

How Does Conflict Affect Trade Potential between Countries?

Jean-Michel Pasteels, Lionel Fontagne, and Jurgen Brauer

In preliminary research, we use a cross-sectional gravity equation augmented by a conflict-intensity variable to gauge the effect of conflict on trade potential between pairs of countries. We find that a one-unit increase in conflict-intensity exerts a statistically significant negative effect on trade potential, equal to about one-third of all other trade impediments combined.