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The impact of 3D printing on trade and FDI

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Abstract

This paper analyzes the effects of 3D printing technologies on the volume of trade and on the structure of foreign direct investment (FDI). A standard model with firm-specific heterogeneity generates three main predictions. First, 3D printers are introduced in areas with high economic activity that also face high transport costs. Second, technological progress in 3D printing leads to FDI dependent on traditional production structures gradually being replaced with FDI based on 3D printing techniques. At this stage, international trade remains unaffected. Finally, at later stages, with 3D printers being widely used, further technological progress in 3D printing leads to a gradual replacement of international trade. Empirical evidence indicates that countries subject to higher transport costs and with high levels of economic activity are indeed among those importing more 3D printers. Anecdotal evidence also supports the second and third predictions of the model.

JEL classification: F10, F23, O33.  
Keywords: 3D printing, FDI, trade, technological change, transport costs.

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“Companies are re-imagining supply chains: a world of networked printers where logistics may be more about delivering digital design files – from one continent to printer farms in another – than about containers, ships and cargo planes”

— PWC report (2014), 3D printing and the new shape of industrial manufacturing

1 Introduction

Three dimensional (3D) printing, also known as additive manufacturing, is emerging as an earth-shattering technology. It creates objects by printing successive layers of different materials, mostly plastic or metal, rather than removing or cutting material from a large piece or a block (called “subtractive manufacturing”). With this new technology at hand, ordinary citizens could present their ideas to designers and easily turn them into real products using an affordable 3D printer. Large 3D printers, which are capable of making objects up to a meter in diameter and three meters in height, have also been developed for industrial use (e.g. delta-style 3D printers by SeeMeCNC). The main challenge faced by the developers is how to improve the technology to create printers that can mass produce large objects at high speeds. The industry leaders are currently Stratasys, EOS, and 3D Systems, the latter selling a kit for around US$1,000 for consumer use.

3D printing technology, invented by Chuck Hull, was patented in 1986. This technology was initially called stereolithography, which basically consisted of solidifying very thin layers of a special polymer using a laser. Hull founded one of the main market players in the business, 3D Systems, but he was unable to restrict competition and other technologies have been constantly developing since then (Zhang, 2014). Figure 1 shows the evolution of patents related to 3D printing technology in the US. We see that the number of patents has skyrocketed over the past years. This is confirmed by the Wohlers Report 2014 (2014), containing not only the patents granted but also the applications of patents in the US, which show a similar trend.

![Figure 1: 3D Printing Patents](image)

Source: [Patent iNSIGHT Pro (2014)]

3D printing can be considered a disruptive technology because it changes
the production process in several ways: i) production lines (assembly) can be reduced or could even disappear for many small manufactured products; ii) a regionalization process is likely to emerge because production can be located close to the main markets without the need of transporting goods over long distances; iii) product variety could radically increase because it will become easier to customize products and adapt them to consumer tastes; iv) the need to keep inventories will be reduced because design files can be sent instantaneously to any location in the world; v) the technology has a less damaging effect on the environment because it implies a cleaner production process with less material waste and it shortens the good-delivery routes, which in turn contributes to reductions in emissions originating from the transport sector; vi) it enables fewer workers to produce more, which drastically raises labor productivity levels. This latter effect may cause disruptions in labor markets in the short run, but could have beneficial effects in the long run, in particular, in aging societies like Western Europe and Japan where the work force has already started to shrink.

Examples of the successful use of 3D printing technologies abound – two of them are described in an article in USA Today 1. The first refers to Audiovox, an assembler of digital TVs for BMW headrests. Audiovox decided to use the technology to print the control button of the TVs, which saved the company incurring tooling expenses and enabled it to deliver the parts much faster. The second example is the production of infrared cameras for domestic use. Given that the supplier had to go through several design changes, the 3D printer served as an excellent production technology to efficiently cope with these kinds of requests. Furthermore, The Guardian (2015) 2 reports how – even in the construction sector – this technology could drastically change production processes. They describe the building of a villa in less than 1 month using only 8 workers, while without 3D printing it would have cost twice as much, taken 3 times as long, and have required 30 workers.

However, there are also drawbacks. Printing times are still substantial, which is particularly restrictive if thousands of pieces are requested within a short time frame. Moreover, some of the materials used are still not resistant enough (a property that carries over to the final product) and still have to undergo thorough testing to meet the standards required by government regulators. Finally, the cost of the printers – although it has been decreasing over time – is still high enough to be prohibitive for small companies, especially the bigger and more expensive printers that are able to make products out of metal powder. While the most affordable 3D printers are accessible to almost anyone at a cost of US$1,000-2,000, bigger printers, such as the ones required by Airbus and General Electric, can cost 1,000 times that amount according to the listed prices of 3D printers in Wohlers Report 2014 (2014). Another issue worth mentioning is that different environmental conditions in different countries could change the characteristics of the powders used in the production process, which in turn alters the final

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product and often prohibits replication (Stahl 2013; Ford 2014). Overall, the cost-effectiveness of additive manufacturing far exceeds those of existing technologies – particularly for pieces required at a small scale and involving high degrees of complexity – which could challenge the competitive advantages of factories in China and other low-wage countries. It might also reduce barriers to entry for potential manufacturers in many industries and could have important implications for national security and geopolitics. As Baldwin (2013) acknowledges, 3D printing has the potential to change global value chains as we know them.

The main aim of this paper is twofold. Firstly, we present a theoretical model that examines the impact of 3D printing on foreign direct investment (FDI) and international trade, aside from the global transmission of this ground-breaking invention. The theoretical model predicts a product life-cycle-type development of production and trade: in the first stage, 3D printers are introduced in areas with high economic activity that are subject to high transport costs; in the second stage, technological progress in 3D printers leads to a gradual replacement of traditional production structures used in FDI by those relying on 3D printing techniques – at that stage, international trade remains unaffected; in the third stage, 3D printers are widely used and further technological progress in 3D printing leads to a gradual replacement of international trade by local production. Secondly, the first prediction of the model is tested using a gravity model and the second and third predictions are evaluated by means of case studies, all to be found in the empirical section of the paper. The empirical results confirm the first prediction, while the case studies provide some evidence in favor of the second and third predictions. To our knowledge, this is the first paper that specifically analyzes 3D printing in the context of the new-new trade theory and that explores the (potential) global economic consequences of introducing this technology into the production process.

The paper is structured as follows. Section 2 presents the theoretical framework, while section 3 describes the 3D printing industry and the available data in detail. Section 4 contains our empirical analysis, while Section 5 concludes.

2 3D printing and trade: theory

To understand the potential impact of the 3D printing technology on international trade and FDI we first introduce this new technology into the state-of-the-art model by Helpman et al. (2004). Consider a world comprised of \(i \in [1, n + 1]\) open economies. In each economy there is one sector where firms produce a homogenous good with a unitary labor input coefficient and another sector in which firms produce a continuum of manufactured goods \(j \in (0, 1)\). Homogenous goods can be costlessly traded, while manufactured goods can be sold in the home country (no transport costs), they can be exported to other countries (subject to iceberg transport costs \(\tau > 1\)), or they can be produced directly in the destination country by subsidiaries established via greenfield FDI (no transport costs). Production for the domestic market is subject to fixed costs \(c_{FD}\), while production for the export market is subject to fixed costs \(c_{FX} > c_{FD} \cdot \tau^{1-\epsilon}\). In
contrast to [Helpman et al. (2004)], FDI can occur in two different forms: a) firms incur a fixed investment cost $c_{fI} > c_{fX} \cdot \tau^{-1}$ to establish a foreign subsidiary that replicates the parent’s domestic production technology, b) firms incur a fixed investment cost $c_{f3D} > c_{fI}$ to establish a foreign subsidiary based on the technology of 3D printing machines. The use of 3D printers implies that the subsidiary utilizes a superior production technology as compared to the parent in the home country. We conceptualize this by assuming that the factor input requirement for the production of each good in the subsidiary is reduced by the amount $\xi$ in relation to the parent company. This is a minimum-invasive way of modeling the advantage of 3D printing over traditional production technologies and captures, as a short-cut formulation, the channels i), iv), v), and vi) as outlined in the introduction. Furthermore, since the implementation of 3D printing is associated with FDI and therefore regionalized, the formulation also takes into account channel ii) (namely, the regionalization of production). In line with the literature on trade with firm-specific heterogeneity, we assume that the only variable production factor is labor, which earns the wage rate $w$, and that, upon entering the industry, a firm draws its productivity level $\theta(j)$ from the distribution $G(\theta)$. This implies that the variable production cost is given by $w/\theta(j)$.

On the consumption side, we assume that households are identical across economies and have utility functions with a constant elasticity of substitution $\epsilon = 1/(1 - \alpha) > 1$ between the different varieties. Following the notation of [Helpman (2006)], the demand for each variety is given by $x(j) = Ap(j)^{-\epsilon}$ with $x(j)$ being the quantity of good $j$, $p(j)$ being its price, and $A$ denoting the demand level as determined by the household’s income. The standard profit maximization problem in this setting leads to the familiar outcome that the profit-maximizing pricing strategy for firms is to charge a mark-up $1/\alpha$ over marginal cost (cf. Dixit and Stiglitz, 1977; Melitz, 2003). This implies that firms charge price $p(j)_D = w/\alpha\theta(j)$ in the domestic market, price $p(j)_X = w\tau/\alpha\theta(j)$ in the destination country if firms choose to export, price $p(j)_I = w/\alpha\theta(j)$ in the destination country if firms choose to open a foreign subsidiary that is based on the domestic (traditional) production technology, and price $p(j)_{3D} = w/[1 + \xi]\alpha\theta(j)$ in the destination country if firms choose to open a foreign subsidiary that is based on the superior 3D printing technology.

For the sake of clarity, we suppress the index $j$ from now on. In our setting, a partitioning of firms occurs as follows: very unproductive firms that do not expect to recoup the fixed costs of production, choose to exit immediately. Firms that are productive enough to supply to the domestic market, but not to the foreign market, earn profits

$$\pi_D = \theta^{1-\epsilon}(1 - \alpha)A\left(\frac{w}{\alpha}\right)^{1-\epsilon} - cf_D \equiv \Theta B - cf_D, \quad (1)$$

\textsuperscript{3}To recap, the channels are reduction of assembly/production lines (i) and inventories (iv); less pollution (v); and increases in labor productivity (vi).

\textsuperscript{4}See for example Eaton and Kortum (2002), Melitz (2003), Bernard et al. (2003), Helpman et al. (2004), and Helpman (2006) for different approaches.
where we follow the notation of Helpman (2006) such that $\Theta = \theta^{e-1}$ and $B = (1 - \alpha)A(w/\alpha)^{1-e}$.

Let the threshold level of productivity below which the firm would choose to cease to operate be given by $\Theta_D$. In this case, there exists a productivity level $\Theta_X > \Theta_D$ above which firms can recoup the additional fixed costs of exporting to the destination country $i$. These firms earn profits as given by

$$\pi_D + \pi_X = \theta^{e-1}(1 - \alpha)A \left(\frac{w}{\alpha}\right)^{1-e} - cf_D + \tau^{1-e}\theta^{e-1}(1 - \alpha)A_i \left(\frac{w}{\alpha}\right)^{1-e} - cf_X \equiv \Theta B - cf_D + \tau^{1-e}\Theta B^i - cf_X,$$

(2)

where $B^i = (1-\alpha)A^i(w/\alpha)^{1-e}$ refers to the demand level (and hence to economic activity) in destination country $i$.

Greenfield FDI has the advantage that goods can be sold in the destination country without incurring transport costs. The primary disadvantage of FDI is the higher fixed cost when compared to exporting because a new plant has to be established abroad. Consequently, more productive firms with a productivity level above $\Theta_I > \Theta_X$ find it more profitable to exit the export business to country $i$ and open a subsidiary there instead. These firms earn profits

$$\pi_D + \pi_I = \theta^{e-1}(1 - \alpha)A \left(\frac{w}{\alpha}\right)^{1-e} - cf_D + \theta^{e-1}(1 - \alpha)A^i \left(\frac{w}{\alpha}\right)^{1-e} - cf_I \equiv \Theta B - cf_D + \Theta B^i - cf_I,$$

(3)

but they still do not invest in the new technology of 3D printers when establishing their subsidiaries. The reason is that 3D printing facilities, while leading to lower variable production costs, come with a higher fixed cost than traditional FDI.

Firms with productivity levels above $\Theta_{3D}$ will choose to base their subsidiary in the foreign economy using the superior 3D printing technology. Initially, $\Theta_{3D}$ will be very high because the 3D printing technology is new and the introduction of any new technology comes with high fixed costs. Consequently, immediately after the invention of 3D printing $\Theta_{3D} > \Theta_I$ will certainly hold. Over time, however, technological progress in 3D printing will lead to falling fixed costs, such that other scenarios also become feasible, as we will see below. Firms pursuing FDI via advanced 3D printing technologies earn profits

$$\pi_D + \pi_{3D} = \theta^{e-1}(1 - \alpha)A \left(\frac{w}{\alpha}\right)^{1-e} - cf_D + \theta^{e-1}(1 - \alpha)A^i \left[\frac{w}{(1 + \xi)\alpha}\right]^{1-e} - cf_{3D} \equiv \Theta B - cf_D + \Theta(1 + \xi)^{e-1}B^i - cf_{3D}.$$

(4)

To be able to illustrate this scenario graphically, we follow Helpman (2006) and restrict our attention to the case of countries of equal size, which implies that $A^i = A$ for all $i$. Please note that this only applies to the scenario depicted in the graphs but that, in general, countries differ with respect to demand levels $A^i$ and hence with respect to economic activity in our model. The initial scenario (introduction phase) is depicted in Figure 2 and shows the profit components from domestic sales ($\pi_D$), from exports ($\pi_X$), from FDI relying on traditional production technologies ($\pi_I$), and from FDI relying on advanced 3D printing.
Figure 2: The effect of 3D printing technology on FDI and trade (introduction phase)
technologies (\(\pi_{3D}\)) in the case of high fixed costs of 3D printers. Fixed costs are depicted on the negative part of the \(y\)-axis, while productivity \(\Theta = \theta^{-1}\) is depicted on the \(x\)-axis. Similar to Helpman et al. (2004) and Helpman (2006), firms with a productivity level below \(\Theta_D\) shut down, firms with productivity \(\Theta_D < \Theta < \Theta_X\) produce for the domestic market only, firms with productivity \(\Theta_X < \Theta < \Theta_I\) produce for the domestic market and export, and firms with productivity \(\Theta_I < \Theta < \Theta_{3D}\) pursue FDI relying on the traditional production techniques (besides producing for the domestic market as well). Please note that the slopes of the lines \(\pi_D\) and \(\pi_I\) are the same because the associated type of FDI simply replicates the domestic market technology in the foreign economy, while the slope of the line \(\pi_X\) is lower because iceberg transport costs reduce profits per unit shipped. The new element is the red line that refers to the additional profits due to FDI via 3D printing technologies. This line is steeper than all the other lines because the use of 3D printers reduces the variable costs by the amount \(\xi\). At the stage depicted in Figure 2 the fixed costs of 3D printing technologies are still very high, such that the productivity level necessary for a firm to invest in this technology is large (\(> \Theta_{3D}\)). In this scenario, only the most productive firms choose to establish subsidiaries using 3D printing technologies.

Now suppose that technological progress reduces the fixed cost of 3D printing technologies. This scenario (growth phase) is depicted in Figure 3, where \(c_f_{3D}\) is reduced such that the red line of additional profits due to FDI via 3D printing technologies shifts upward. This implies that FDI relying on traditional technologies decreases and is gradually replaced by FDI relying on 3D printing technologies. In this scenario, international trade still remains unaffected by technological progress with respect to 3D printing machines. The reason is that the variable cost savings of 3D printing technologies are large enough to compete with traditional FDI, whose fixed cost are larger than the fixed costs of exporting. At the same time, however, the variable cost savings of 3D printing technologies are still not large enough to compete with the firms that only face the lower fixed cost of exporting.

Finally, suppose that technological progress reduces the fixed cost of 3D printing technologies further, as shown in Figure 4. At this stage (maturity phase) the variable cost savings of 3D printing technologies are large enough to enable these firms to start competing with exporters. This implies that \(\Theta_I > \Theta_{3D}\) and all FDI is based upon advanced 3D printing technologies. Additional reductions in fixed costs could even lead to a partial replacement of trade in manufactured goods. Please note, however, that trade in homogenous goods (e.g. in the materials used by the 3D printers) could still increase.

An analogous result would be obtained if technological progress came in the form of higher efficiency (larger \(\xi\)) instead of the reduction in fixed costs. In

\[\text{Note that, if there is a new investment at this stage, the superior 3D printing technology is employed. However, if a production facility with the old technology already exists, it will not be replaced. In other words, at this stage of the 3D printing technology, it only pays off to employ 3D printing for greenfield investments. In particular, this holds for the production facility with the old technology that already exists in the home country. Only if the 3D printing technology becomes very cheap, it will pay off to replace facilities with the old technology by facilities with the 3D printing technology.}\]
Figure 3: The effect of 3D printing technology on FDI and trade (growth phase)
Figure 4: The effect of 3D printing technology on FDI and trade (maturity phase)
this case, technological progress in 3D printing would lead to a counterclockwise rotation of $\pi_{3D}$ as shown by the red lines in Figures 2, 3 and 4. Consequently, technological progress in 3D printing would first imply that traditional FDI is replaced by FDI based upon 3D printing technologies and only later would trade in manufactured goods be replaced. The qualitative results are the same as in the case in which technological progress with respect to 3D printers assumes the form of reductions in the fixed costs of printers.

Our framework implies the following testable predictions: i) the introduction of 3D printers predominantly takes place in areas with high economic activity (countries or regions with a large $A_i$) that are contemporaneously subject to high transport costs; ii) initially, technological progress with respect to 3D printers leads to a gradual replacement of FDI using traditional production structures with FDI that uses 3D printing techniques – at that stage international trade in manufactured goods stays unaffected; iii) in later stages, when 3D printers are already widely used, further technological progress with respect to 3D printers leads to a gradual replacement of international trade in manufactured goods. Given that the 3D printing technology is still quite young, lack of appropriate time series data implies that some predictions can only be supported with case studies. While we first proceed with a general description of the 3D printing industry, we then present in Section 4 a test of prediction i) and a case study is outlined that supports predictions ii) and iii). Over time and with more publicly available information on the adoption of 3D printing by private companies, we hope to extend the empirical assessment of the theoretical predictions in future research.

3 3D printing and trade: the data

Despite the fact that the industry has existed for over two decades, it has only recently gained importance when the initial patents started to expire such that data on production, use, and trade of 3D printers are scarce. In terms of production of the printers, data are not easily accessible for the public since not all the companies that produce the printers are traded on the stock market and therefore the data are mostly confidential. As a result, we have to rely on information from newspaper articles and reports from consulting firms or independent organizations. As we can see in Figure 5, the number of industrial 3D printers sold has been increasing over time, especially since the 2000’s, in case of the US. A steady rise can also be observed in Germany, closely followed by Israel. The jump in the Israeli figure for the year 2013 and the corresponding decrease in the US for the same year can be explained by the merger of two companies, Stratasys Ltd. from the US and Stratasys Inc. and Object Ltd. from Israel. The resulting company was registered in Israel (Wohlers Report 2014, 2014), which explains the jump in the Israeli values and the decrease in the US ones.

The main producers of industrial 3D printers are located in countries that are pioneers in 3D printing technology and where most patents are registered. This can be seen in Figure 6 which displays the amount of patents per country. The US is the leader, followed by China, Japan, and Germany. Most of the
Figure 5: Printers sold in a selected group of countries

Source: Authors’ own calculations based on data from Wohlers Report 2014 (2014)

governments of these countries are financing research centers and initiatives to boost the technology, since they firmly believe in its potential to benefit the economy in a variety of sectors – from medicine to the aerospace industry. In the US, for example, the National Additive Manufacturing Innovation Institute was created in 2012 and President Obama referred to it in his Presidential speech in 2013: “A once-shuttered warehouse is now a state-of-the-art lab where new workers are mastering the 3-D printing that has the potential to revolutionize the way we make almost everything.” During the same speech he announced three extra manufacturing hubs planned for the future “to turn regions left behind by globalization into global centers of high-tech jobs”, and further: “I ask this Congress to [..] guarantee that the next revolution in manufacturing is made in America.” Indeed, in January 2015 a new manufacturing innovation hub in Knoxville, Tennessee was announced. In the case of China, 2013 was a crucial year for R&D investments in 3D printing since provincial, central, and city governments supported the sector by investing in capital equipment and R&D, and offered tax refunds, low-interest-rate loans, and land for construction. Moreover, in 2013 new 3D printing industrial parks and centers were developed in three provinces (see Wohlers Report 2014 2014). The European Union also finances the development of the technology through several channels such as the European Space Agency or the European Union’s Framework Funding.

An important aspect of the 3D printing business is that the industry includes


Refer to Wohlers Report 2014 2014 for more information on other initiatives.
a number of closely related activities, namely the production of services, inputs, and materials used to print products, software development, printers, parts for final products, and the production of prototypes. Figure 7 displays the increase in parts for final products as a share of the whole 3D printing market (basically including services and total product revenues from 3D printing) (Wohlers Report 2014 [2014]). We clearly observe that the share of parts has been steadily increasing over time, which indicates that more companies have started to include 3D printed parts in their final products.

Figure 7: Participation of parts production for final goods in total revenues
Source: Authors’ own elaboration based on Wohlers Report 2014 [2014]
Another challenging issue is the analysis of international trade in 3D printers and related products, in order to measure adoption. We discuss the related issues in Section 6.1 of the Appendix. Based on research carried out, we decided to focus on printers under the 8477.80 code of the Harmonized System (HS). Figures 8 and 9 show the evolution over time of the volume and value of exports for the main exporting countries. Figure 8 shows that Germany, China, and the US are the main exporters in terms of value of exports, while in terms of volume (Figure 8) the United Kingdom joins the main exporters. Surprisingly, the US is only the third ranked exporter (in terms of volume and also in terms of value in part of the time period analyzed), which could be due to the fact that trade is reported under different classifications, or simply because the printers produced in the US are mainly sold in the domestic market. It should be noted that there was a significant decrease in the volume exported by China in 2007, although there was no decrease in the value exported.

Figure 8: Volume of printers exported under HS code 8477.80 (in thousands)

Source: Authors’ own calculations based on data from UN-Comtrade

Note: RHS stands for right hand side of the Figure
Figure 9: Value of printers exported under HS code 8477.80 (in millions of USD)

Source: Authors’ own calculations based on data from UN-Comtrade

4 3D printing and trade: empirical evidence

4.1 Determinants of bilateral trade of 3D printers

In this section, we use a gravity model, which is nowadays considered the workhorse in estimating the determinants of bilateral trade flows (Feenstra, 2002; Head and Mayer, 2014). This model has been widely used in recent literature to estimate the effects of different components of trade costs on trade and to assess the effects of a number of policy measures. Since we are mainly interested in the effects of demand in the destination country and the effects of transport costs on the adaption of 3D printers, we consider it appropriate for our purposes. In particular, it is useful for testing the first prediction derived from the theoretical model in Section 2, which states that countries subject to higher transport costs and with a high level of domestic demand will be among the earliest adopters of the technology.

Based on Anderson and van Wincoop (2003), we consider a number of country-specific and bilateral factors as determinants of bilateral trade. Since we lack comparable data on trade and domestic sales to properly assess the actual adaption per country, we use trade statistics but are unable to consider printers that are produced locally or that are sold in the domestic market. We adopt a similar strategy as Caselli and Coleman (2001) who also use trade data to proxy for technology adoption (computers in their case). Trade is measured using the HS code 8477.80 from UN-Comtrade as a proxy for trade in 3D printers as captured by $X_{ij}$. We considered the quantity traded because there is a wide dispersion in the values of printers available for sale (see Wohlers Report 2014 (2014) for a selected list of the available printers and the corresponding prices) and in these cases the quantity is a better unit of measurement (Vido and Prentice, 2003). Moreover, if there is an innovation resulting in a fall in the price of printers, less “value” is traded but that is not indicative of lower adaption.
The equation we estimate has the following form:

\[
\ln X_{ij} = \beta_0 + \beta_1 \ln GDP_i + \beta_2 \ln GDP_j + \beta_3 \ln \text{trancost}_{ij} + \beta_4 \ln \text{dist}_{ij} + \beta_5 \text{rta}_{ij} + \\
+ \beta_6 \text{comlang}_{ij} + \beta_7 \text{colony}_{ij} + \beta_8 \ln P_i + \beta_9 \ln P_j + u_{ij},
\]

(5)

where \( \beta_k \) for \( k = 0, \ldots, 7 \) denote the parameters to be estimated. Data on GDPs \( (GDP_i \text{ and } GDP_j) \) were obtained from the World Development Indicators of the World Bank. Distance \( (\text{dist}) \) refers to the geographical distance between capital cities of the trading countries, \( \text{rta} \) takes the value of 1 if both countries are members of the same RTA\(^{11}\); common language \( (\text{comlang}) \) is a dummy variable that takes the value of one if both countries share an official language and zero otherwise; \( \text{colony} \) is a dummy variable that takes the value of one if two countries ever shared a colonial relationship and zero otherwise. All these dummy variables were retrieved from the Centre d’Etudes Prospectives et d’Informations Internationales\(^ {12}\). The multilateral resistance terms \( P_i \) and \( P_j \) are controlled for by adding continental dummies, country dummies, or alternatively using the Bonus Vetus OLS approximation \((\text{Baier and Bergstrand, 2009})\).

Several proxies for transport costs \( (\text{trancost}_{ij}) \) of products produced with 3D printers are used. The first is the ad-valorem equivalent of transporting goods between countries obtained from the OECD website\(^ {13}\) for goods classified under Chapters 84, 87, and 90 of the HS classification. These three categories were chosen since they include parts for automobiles (Chapters 84 and 87), and medical prosthetics and hearing aids (Chapter 90) as examples of products already being produced with 3D printing. Since data are only available until 2007, we also used the 2007 value for more recent years. Based on the available information, the dataset includes 106 exporting countries (when including the zeroes in the dependent variable, otherwise 52) and 33 importing countries (OECD). The OECD transport cost dataset reports unitary and ad-valorem transport costs. We considered the ad-valorem measure since it better reflects the impact of transportation costs. \( \text{Hummels (2007)} \) shows that transport costs relative to the price of the good have not fallen across time for bulk cargo, and they have remained fairly stable for liner shipping, unlike the value per ton \((\text{Venables and Behar, 2010})\). This transport cost variable is only available for exports to OECD countries. Using this proxy for transport costs, we are able to estimate the gravity model using panel data for the period 1997–2013. In addition, we also estimate the model for a single cross-section using the trade quantity and controls for the year 2013. This latter estimation is carried out in order to be able to compare these results with those obtained by using another proxy for transport costs collected for a single cross-section, which is described below.

We also gathered transport cost data for two packages\(^ {14}\) from online inquiries at the Fedex website. The corresponding summary statistics can be found in

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\(^{10}\)For the panel analysis a further sub-index \( t \) and a set of year dummies are added.

\(^{11}\)This variable is constructed with information from Jose De Sousa’s website \( \text{http://jdesousa.univ.free.fr/data.htm} \).

\(^{12}\)\( \text{http://www.cepii.fr/} \).

\(^{13}\)\( \text{https://stats.oecd.org/Index.aspx?DataSetCode=MTC} \).

\(^{14}\)The packages have two different volumes and weight and will be explained next.
Table 6 and in Table 7 of the Appendix. For the first package, we considered a box of machinery (could also be applied to parts thereof) with a volume of 0.6mx0.6mx0.6m. It was valued at US$2,500, with a weight of 25 kg, using the FedEx International Economy Freight service. For the second package, the price and dimensions correspond to hearing aids that are priced at US$3,000 and the box weighs 1 kg, sent with a FedEx Small Box using the FedEx International Economy service. For both items, we obtained information for sending the package from the US and China to about 120 destinations (capital cities). We assumed that the item would be shipped one week after the data was collected.

Using the data described above, we estimate a number of gravity models using Ordinary Least Squares (OLS) and the Pseudo Poisson Maximum Likelihood estimator (PPML). The second estimator is especially useful because it allows us to include the zeroes in exports and allows for the presence of heteroscedasticity. Table 1 shows the estimated coefficients for the OECD transport cost measure of three selected chapters of the HS classification. We report the estimation results for Equation (5) obtained with OLS and PPML for the three different product groups. In columns (1) and (4) we control for continent of country of origin and destination, whereas in column (2) country dummies are included (origin and destination) and in columns (3) and (5) we control for multilateral resistance using the Bonus Vetus specification.

The estimated coefficients for the GDP variables, which proxy for the level of economic activity, are positive and statistically significant in all specifications. The estimated income elasticities are in most cases higher for the exporter country than for the importer, with only one exception (model 5). The magnitudes vary between 0.78 (model 5, chapter 84) and 1.48 (model 4, chapter 84) for the exporter country and 0.56 (model 3, chapter 90) and 1.18 (model 4, chapter 87) for the importer country. The latter indicates that an increase in income in the destination market of 5 percent leads to an increase in exports of 3D printers of around 3-6 percent. The transport costs variable has a positive and statistically significant association with exports of 3D printers (at the 1-10 percent level) and this result is mostly robust across different specifications. The elasticity of trade with respect to transport costs is relatively high in magnitude indicating that a 1 percent increase in the ad-valorem transport cost is associated with an increase in exports of 3D printers of around 0.7 percent (model 2, chapter 84). Translating this into numbers, the average ad-valorem transport cost is around 3 percent and the average number of printers shipped is 33, hence countries whose transport costs are double the average, export 24 more printers than countries with average transport costs. Model (2), which includes country of origin and destination dummies, is probably the most suitable for an unbiased coefficient estimate of the transport costs variable because it controls for all

---

15 We consulted the internet for prices of customized hearing aids that are produced with the use of 3D printing and this was an average price for a medium-quality device.
16 For the US, New York was considered since it exceeds the population and economic activity of Washington D.C.
17 The FedEx data was collected during the months of February and July 2015 from [https://www.fedex.com/ratefinder/home?link=4&cc=US&language=en](https://www.fedex.com/ratefinder/home?link=4&cc=US&language=en)
country-specific heterogeneity. Regarding the other controls that are included in the regressions, these can be found in Tables 8, 9, and 10 in the Appendix. The RTA dummy is not statistically significant in most of the specifications, which is probably due to the fact that in a cross-sectional setting, we are not able to control for the endogeneity of this variable and also because the considered product line is subject to very low tariffs. It is worth noting that in our estimation we disentangle the effect of pure transport cost and the distance effect. The distance coefficient could reflect cultural differences or differences in tastes, as pointed out by related research (Felbermayr and Touval, 2010) or the incidence of geographical impediments that are very specific and go beyond the traditional gravity controls (Giuliano et al., 2014). Cultural variables, namely common language and common colonial past, also exhibit the expected positive sign and are statistically significant in most cases.

To summarize, the empirical results using the OECD measures of transport costs for the different product groups are in line with the first prediction of the theoretical model, indicating that the introduction of 3D printers predominantly occurs in areas of high economic activity [positive and statistically significant effect of GDP of destination (j)] that are contemporaneously subject to high transport costs of goods that are being produced with 3D printing (positive and statistically significant effect of lncoecd). Since the transport cost variable is used with lags in the gravity model, with the value being for the year 2007 (for part of the sample for which there was no available data), we can rule out endogeneity issues concerning, for example, reverse causality.

Table 2 shows the cross-sectional results using alternative transport cost measures, for two different packages. In most cases – either with the OLS or with the PPML estimator – we obtain positive and statistically significant estimates for the GDP coefficient of the importer country. For the transport costs, we only obtain positive and statistically significant coefficients for the Poisson estimator. The reason could be that this is a very small sample and therefore adding more information is important. Overall, the results are mostly consistent with those of the previous tables. Distance is not always significant, which could be due to the restricted sample and the use of continent fixed effects. To control for multilateral resistance and heterogeneity of the importer, we included continent dummies of the importer. Instead of the GDP of the exporter, we included a dummy for the US, which has a negative coefficient. This might indicate that the US exports fewer printers than what gravity would predict. Since the US is a pioneer in 3D printing, it might be that a substantial amount of printers remain in the local economy.

Table 3 contains the panel results using the OECD transport costs. In this case, we consistently find positive coefficients for most of the transport cost measures, as predicted by the theory. In nearly all models, the estimated coefficients for the variable of interest are slightly lower in magnitude than the cross-sectional estimates. Moreover, the coefficient of GDP of the destination country is also positive and statistically significant, which is again in line with the theory. The magnitude of the effects is slightly lower than in the cross-sectional regressions, while the opposite is true in model (5), which includes zeroes in the dependent
Table 1: Cross-sectional regressions with different OECD measures of transport costs

<table>
<thead>
<tr>
<th>Chapter 84</th>
<th>OLS</th>
<th>OLS-CD</th>
<th>OLS - BV</th>
<th>PPML</th>
<th>PPML - BV</th>
</tr>
</thead>
<tbody>
<tr>
<td>lntcoecd84</td>
<td>0.605** (0.248)</td>
<td>0.738** (0.333)</td>
<td>1.401*** (0.250)</td>
<td>0.521* (0.272)</td>
<td>1.066*** (0.359)</td>
</tr>
<tr>
<td>lngdpi</td>
<td>1.120*** (0.098)</td>
<td>0.795*** (0.102)</td>
<td>1.477*** (0.111)</td>
<td>0.815*** (0.071)</td>
<td></td>
</tr>
<tr>
<td>lngdpj</td>
<td>0.721*** (0.093)</td>
<td>0.627*** (0.095)</td>
<td>1.072*** (0.132)</td>
<td>1.046*** (0.103)</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Chapter 87</th>
<th>OLS</th>
<th>OLS-CD</th>
<th>OLS - BV</th>
<th>PPML</th>
<th>PPML - BV</th>
</tr>
</thead>
<tbody>
<tr>
<td>lntcoecd87</td>
<td>0.617*** (0.164)</td>
<td>0.510* (0.273)</td>
<td>0.936*** (0.232)</td>
<td>0.379** (0.167)</td>
<td>0.389* (0.203)</td>
</tr>
<tr>
<td>lngdpi</td>
<td>1.173*** (0.101)</td>
<td>0.785*** (0.101)</td>
<td>1.458*** (0.105)</td>
<td>0.775*** (0.077)</td>
<td></td>
</tr>
<tr>
<td>lngdpj</td>
<td>0.745*** (0.099)</td>
<td>0.582*** (0.112)</td>
<td>1.118*** (0.139)</td>
<td>1.045*** (0.094)</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Chapter 90</th>
<th>OLS</th>
<th>OLS-CD</th>
<th>OLS - BV</th>
<th>PPML</th>
<th>PPML - BV</th>
</tr>
</thead>
<tbody>
<tr>
<td>lntcoecd90</td>
<td>0.512*** (0.182)</td>
<td>0.385** (0.170)</td>
<td>0.938*** (0.222)</td>
<td>0.351** (0.175)</td>
<td>0.333 (0.251)</td>
</tr>
<tr>
<td>lngdpi</td>
<td>1.146*** (0.091)</td>
<td>0.809*** (0.089)</td>
<td>1.442*** (0.108)</td>
<td>0.766*** (0.074)</td>
<td></td>
</tr>
<tr>
<td>lngdpj</td>
<td>0.774*** (0.096)</td>
<td>0.563*** (0.101)</td>
<td>1.097*** (0.128)</td>
<td>1.044*** (0.099)</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Dummy Var.</th>
<th>Continent</th>
<th>Countries</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>-</td>
<td>Continent</td>
</tr>
</tbody>
</table>

Notes: Standard errors are clustered at the importer level. *, ** and *** indicate significance at the 10, 5, and 1 percent level, respectively. CD stands for country dummies. A constant term, distance (in logs), and dummies for common language, former colony and regional trade agreements are included in all regressions but the coefficients are not reported. In columns (1) to (3) the log of the amount of printers is the dependent variable, while in (4) and (5) it is the quantity itself. Columns (3) and (5) control for multilateral resistance with the [Baiet and Bergstrand (2009)] methodology – each bilateral trade cost is included using the following formula: ln\( t_{ijt} + \sum_{j=1}^{N} \ln t_{ijt} - \frac{1}{N} \sum_{i=1}^{N} \sum_{j=1}^{N} \ln t_{ij} + \frac{1}{N} \sum_{i=1}^{N} \ln t_{ijt} \).
Table 2: Cross-sectional regressions with Fedex measure of transport cost

<table>
<thead>
<tr>
<th></th>
<th>Larger package</th>
<th>Hearing aid package</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(1)</td>
<td>(2)</td>
<td>(3)</td>
</tr>
<tr>
<td>lnfedex</td>
<td>0.137</td>
<td>1.213***</td>
<td>-0.140</td>
</tr>
<tr>
<td></td>
<td>(0.410)</td>
<td>(0.432)</td>
<td>(0.414)</td>
</tr>
<tr>
<td>lndist</td>
<td>-0.231</td>
<td>-0.579**</td>
<td>-0.412*</td>
</tr>
<tr>
<td></td>
<td>(0.196)</td>
<td>(0.226)</td>
<td>(0.212)</td>
</tr>
<tr>
<td>comlang</td>
<td>0.116</td>
<td>0.655**</td>
<td>-0.048</td>
</tr>
<tr>
<td></td>
<td>(0.329)</td>
<td>(0.338)</td>
<td>(0.361)</td>
</tr>
<tr>
<td>colony</td>
<td>0.585</td>
<td>0.351</td>
<td>0.981**</td>
</tr>
<tr>
<td></td>
<td>(0.371)</td>
<td>(0.363)</td>
<td>(0.427)</td>
</tr>
<tr>
<td>rta</td>
<td>1.317***</td>
<td>2.033***</td>
<td>0.973**</td>
</tr>
<tr>
<td></td>
<td>(0.279)</td>
<td>(0.294)</td>
<td>(0.297)</td>
</tr>
<tr>
<td>lngdjp</td>
<td>0.843***</td>
<td>0.779***</td>
<td>0.810***</td>
</tr>
<tr>
<td></td>
<td>(0.064)</td>
<td>(0.062)</td>
<td>(0.065)</td>
</tr>
<tr>
<td>usa</td>
<td>-2.850***</td>
<td>-2.293***</td>
<td>-2.860***</td>
</tr>
<tr>
<td></td>
<td>(0.255)</td>
<td>(0.312)</td>
<td>(0.243)</td>
</tr>
<tr>
<td></td>
<td>174</td>
<td>207</td>
<td>174</td>
</tr>
<tr>
<td>(Pseudo) R-squared</td>
<td>0.690</td>
<td>0.699</td>
<td>0.721</td>
</tr>
<tr>
<td>Dummy Var.</td>
<td>-</td>
<td>-</td>
<td>Cont. (d)</td>
</tr>
<tr>
<td></td>
<td>177</td>
<td>211</td>
<td>177</td>
</tr>
<tr>
<td>(US and China)</td>
<td>0.683</td>
<td>0.677</td>
<td>0.716</td>
</tr>
<tr>
<td>Origin</td>
<td>-</td>
<td>-</td>
<td>Cont. (d)</td>
</tr>
</tbody>
</table>

Notes: Robust standard errors for the OLS regressions. *, ** and *** indicate significance at the 10, 5, and 1 percent level, respectively. A constant term is included in all regressions – the coefficients are not reported to save space. Columns (1), (3), (5), and (7) are estimated with OLS and the log of the amount of printers is the dependent variable, while in (2), (4), (6), and (8), the quantity itself is the dependent variable, while the estimator is PPML.
variable. Consequently, in the panel specification the inclusion of zeroes magnifies the effect of the variables of interest. This is expected, since including the data points for which there is no trade increases the transport cost and income elasticities, indicating that the bias of not considering the absence of trade is a downward bias. The results for the OECD transport costs (as well as the bilateral variables distance, colony, rta, and common language) do not seem to be robust to the Poisson with the Bonus Vetus adjustment (model (5)), where the coefficient is no longer statistically significant. A reason might be that the demeaning of the data is wiping out most of the variability. Counter-intuitive results with an opposite sign of the estimated coefficient for some traditional gravity variables have also been reported by Berden et al. (2014) and Portugal-Perez and Wilson (2012). The estimates of coefficients for the control variables can be found in Tables 11, 12 and 13 in the Appendix.
Table 3: Panel regressions with different OECD measures of transport costs

<table>
<thead>
<tr>
<th>Chapter 84</th>
<th>OLS (1)</th>
<th>OLS-CD (2)</th>
<th>OLS - BV (3)</th>
<th>PPML (4)</th>
<th>PPML - BV (5)</th>
</tr>
</thead>
<tbody>
<tr>
<td>lncoecd84</td>
<td>0.348***</td>
<td>0.210*</td>
<td>0.430**</td>
<td>1.816***</td>
<td>0.231</td>
</tr>
<tr>
<td></td>
<td>(0.130)</td>
<td>(0.119)</td>
<td>(0.169)</td>
<td>(0.406)</td>
<td>(0.310)</td>
</tr>
<tr>
<td>lngdpi</td>
<td>0.987***</td>
<td>0.711***</td>
<td>0.687***</td>
<td>1.187***</td>
<td>0.746***</td>
</tr>
<tr>
<td></td>
<td>(0.053)</td>
<td>(0.191)</td>
<td>(0.047)</td>
<td>(0.136)</td>
<td>(0.073)</td>
</tr>
<tr>
<td>lngdpj</td>
<td>0.551***</td>
<td>0.581***</td>
<td>0.440***</td>
<td>1.136***</td>
<td>0.773***</td>
</tr>
<tr>
<td></td>
<td>(0.062)</td>
<td>(0.182)</td>
<td>(0.045)</td>
<td>(0.186)</td>
<td>(0.088)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Chapter 87</th>
<th>OLS (1)</th>
<th>OLS-CD (2)</th>
<th>OLS - BV (3)</th>
<th>PPML (4)</th>
<th>PPML - BV (5)</th>
</tr>
</thead>
<tbody>
<tr>
<td>lncoecd87</td>
<td>0.446***</td>
<td>0.151*</td>
<td>0.315***</td>
<td>1.113***</td>
<td>-0.116</td>
</tr>
<tr>
<td></td>
<td>(0.105)</td>
<td>(0.082)</td>
<td>(0.119)</td>
<td>(0.246)</td>
<td>(0.250)</td>
</tr>
<tr>
<td>lngdpi</td>
<td>1.025***</td>
<td>0.679***</td>
<td>0.697***</td>
<td>1.063***</td>
<td>0.736***</td>
</tr>
<tr>
<td></td>
<td>(0.055)</td>
<td>(0.195)</td>
<td>(0.049)</td>
<td>(0.125)</td>
<td>(0.074)</td>
</tr>
<tr>
<td>lngdpj</td>
<td>0.557***</td>
<td>0.528***</td>
<td>0.445***</td>
<td>1.071***</td>
<td>0.757***</td>
</tr>
<tr>
<td></td>
<td>(0.066)</td>
<td>(0.184)</td>
<td>(0.046)</td>
<td>(0.179)</td>
<td>(0.083)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Chapter 90</th>
<th>OLS (1)</th>
<th>OLS-CD (2)</th>
<th>OLS - BV (3)</th>
<th>PPML (4)</th>
<th>PPML - BV (5)</th>
</tr>
</thead>
<tbody>
<tr>
<td>lncoecd90</td>
<td>0.412***</td>
<td>0.072</td>
<td>0.273*</td>
<td>1.014***</td>
<td>-0.313</td>
</tr>
<tr>
<td></td>
<td>(0.108)</td>
<td>(0.096)</td>
<td>(0.141)</td>
<td>(0.243)</td>
<td>(0.299)</td>
</tr>
<tr>
<td>lngdpi</td>
<td>1.024***</td>
<td>0.662***</td>
<td>0.712***</td>
<td>1.140***</td>
<td>0.740***</td>
</tr>
<tr>
<td></td>
<td>(0.057)</td>
<td>(0.196)</td>
<td>(0.050)</td>
<td>(0.120)</td>
<td>(0.076)</td>
</tr>
<tr>
<td>lngdpj</td>
<td>0.586***</td>
<td>0.538***</td>
<td>0.442***</td>
<td>1.151***</td>
<td>0.754***</td>
</tr>
<tr>
<td></td>
<td>(0.069)</td>
<td>(0.184)</td>
<td>(0.046)</td>
<td>(0.199)</td>
<td>(0.081)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Dummy Var.</th>
<th>Continent</th>
<th>Countries</th>
</tr>
</thead>
</table>

Notes: Standard errors clustered at the country-pair level. ***, * indicate significance at the 10, 5, and 1 percent level, respectively. CD stands for country dummies. A constant term, distance (in logs), and dummies for time (years), common language, former colony and regional trade agreements are included in all regressions – the coefficients are not reported to save space. In columns (1) to (3) the log of the amount of printers is the dependent variable, while in (4) and (5) it is the quantity itself. Columns (3) and (5) control for multilateral resistance with the Baier and Bergstrand [2009] methodology – each bilateral trade cost is included using the following formula: \[ \ln t_{ijt} + \frac{1}{N} \sum_{j=1}^{N} \ln t_{ijt} - \frac{1}{N^2} \sum_{i=1}^{N} \ln t_{ijt} + \frac{1}{N} \sum_{i=1}^{N} \ln t_{ijt} \]. Convergence problems of the PPML estimator were encountered when trying to estimate the equivalent to (2).

In summary, using alternative transport cost measures and exploiting the time series dimension of the data, we find that countries subject to higher transport costs import more goods classified under code 8477.80, which is the code that includes 3D printers. In addition, the GDP of the destination country is positive and statistically significant, also in line with gravity theory and with our model predictions. This confirms the first prediction of our theoretical considerations.
4.2 Industrial applications of 3D printing: medicine and the hearing aid industry

The use of 3D printers around the world is illustrated in Figure 10. The map provides a view of how the printers of the 3DHubs are distributed across 150 countries. 3DHubs is a network of 3D printers that aims to help people who want to print their customized product find an outlet or a “hub” close to their location. Although these are most likely consumer-use 3D printers with a limited purpose in manufacturing, it stills provides an idea of how the technology is being adopted throughout the world.

Figure 10: 3D printers registered in 3DHubs community as of May 2015

Source: 3DHubs

As mentioned in Section 1, the use of Additive Manufacturing in the production process is more widespread and started earlier than the consumer use. Benson and Magee (2015) have analyzed several indicators based on patent data since 1976 and have identified 3D printing as the 4th most innovative technology (out of a sample of 28). Although it is widely accepted that this technology is one of the most ground-breaking innovations, it is still unclear how widespread its adoption is. The reason is the scarcity of freely available data, with companies not willing to make their figures public, claiming that this will erode their competitive advantage. According to a recent report by PricewaterhouseCoopers (2014), among almost 200 firms surveyed in the US, around 66.7 percent of manufacturers are adopting 3D printing in some way, while almost 25 percent plan to do so in the future, and less than 10 percent have no intention of doing so. A similar report by Deloitte (2014) for Swiss companies reveals that 64 per-
cent believe that 3D printing has the potential to be a key technology, although only 24 percent have already adopted it in some way.

The information collected from several reports and newspaper articles leads us to conclude that the main sectors in which 3D printing has had a clear impact is medicine (especially for finished products or for important parts) and the automotive industry. For brevity, we will only discuss the medical industry with a special focus on the hearing aid sector.

4.2.1 Medical industry

Several advances have been made in the medical and dental industry concerning the use of 3D printing. The main applications can be classified into three broad categories \cite{Ventola2014}: i) organ and tissue fabrication; ii) pharmaceutical research on drug dosage forms, discovery, and delivery; and iii) creation of customized prosthetics, implants, and anatomical models. The main advantage of 3D printing compared to traditional techniques is that it facilitates customization and personalization, increases cost efficiency (ability to produce items at a lower cost, regardless of the scale of production, reduces resource waste), and enhances productivity (faster production times, higher accuracy, better resolution).

With regard to the use of 3D printing in the medical industry, \textit{Wohlers Report 2014} states that there are approximately 20 medical implants with clearance from the Food and Drug Administration (FDA), more than 90,000 hip cup implants as well as implants for the knee, the spine, and the skull. More specifically, in the dental sector, more than 19,000 metal copings and around 17 million orthodontic aligners (which generate revenues of approximately half a billion of US$) are printed every day. The applications for bio-printing are also increasing in scope – capillary networks have already been 3D printed \cite{Ventola2014} and cosmetic companies such as L’Oreal are partnering with start-ups to produce human skin for testing\footnote{http://www.bloomberg.com/news/articles/2015-05-18/l-oreal-s-plan-to-start-3d-printing-human-skin}.

4.2.2 Case study: Sonova/Phonak

An interesting case is the hearing aid industry, which has been using additive manufacturing for over a decade. Industry experts claim that over 10 million hearing aids have been produced by additive manufacturing. Among the main companies in the business, Starkey started using 3D printing back in 1998, while Phonak entered the market in 2000 \cite{Sharma2013}. \textit{Sharma (2013)} states that the use of this technology has reduced the manufacturing process from nine steps to only three (scanning, modeling, and printing). Materialise\footnote{http://www.materialise.com/cases/the-hearing-aid-industry-will-never-be-the-same-again} reports that 99 percent of the world’s hearing aids have been produced with Rapid Shell Modeling since 2000. The procedure has been greatly simplified over time and is carried out as follows. Firstly, an impression of the ear canal of the customer is taken by the audiologist. Secondly, this impression is sent to the hearing-aid
manufacturer who creates the digital mode\textsuperscript{20}. Thirdly, the shell is printed and manually postprocessed. Then the device is assembled with all the necessary components such as electronic parts, loudspeaker, microphones; equipped with a removal line, and lacquered for a high-tech finish. Concerning the time needed, “EnvisionTEC’s printers can print 65 hearing aid shells or 47 hearing aid modules within 60 to 90 minutes\textsuperscript{21} and Starkey is able to sculpt and mold the final product in 24 hours (Sharma, 2013). Despite the fact that the technology is more efficient and reduces costs compared to traditional technologies, only a few companies can afford the initial investments that this technology requires. In relation to the predictions of the theoretical model, Starkey, one of the leading firms is engaged in foreign direct investment with over 30 printers operating across seven different production locations worldwide (Sharma, 2013). We calculated the correlations with the one-year lag of the sales of the industrial 3D printers (available for 17 countries) collected by Wohlers Report 2014\textsuperscript{22} and the volume of imported hearing aids, as classified under the tariff line 9021.40.\textsuperscript{22} Using data from 1992 until 2012, we observe a negative correlation of 0.13, which is statistically significant at the 10 percent level\textsuperscript{23}. The statistical significance of the correlation disappears when the period is restricted to 1992-2000 but it is significant even at the 5 percent level for the 2001-2012 period\textsuperscript{24}. This provides some support for the validity of the third prediction of our model that trade in manufactured goods is is gradually replaced if 3D printers are already comparatively cheap (which seems to be the case in the hearing aid industry, in which 3D printers are already widely used).

In order to get more detailed information on the adoption of 3D printing in the sector, we contacted Sonova – another industry leader – which owns the Phonak hearing aid brand. Their adoption of 3D printing is impressive – almost all of the shells for the custom-made in-the-ear hearing aids are produced using additive manufacturing. Using the same technology, they produce several Custom Earpieces for Behind-The-Ear and Receiver-In-Canal hearing aids. This technology adoption significantly reduced the time required and the production costs and facilitates a reproducible production process across a company’s locations. The company states: “Phonak is able to mass-produce hundreds of thousands of custom-made products with high precision, at multiple sites across the globe and in a great quality, year by year”. Their technology allows them to produce up to 40 shells when using the EnvisionTec Perfactory III printer, with a printing time of approximately 80 minutes. Just some of the many advantages

\begin{itemize}
  \item Some audiologists can scan the ear impression themselves and send the data plus other ordering options such as Cerumen protection.
  \item [\textsuperscript{21}]\texttt{http://www.forbes.com/sites/rakeshsharma/2013/07/08/the-3d-printing-revolution-you-have-not-heard-about/}
  \item [\textsuperscript{22}]This tariff line is not specific to the customized hearing-aids.
  \item [\textsuperscript{23}]The year 2013, although available, was excluded since Stratasys relocated their headquarters to Israel and therefore results could be biased. The correlation is still statistically significant, although somewhat smaller.
  \item [\textsuperscript{24}]2001 was chosen instead of 2000 since the adoption of the technology was lagged by one time period. The statistical significance of the correlations would be the same for the period 1992-1999 and 2000-2012 without the lagged adoption, although smaller in absolute value.
\end{itemize}
of the technology are fast turn times, an environmentally friendly process with a safe working environment, and a group-wide unique process that provides the customer with the same product quality regardless of their geographical location. Indeed, Sonova has different manufacturing sites (using 3D printing) around the globe. To be precise, there is one facility in Latin America, three in North America, five in Europe, three in Asia, and two in Oceania. Two of the newest facilities from the aforementioned company were opened in Asia and one in Latin America. This case study provides an excellent example for the theoretical predictions: only the most productive firms are using the newest technology (3D printing) and are already engaged in FDI in different locations across the world. Moreover, the markets they serve are characterized by a high demand – either Europe, North America, Oceania or the specific locations in Latin America and Asia.

To summarize, the empirical evidence supports the first prediction of the theory, the presented company level anecdotal evidence is in line with the second prediction, and the aggregate macro-level supports the third one. We expect the patterns to become much clearer once more detailed data become available over the following years and decades.

5 Conclusions

This paper is the first attempt to analyze the evolution of 3D printing techniques and trade in 3D printers in relation to globalization from a theoretical and an empirical perspective. Certainly, 3D printing is still in its infancy and a high degree of uncertainty will most likely influence the future impact of this groundbreaking technology on production relocation and on trade. The product lifecycle-type theory presented in this paper indicates that the wider adoption of 3D printing in industrial processes around the world could eventually lead to “glo-calization” (shipping parts and components internationally becoming less important), a force that could probably counteract the current globalization trend. The results obtained in the empirical analysis confirm the first prediction of the model. Countries with higher GDPs that are subject to higher transport costs are indeed trading more 3D printers. The case studies presented provide suggestive evidence on the second and third predictions of the model. 3D printing FDI seems to be replacing traditional FDI as well as international trade. Further research to extend the empirical analysis will only be possible when more data becomes available.

Promising future research avenues include the incorporation into the theoretical framework of the benefits of customization that this technology allows for, as well as the analysis of the relationship between the adoption of 3D printing and the labor market. Although there is some degree of uncertainty regarding the time frame for these changes, there is surely going to be a progressive change in the way in which some products (e.g. automobiles and medical products) are manufactured. The economic, social, environmental, and security implications merit further research by economists, social scientists, lawyers, and engineers alike.
6 Appendix

6.1 Description of the 3D printing classification

The first step in identifying the classification of the printers was to search in the HS classification of the World Customs Organization and those of the different countries. Since the wording “3D printers” has not yet been included in the classification systems, it is impossible to specifically identify the exports and imports of these items. The last revision of the HS classification was made in 2012 and surprisingly, there were no new entries concerning 3D printers and related products. According to a legal case related to 3D printer classification, [Hodes and Mohseni (2014, p. 46) state that “neither the importer nor the government may be entirely certain of the correct classification”. The only information that we were able to find from an official government source that actually includes “3D printers” in the tariff schedule was for Hong-Kong and its reported 2014-HS revision. We also searched the latest national tariff schedules of a number of countries, namely China, Japan, India, Singapore, and Canada but no specific tariff line for 3D printers was found. Therefore, to shed some light on this issue and to investigate under which tariff lines the countries and firms classify trade in 3D printers, we conducted a primary data collection and research. By means of telephone interviews and emails, we were able to collect information for five countries which is summarized in Table 4. The main findings indicate that the same items are being classified under different headings when exported from different countries. There are even disagreements within the same country (Argentina; US) or the same customs union (Germany and Spain). In some cases 3D printers might differ in the type of material they use as an input and this could lead to a different classification of exports. However, even printers using the same material were also classified under different headings.

According to Table 4, the 6-digit HS codes (tariff lines) considered in these countries for the trade of 3D printers is 8477.80 (2007 revision). Germany and the US classify exports of 3D printers that work with plastic or rubber under code 8477.80 \(^{25}\) whereas Spain (which – like Germany – is an EU member state with a customs union and a common trade policy) classify trade in 3D printers under code 8443.32. This code was also suggested by the popular website “Duty Calculator” for the item “3D Printers” \(^{26}\). The same website suggests that the classification of the printers (working with laser) produced by EOS is 8456.10 \(^{27}\).

In Argentina, two companies that were interviewed reported the use of different codes. Kikai Labs used 8477.20, whereas Trimaker reported trade under the code 8477.80. Given the description of the tariff line (see Table 5), this might be

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\(^{25}\) When we initially consulted the website of Flexport on February 2015, they recommended the use of tariff line 8443.32.1090 for printers working with plastic.  
<table>
<thead>
<tr>
<th>Country</th>
<th>Code</th>
<th>Source</th>
<th>Material</th>
</tr>
</thead>
<tbody>
<tr>
<td>Argentina</td>
<td>3909.50.19</td>
<td>Trimaker</td>
<td>Plastic (cartridge)</td>
</tr>
<tr>
<td>Argentina</td>
<td>8477.20.10</td>
<td>Kikai Labs</td>
<td>Plastic</td>
</tr>
<tr>
<td>Argentina</td>
<td>8477.80.90</td>
<td>Trimaker</td>
<td>Plastic</td>
</tr>
<tr>
<td>Germany</td>
<td>8474.80.90</td>
<td>German Federal Statistical Office</td>
<td>Minerals/metal</td>
</tr>
<tr>
<td>Germany</td>
<td>8477.80.99</td>
<td>German Federal Statistical Office</td>
<td>Plastic</td>
</tr>
<tr>
<td>Spain</td>
<td>8443.32.10.90</td>
<td>SICNOVA3D and Valencia Port authority</td>
<td>-</td>
</tr>
<tr>
<td>United States</td>
<td>8477.59.01.00</td>
<td>U.S. Census Bureau - Foreign Trade Schedule B (2015) <a href="https://uscensus.prod.3ceonline.com/">https://uscensus.prod.3ceonline.com/</a></td>
<td>Plastic</td>
</tr>
<tr>
<td>United States</td>
<td>8477.80.00</td>
<td>Hodes and Mohseni (2014)</td>
<td>Plastic</td>
</tr>
<tr>
<td>United States</td>
<td>8479.89.98</td>
<td>Hodes and Mohseni (2014)</td>
<td>Metals</td>
</tr>
</tbody>
</table>

Table 4: Information collected (from January 2015 till June 2015) on tariff lines considered for the trade of 3D printers because Kikai produces printers that can print small objects. Finally, we have only two entries in Table 4 for which we know that the 3D printers work with metal or mineral inputs, one for the US and one for Germany and once again the reported codes differ. The code used by Germany was 8474.80.90, while the US used code 8479.89.98.
<table>
<thead>
<tr>
<th>Country</th>
<th>Code</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Argentina</td>
<td>8443.32</td>
<td>Other printers, copying machines and facsimile machines, whether/not combined , excluding the ones which perform two/more of the functions of printing, copying/facsimile transmission; capable of connecting to an automatic data processing machine to a network</td>
</tr>
<tr>
<td>Argentina</td>
<td>8477.80</td>
<td>Machinery for working rubber/plastics/or the manufacture of products from these materials, not specified/incl. elsewhere in this Ch., Other machinery, n.e.s. in 84.77</td>
</tr>
<tr>
<td>Argentina</td>
<td>3909.50.19.000A</td>
<td>Amino-resins, phenolic resins and polyurethanes, in primary forms. Plastics and articles of plastic; Polyurethanes; others</td>
</tr>
<tr>
<td>Spain</td>
<td>8443.32.1090</td>
<td>Other, capable of connecting to an automatic data; Printer units; Other</td>
</tr>
<tr>
<td>Argentina</td>
<td>8477.20.10</td>
<td>Machinery for working rubber or plastics or for the manufacture of products from these materials, not specified or included elsewhere in this Chapter; Extruders; for thermoplastics, with a screw diameter not exceeding 300 mm</td>
</tr>
<tr>
<td>United States</td>
<td>8477.59.01.00</td>
<td>Machinery for working rubber or plastics or for the manufacture of products from these materials, not specified or included elsewhere in this chapter, parts thereof; other machinery for molding or otherwise forming; other</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>84775910</td>
<td>Three-dimensional printer (3D printer)</td>
</tr>
<tr>
<td>United States</td>
<td>8477.80.00</td>
<td>Machinery for working rubber or plastics or for the manufacture of products from these materials, not specified or included elsewhere in this chapter, parts thereof; Other machinery</td>
</tr>
<tr>
<td>Germany</td>
<td>8474.80.90</td>
<td>Machinery for sorting, screening, separating, washing, crushing, grinding, mixing or kneading earth, stone, ores or other mineral substances, in solid (including powder or paste) form; machinery for agglomerating, shaping molding solid mineral fuels, ceramic paste, unhardened cements, plastering materials or other mineral products or in powder or paste molds of sand; other form; machines for forming foundry machinery; other</td>
</tr>
<tr>
<td>Argentina</td>
<td>8477.80.90.000W</td>
<td>Machinery for working rubber or plastics or for the manufacture of products from these materials, not specified or included elsewhere in this Chapter; other machinery; other</td>
</tr>
<tr>
<td>Germany</td>
<td>8477.80.99</td>
<td>Machinery for working rubber or plastics or for the manufacture of products from these materials, not specified or included elsewhere in this Chapter; other machinery; other</td>
</tr>
<tr>
<td>United States</td>
<td>8479.89.98</td>
<td>Machines and mechanical appliances having individual functions, not specified or included elsewhere in this chapter; parts thereof; Other: Electromechanical appliances with self-contained electric motor; Other</td>
</tr>
</tbody>
</table>

Table 5: Collected information on tariff lines considered for the trade of 3D printers together with a description
### 6.2 Summary statistics

Table 6: Summary statistics: cross-section

<table>
<thead>
<tr>
<th>Variable</th>
<th>Mean</th>
<th>P50</th>
<th>S.D.</th>
<th>Min.</th>
<th>Max.</th>
<th>N.</th>
</tr>
</thead>
<tbody>
<tr>
<td>lnquan</td>
<td>3.522</td>
<td>3.367</td>
<td>2.424</td>
<td>0.000</td>
<td>10.110</td>
<td>359.000</td>
</tr>
<tr>
<td>lntrcoecd84</td>
<td>-3.590</td>
<td>-3.455</td>
<td>0.790</td>
<td>-6.571</td>
<td>-0.941</td>
<td>856.000</td>
</tr>
<tr>
<td>lntrcoecd87</td>
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<td>-3.464</td>
<td>1.009</td>
<td>-6.166</td>
<td>-0.835</td>
<td>755.000</td>
</tr>
<tr>
<td>lntrcoecd90</td>
<td>-3.931</td>
<td>-3.740</td>
<td>0.938</td>
<td>-7.601</td>
<td>-1.099</td>
<td>714.000</td>
</tr>
<tr>
<td>lnfedex (25kg)</td>
<td>7.015</td>
<td>7.019</td>
<td>0.373</td>
<td>4.690</td>
<td>7.569</td>
<td>207.000</td>
</tr>
<tr>
<td>lnfedex(1kg)</td>
<td>5.014</td>
<td>5.061</td>
<td>0.217</td>
<td>4.293</td>
<td>5.364</td>
<td>211.000</td>
</tr>
<tr>
<td>lndist</td>
<td>9.050</td>
<td>9.161</td>
<td>0.553</td>
<td>5.371</td>
<td>9.892</td>
<td>856.000</td>
</tr>
<tr>
<td>comlang</td>
<td>0.123</td>
<td>0.000</td>
<td>0.328</td>
<td>0.000</td>
<td>1.000</td>
<td>856.000</td>
</tr>
<tr>
<td>colony</td>
<td>0.027</td>
<td>0.000</td>
<td>0.162</td>
<td>0.000</td>
<td>1.000</td>
<td>856.000</td>
</tr>
<tr>
<td>rta</td>
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<td>0.344</td>
<td>0.000</td>
<td>1.000</td>
<td>856.000</td>
</tr>
<tr>
<td>lngdpi</td>
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<td>21.819</td>
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<td>856.000</td>
</tr>
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<td>lngdpj</td>
<td>27.216</td>
<td>26.659</td>
<td>1.636</td>
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<td>30.451</td>
<td>856.000</td>
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</table>

Table 7: Summary statistics: panel

<table>
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<tr>
<th>Variable</th>
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<th>P50</th>
<th>S.D.</th>
<th>Min.</th>
<th>Max.</th>
<th>N.</th>
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</thead>
<tbody>
<tr>
<td>lnquan</td>
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</tr>
<tr>
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<td>-3.163</td>
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<td>-8.517</td>
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<td>-3.762</td>
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<td>0.941</td>
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<td>lndist</td>
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<tr>
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<td>0.338</td>
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<td>12531</td>
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<tr>
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<td>0.162</td>
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<td>1</td>
<td>12531</td>
</tr>
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</tr>
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<td>lngdpi</td>
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<td>26.219</td>
<td>1.893</td>
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</table>
### 6.3 Extended Tables

Table 8: Cross-sectional regressions with OECD measure of transport cost (Chapter 84)

<table>
<thead>
<tr>
<th></th>
<th>OLS (1)</th>
<th>OLS-CD (2)</th>
<th>OLS - BV (3)</th>
<th>PPML (4)</th>
<th>PPML - BV (5)</th>
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<tbody>
<tr>
<td>lncoecd84</td>
<td>0.605**</td>
<td>0.738**</td>
<td>1.401***</td>
<td>0.521*</td>
<td>1.066***</td>
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<td></td>
<td>(0.248)</td>
<td>(0.333)</td>
<td>(0.250)</td>
<td>(0.272)</td>
<td>(0.359)</td>
</tr>
<tr>
<td>lndist</td>
<td>-1.034***</td>
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<td>-1.033***</td>
<td>-1.399***</td>
<td>-1.010</td>
</tr>
<tr>
<td></td>
<td>(0.218)</td>
<td>(0.224)</td>
<td>(0.357)</td>
<td>(0.151)</td>
<td>(0.629)</td>
</tr>
<tr>
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<td>0.594**</td>
<td>1.053***</td>
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<td>0.128</td>
<td>0.809***</td>
</tr>
<tr>
<td></td>
<td>(0.279)</td>
<td>(0.339)</td>
<td>(0.314)</td>
<td>(0.188)</td>
<td>(0.290)</td>
</tr>
<tr>
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<td>0.770**</td>
<td>0.481**</td>
<td>1.162**</td>
</tr>
<tr>
<td></td>
<td>(0.414)</td>
<td>(0.421)</td>
<td>(0.200)</td>
<td>(0.197)</td>
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<td>(0.386)</td>
<td>(0.271)</td>
<td>(0.164)</td>
<td>(0.587)</td>
</tr>
<tr>
<td>lngdpi</td>
<td>1.120***</td>
<td>0.795***</td>
<td>1.477***</td>
<td>0.815***</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.098)</td>
<td>(0.102)</td>
<td>(0.111)</td>
<td>(0.071)</td>
<td>(0.071)</td>
</tr>
<tr>
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<td>0.721***</td>
<td>0.627***</td>
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<td></td>
</tr>
<tr>
<td></td>
<td>(0.093)</td>
<td>(0.095)</td>
<td>(0.132)</td>
<td>(0.103)</td>
<td>(0.103)</td>
</tr>
<tr>
<td>(Pseudo)$R^2$</td>
<td>0.43</td>
<td>0.72</td>
<td>0.38</td>
<td>0.70</td>
<td>0.47</td>
</tr>
<tr>
<td>N</td>
<td>359</td>
<td>359</td>
<td>359</td>
<td>856</td>
<td>856</td>
</tr>
<tr>
<td>Dummy Var.</td>
<td>Continent</td>
<td>Countries</td>
<td>-</td>
<td>Continent</td>
<td>-</td>
</tr>
</tbody>
</table>

Notes: Standard errors are clustered at the importer level. *, ** and *** indicate significance at the 10, 5, and 1 percent level, respectively. CD stands for country dummies. A constant term is included in all regressions – the coefficient is not reported to save space. In columns (1) to (3) the log of the amount of printers is the dependent variable, while in (4) and (5) it is the quantity itself. Columns (3) and (5) control for multilateral resistance with the [Bauer and Bergstrand (2009)] methodology – each bilateral trade cost is included using the following formula: \( \ln t_{ijt} + \frac{1}{N} \sum_{j=1}^{N} \ln t_{ijt} - \frac{1}{N} \sum_{i=1}^{N} \sum_{j=1}^{N} \ln t_{ij} + \frac{1}{N} \sum_{i=1}^{N} \ln t_{ijt} \).
Table 9: Cross-sectional regressions with OECD measure of transport cost (Chapter 87)

<table>
<thead>
<tr>
<th></th>
<th>OLS (1)</th>
<th>OLS-CD (2)</th>
<th>OLS - BV (3)</th>
<th>PPML (4)</th>
<th>PPML - BV (5)</th>
</tr>
</thead>
<tbody>
<tr>
<td>lntcoecd87</td>
<td>0.617***</td>
<td>0.510*</td>
<td>0.936***</td>
<td>0.379**</td>
<td>0.389*</td>
</tr>
<tr>
<td></td>
<td>(0.164)</td>
<td>(0.273)</td>
<td>(0.232)</td>
<td>(0.167)</td>
<td>(0.203)</td>
</tr>
<tr>
<td>lndist</td>
<td>-1.303***</td>
<td>-1.741***</td>
<td>-1.451***</td>
<td>-1.335***</td>
<td>-0.533</td>
</tr>
<tr>
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</table>

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<table>
<thead>
<tr>
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<th>PPML</th>
<th>PPML - BV</th>
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</tr>
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<tr>
<td>\text{lndist}</td>
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<tr>
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<tr>
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</tr>
<tr>
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</tr>
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</tr>
<tr>
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</tr>
<tr>
<td>\text{(Pseudo)R}^2</td>
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<td>0.721</td>
<td>0.356</td>
<td>0.718</td>
<td>0.411</td>
</tr>
<tr>
<td>Dummy Var.</td>
<td>Continent</td>
<td>Countries</td>
<td>-</td>
<td>Continent</td>
<td>-</td>
</tr>
</tbody>
</table>

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33
Table 11: Panel regressions with OECD transport cost measure (Chapter 84)

<table>
<thead>
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<th>OLS</th>
<th>OLS-CD</th>
<th>OLS - BV</th>
<th>PPML</th>
<th>PPML - BV</th>
</tr>
</thead>
<tbody>
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<td>(3)</td>
<td>(4)</td>
<td>(5)</td>
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<td>(0.169)</td>
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<td>(0.310)</td>
</tr>
<tr>
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<td>-0.813***</td>
<td>-1.259***</td>
<td>-0.991</td>
</tr>
<tr>
<td></td>
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<td>(0.744)</td>
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<tr>
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<td>0.878***</td>
<td>0.609**</td>
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<td>0.723*</td>
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<tr>
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<td>(0.238)</td>
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<td>(0.398)</td>
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</tr>
<tr>
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<td>0.687***</td>
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<td>0.746***</td>
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<td>(0.047)</td>
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<td>(0.073)</td>
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<tr>
<td>lngdpj</td>
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<td>0.581***</td>
<td>0.440***</td>
<td>1.136***</td>
<td>0.773***</td>
</tr>
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<td>Countries</td>
<td>-</td>
<td>Continent</td>
<td>-</td>
</tr>
</tbody>
</table>

Notes: Standard errors clustered at the country-pair level. *, ** and *** indicate significance at the 10, 5, and 1 percent level, respectively. CD stands for country dummies. A constant term is included in all regressions – the coefficient is not reported to save space. In columns (1) to (3) the log of the amount of printers is the dependent variable, while in (4) and (5) it is the quantity itself. Columns (3) and (5) control for multilateral resistance with the Baier and Bergstrand (2009) methodology – each bilateral trade cost is included using the following formula: \( \ln t_{ijt} + \frac{1}{N} \sum_{i=1}^{N} \ln t_{ijt} - \frac{1}{N^2} \sum_{i=1}^{N} \sum_{j=1}^{N} \ln t_{ijt} \). All columns include time dummies. Convergence problems of the PPML estimator were encountered when trying to estimate the equivalent to (2).
Table 12: Panel regressions with OECD transport cost measure (Chapter 87)

<table>
<thead>
<tr>
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<th>OLS-CD</th>
<th>OLS - BV</th>
<th>PPML</th>
<th>PPML - BV</th>
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<td>(3)</td>
<td>(4)</td>
<td>(5)</td>
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<td>0.315***</td>
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<td>(0.105)</td>
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<td>(0.119)</td>
<td>(0.246)</td>
<td>(0.250)</td>
</tr>
<tr>
<td>lndist</td>
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<td>-0.887***</td>
<td>-1.194***</td>
<td>-0.773</td>
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<td>(0.149)</td>
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<td>(0.247)</td>
<td>(0.748)</td>
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<td>0.542**</td>
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<td>0.559</td>
</tr>
<tr>
<td></td>
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<td>(0.484)</td>
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<td>1.055**</td>
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<td>1.062***</td>
<td>0.736***</td>
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<td>(0.049)</td>
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<td>(0.074)</td>
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<tr>
<td>lngdpj</td>
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<td>0.445***</td>
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<td>3,650</td>
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<td>Countries</td>
<td>-</td>
<td>Continent</td>
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</table>

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Table 13: Panel regressions with OECD transport cost measure (Chapter 90)

<table>
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<th>PPML (4)</th>
<th>PPML - BV (5)</th>
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<td>1.014***</td>
<td>-0.313</td>
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<td>(0.243)</td>
<td>(0.299)</td>
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<td>-0.663</td>
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<tr>
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<td>(0.254)</td>
<td>(0.256)</td>
<td>(0.665)</td>
</tr>
<tr>
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<td>0.384*</td>
<td>0.876***</td>
<td>0.587**</td>
<td>0.357</td>
<td>0.473</td>
</tr>
<tr>
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<td>(0.256)</td>
<td>(0.314)</td>
<td>(0.442)</td>
</tr>
<tr>
<td>colony</td>
<td>-0.467*</td>
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<td>0.374</td>
<td>-0.548**</td>
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</tr>
<tr>
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<td>1.563***</td>
<td>-0.377</td>
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<td>(0.212)</td>
<td>(0.359)</td>
<td>(0.580)</td>
<td>(1.219)</td>
</tr>
<tr>
<td>lngdpi</td>
<td>1.024***</td>
<td>0.662***</td>
<td>0.712***</td>
<td>1.140***</td>
<td>0.740***</td>
</tr>
<tr>
<td></td>
<td>(0.057)</td>
<td>(0.196)</td>
<td>(0.050)</td>
<td>(0.120)</td>
<td>(0.076)</td>
</tr>
<tr>
<td>lngdpj</td>
<td>0.586***</td>
<td>0.538***</td>
<td>0.442***</td>
<td>1.151***</td>
<td>0.754***</td>
</tr>
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<td>(0.046)</td>
<td>(0.199)</td>
<td>(0.081)</td>
</tr>
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<td>3,639</td>
<td>10,308</td>
<td>10,306</td>
</tr>
<tr>
<td>(Pseudo)R²</td>
<td>0.386</td>
<td>0.577</td>
<td>0.318</td>
<td>0.216</td>
<td>0.036</td>
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<tr>
<td>Dummy Var.</td>
<td>Continent</td>
<td>Countries</td>
<td>-</td>
<td>Continent</td>
<td>-</td>
</tr>
</tbody>
</table>

Notes: Standard errors clustered at the country-pair level. *, ** and *** indicate significance at the 10, 5, and 1 percent level, respectively. CD stands for country dummies. A constant term is included in all regressions – the coefficient is not reported to save space. In columns (1) to (3) the log of the amount of printers is the dependent variable, while in (4) and (5) it is the quantity itself. Columns (3) and (5) control for multilateral resistance with the Baier and Bergstrand (2009) methodology – each bilateral trade cost is included using the following formula: \( \ln t_{ij} + \frac{1}{N} \sum_{j=1}^{N} \ln t_{ij} - \frac{1}{2} \sum_{i=1}^{N} \sum_{j=1}^{N} \ln t_{ij} + \frac{1}{2} \sum_{i=1}^{N} \ln t_{ij} \). All columns include time dummies. Convergence problems of the PPML estimator were encountered when trying to estimate the equivalent to (2).
References


Baldwin, R. (2013). *Global supply chains: why they emerged, why they matter, and where they are going*, chapter 1, pages 13–60. WTO; Fung Global Institute; Temasek Foundation.


