0073)
Withdrawal×Post	0.0016			
	(0.0071)			
MFN×Withdrawal×Post		-0.016		
		(0.071)		
Min MFN×Withdrawal×Post			-0.033	
			(0.071)	
Max MFN×Withdrawal×Post				-0.0076
				(0.070)
Product-country fixed effects	Yes	Yes	Yes	Yes
Month-country fixed effects	Yes	Yes	Yes	Yes
No. of observations	175,689	175,689	175,689	175,689
Pseudo R-squared	0.68	0.68	0.68	0.68

Notes: Parentheses report standard errors corrected for two-way clustering in import markets and products; constant is not reported; **, *, and + denote significance at the 1%, 5%, and 10% level, respectively.

Table 7. Results of heterogeneous impacts across products

	(1)	(2)
Estimation	OLS	PPML
Dependent variable	log of imports	import values
Withdrawal in Knitted Garment×July 2020	0.52**	0.21*
	(0.11)	(0.092)
Withdrawal in Knitted Garment×Post	-0.48**	-0.37*
	(0.17)	(0.14)
Withdrawal in Woven Garment×July 2020	-0.25	-0.23
	(0.24)	(0.17)
Withdrawal in Woven Garment×Post	-0.56**	-0.51**
	(0.20)	(0.15)
Withdrawal in Footwear×July 2020	0.79*	0.82**
	(0.29)	(0.26)
Withdrawal in Footwear×Post	0.019	-0.22
	(0.33)	(0.28)
Product-country fixed effects	Yes	Yes
Month-country fixed effects	Yes	Yes
No. of observations	31,877	84,671
R-squared	0.73	
Pseudo R-squared		0.90

Notes: Parentheses report standard errors corrected for two-way clustering in import markets and products; constant is not reported; **, *, and + denote significance at the 1%, 5%, and 10% level, respectively.

Table 8. Results for selection of preference withdrawal

Dependent: dummy for preference withdrawal

	(1)	(2)
ln(average import values)	-0.0028	0.0023
	(0.0097)	(0.012)
Import growth	0.0058	0.0075
	(0.046)	(0.049)
ln(1+tariff)		-0.66**
		(0.18)
ln(unit values)		-0.028
		(0.054)
HS chapter dummy	Yes	Yes
No. of observations	192	179
R-squared	0.042	0.11

Notes: Parentheses report standard errors; constant is not reported; **, *, and + denote significance at the 1%, 5%, and 10% level, respectively.

Appendix

Appendix Table 1. 6-digit HS codes of preference-withdrawn products

HS Chapter 12	HS Chapter 61	HS Chapter 62	HS Chapter 64
121293	610341	620341	640319
	610343	620343	640320
HS Chapter 42	610349	620349	640340
420100	610510	620520	640351
420211	610520	620530	640359
420212	610590	620590	640391
420219	610711	620711	640399
420221	610712	620719	640510
420222	610719	620721	640520
420229	610721	620722	640590
420231	610722	620729	640610
420232	610729	620791	640620
420239	610791	620799	640690
420291	610799	621132	
420292	610910	621133	
420299	610990	621139	
420310	611510	621142	
420321	611521	621143	
420329	611522	621149	
420330	611529	621210	
420340	611595	621220	
420500	611596	621230	
420600	611599	621290	

Source: Commission Delegated Regulation (EU) 2020/550 of 12 February 2020 amending Annexes II and IV to Regulation (EU) No 978/2012 of the European Parliament and of the Council as regards the temporary withdrawal of the arrangements referred to in Article 1(2) of Regulation (EU) No 978/2012 in respect of certain products originating in the Kingdom of Cambodia.

Appendix Table 2. Results of last-minute dummies

Dependent variable: log of imports

	(1)	(2)	(3)	(4)
Withdrawal×April 2020	0.055	0.047	0.042	0.055
	(0.13)	(0.14)	(0.14)	(0.14)
Withdrawal×May 2020	0.18	0.17	0.17	0.18
	(0.15)	(0.15)	(0.15)	(0.15)
Withdrawal×June 2020	0.14	0.13	0.13	0.14
	(0.13)	(0.13)	(0.13)	(0.13)
Withdrawal×July 2020	0.31+	0.30+	0.30+	0.31+
	(0.16)	(0.16)	(0.16)	(0.16)
Withdrawal×Post	-0.39*			
	(0.15)			
ln(1+tariff)×Withdrawal×Post		-4.01**		
		(1.43)		
$\ln(1+\text{tariff}_{min})$×Withdrawal×Post			-4.28**	
			(1.42)	
$\ln(1+\text{tariff}_{man})$×Withdrawal×Post				-3.75*
				(1.48)
Product-country fixed effects	Yes	Yes	Yes	Yes
Month-country fixed effects	Yes	Yes	Yes	Yes
No. of observations	31,877	31,877	31,877	31,877
R-squared	0.73	0.73	0.73	0.73

Notes: Parentheses report standard errors corrected for two-way clustering in import markets and products; constant is not reported; **, *, and + denote significance at the 1%, 5%, and 10% level, respectively.