

A firm level perspective on the trade effects of terrorist attacks

Seda Koymen Ozer

Baskent University, Turkey

skozer@baskent.edu.tr

Daniela Maggioni

Universita Degli Studi di Milano, Italy

Daniela.Maggioni@unimi.it

Alessia Lo Turco

Università Politecnica delle Marche, Italy

a.loturco@univpm.it

Abstract

We inspect the impact of terrorist attacks on firm exports by focusing on the relevant context of the Turkish economy in the 2003-2014 period. By merging firm level information on export flows by product and destination with data on terrorist attacks in Turkish NUTS3 provinces from the Global Terrorism Database, we investigate the effect of terrorist attacks on firm level exports and we find a non-negligible immediate - same and previous semester - effect of attacks which is robust to several sensitivity checks. When we delve into the baseline evidence, we find that the effect is mainly driven by firms with small inventories and producing goods that are highly sensitive to consumers' preference for timely production. This evidence, joint with the immediateness of the effect, suggests that Turkish firms involved in lean production and retail could be the most severely affected. The lack of evidence of any recovery in the aftermath of the attack suggests that the effect of terrorism on firm export activity can be severely damaging.

Keywords: International Trade, Terrorist Attacks

JEL Codes: F10, F14