**Table 1. OLS Results for the Basic and Augmented Generalized Gravity Equations**

| Independent variables | Model 1: Standard gravity (eqn. 5.1) | Model 2: Augmented gravity (eqn. 5.2) | Model 3: Augmented gravity (eqn. 5.3) |
|---|---|---|---|
| Constant | 0.30 (0.53) | 0.71 (1.32) * | -2.85 (-3.27) * |
| Exporter income | 1.30 (24.54) * | 1.28 (23.91) * | 1.23 (23.65) * |
| Importer income | 1.20 (24.18) * | 1.39 (26.65) * | 1.26 (21.33) * |
| Exporter population | -0.41 (-7.91) * | -0.38 (-7.78) * | -0.33 (-7.13) * |
| Importer population | -0.25 (-4.42) * | -0.35 (-6.47) * | -0.23 (-3.65) * |
| Distance | -0.91 (-38.20) * | -0.93 (-39.50) * | -0.85 (-32.46) * |
| Exporter infrastructure | --- | -0.003 (-0.40) | -0.0005 (-0.06) |
| Importer infrastructure | --- | -0.08 (-8.59) * | -0.08 (-8.94) * |
| Per capita income differential | --- | --- | -0.23 (-5.28) * |
| Real exchange rate | --- | --- | 0.54 (4.60) * |
| EU dummy | 0.11 (1.94) ** | 0.10 (1.73) ** | 0.12 (2.13) ** |
| Mercosur dummy | 0.65 (4.29) * | 0.48 (2.90) * | 0.41 (3.10) * |
| Adjusted $R^2$ | 0.830 | 0.834 | 0.837 |
| F test | 58.36 ** | 57.77 ** | 56.62 ** |
| SSR | 3,509 | 3,431 | 3,358 |
| Log Amemiya prob. cr. | 0.153 | 0.132 | 0.120 |
| Akaike info. crt. | 2.990 | 2.970 | 2.958 |
| Log-likelihood | - 4,519 | - 4,486 | - 4,466 |

Notes: Time dummies are not reported. All variables except dummies are expressed in natural logarithms. Estimations use White's heteroskedasticity-consistent covariance matrix estimator. t-statistics are in parentheses. *, **, *** denote significance at the 1%, 5% and 10% level, respectively. F (n-1, nT-n-K) degrees of freedom in brackets. Where K is the number of variables in the regression, n is the number of trading pairs and T is the number of time periods. The number of observations equals (n x T) = 3,028.

Martinez-Zarzoso and Nowak-Lehemann, 2003, JAE