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| **Appendix A. Sample of Countries** | | |
| **Industrial Countries** | | |
| Australia | Germany | New Zealand |
| Austria | Greece | Norway |
| Belgium | Island | Portugal |
| Canada | Ireland | Spain |
| Denmark | Italy | Sweden |
| Finland | Japan | Switzerland |
| France | Netherland | United Kingdom |
|  |  | United States |
| **Asia** | | |
| Bangladesh | Korea Republic | Philippines |
| China | Malaysia | Singapore |
| India | Pakistan | Sri Lanka |
| Indonesia | Papua New Guinea | Thailand |
|  |  |  |
| **Latin America and Caribbean** | | |
| Argentina | Ecuador | Nicaragua |
| Bolivia | El Salvador | Panama |
| Brazil | Guatemala | Paraguay |
| Chile | Haiti | Peru |
| Colombia | Honduras | Trinidad and Tobago |
| Costa Rica | Jamaica | Uruguay |
| Dominican, Republic | Mexico | Venezuela |
| **Middle East and North Africa** | | |
| Algeria | Israel | Syria |
| Egypt | Jordon | Tunisia |
| Iran | Morocco | Turkey |
| **Sub-Sahara Africa** | | |
| Burkina Faso | Ghana | Senegal |
| Botswana | Kenya | Sierra Leone |
| Cote d'Ivoire | Madagascar | South Africa |
| Congo. Rep | Malawi | Togo |
| Congo, Democratic Rep | Niger | Zambia |
| Gambia | Nigeria | Zimbabwe |

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| **Appendix B: Definition of the Variables, Source of Data and Descriptive Statistics** | | | | |
| **Variable** | **Definition and Construction of Variable** | **Source of Data** | **Mean** | **Standard Deviation** |
| Economic Growth | Log of per capita Gross Domestic Product (GDP) | World Development Indicators | 3.8329 | 0.1216 |
| Trade openness (trade) | Log of trade to GDP ratio. The trade dependency ratio is the sum of exports and imports of goods and services measured as a share of gross domestic product. Available for all countries | World Development Indicators | 41.2097 | 12.6044 |
| Average Tariff Rate (tariff) | The average tariff rates are calculated by custom Revenues divided by cost of imported goods | [http://econ.worldbank.org/WBSITE/EXTERNAL/EXTDEC/EXTRESEARCH/0,,contentMDK:20696167~pagePK:64214825~piPK:64214943~theSitePK:469382,00.html](http://www.google.com/url?q=http%3A%2F%2Fecon.worldbank.org%2FWBSITE%2FEXTERNAL%2FEXTDEC%2FEXTRESEARCH%2F0%2C%2CcontentMDK%3A20696167%7EpagePK%3A64214825%7EpiPK%3A64214943%7EtheSitePK%3A469382%2C00.html&sa=D&sntz=1&usg=AFrqEzfVBvc9sLNjWN55N4yMnLZGaXacRg) | 9.5363 | 2.8774 |
| Globalization (glob) | The index of globalization is prepared by Dreher et al (2009) which is a sum of three different indices, that is, social globalization, economic globalization and political globalization. The authors allocate the different weights to a number of openness and liberalization indicators. | Taken from Dreher et al (2009) and the updated version is taken from website  <http://globalization.kof.ethz.ch/> | 48.8941 | 7.8480 |
| Physical Capital (K) | The data on capital series is not directly available. Therefore, the researchers use perpetual inventory methodology for generating the capital series. We also use the same methodology for each country. For this purpose, the initial value is calculated by assuming 4 percent deprecation. | Data on investment is taken World Development Indicators | 12.9977 | 0.1743 |
| Financial Development (FD) | Log of credit to private sector to GDP: Credit to private sector refers to financial resources provided to the private sector, such as through loans, purchases of non-equity securities, and trade credits and other accounts receivable that establish a claim for repayment. | Financial Structure Data | 96.1740 | 26.9254 |
| Inflation Rate (CPI) | Inflation is calculated by taking the log difference of consumer price index numbers | The data on consumer price index number is from World Development Indicators | 5.6975 | 2.8451 |
| Human Capital(EDU) | Secondary school enrollment ratio is the ratio of total enrollment, regardless of age, to the population of the age group that officially corresponds to the secondary level of education. Accordingly, the reported value can exceed (or average) more than 100%. Available for all countries. | World Development Indicators | 57.3896 | 10.4047 |
| Governance (GOV) | Here we use the factor Analysis and take first principal component of four different indicators, that is, law and order, quality of formal institutions, corruption and accountability of public officials. | International Country Risk Guide, political Risk Services. | -- | -- |