

Online Appendix for: When the Floodgates Open: “Northern”  
Firms’ Response to Removal of Trade Quotas on Chinese Goods

Hale Utar

**A Additional Analysis**

Table A-1: T&C Exports

Sample	Textile and Apparel Products	
	(a)	(b)
Variables	Log Price	Log Value
$Dum02 * MFAQ2_j$	-0.135** (0.045)	-0.171 (0.108)
$Dum05 * MFAQ5_j$	-0.052 (0.043)	-0.340*** (0.093)
Year By Industry Fixed Effect	yes	yes
Product (CN8) Fixed Effect	yes	yes
Number of Obs.	14387	14387
Number of (CN8) Products	1583	1583
F	3.606	7.865

Robust standard errors are reported in parentheses. They are clustered for each CN 8-digit product categories. A constant is included but not reported. \*, \*\* and \*\*\* indicate significance at the 10 %, 5% and 1% levels respectively. The transaction level export data set is between 1995-2007 and it is aggregated into CN-8 product categories for each year. Source: Statistics Denmark.

Table A-2: Production Fragmentation, Productivity, Capital Per Labor

Sample	Textile and Apparel Manufacturers 1995-2007			
	(a) Fragmentation Measure	(b) Empirical Markup	(c) Labor Productivity	(d) Log Capital per Labor
Panel A				
$MFAQProd99_i * Dum02_t$	-0.019 (0.060)	-0.019 (0.045)	0.097** (0.036)	0.225** (0.084)
F	19.471	17.977	15.739	16.035
Panel B				
$MFAQProdShare99_i * Dum02_t$	-0.215** (0.066)	-0.114 (0.088)	0.198** (0.066)	0.376* (0.149)
F	21.085	17.992	15.842	15.917
Panel C				
$MFAQRevShare99_i * Dum02_t$	-0.172** (0.058)	-0.084 (0.073)	0.122* (0.052)	0.201 (0.123)
F	20.560	17.973	15.743	15.816
Year Fixed Effects	yes	yes	yes	yes
Firm Fixed Effects	yes	yes	yes	yes
Number of Obs.	7247	7078	7212	7054
Number of Firms	1093	1087	1093	1083

Robust standard errors are reported in parentheses. They are clustered for firms. A constant term is included but not reported. \*, \*\* and \*\*\* indicate significance at the 10 %, 5% and 1% levels respectively. Fixed effect indicators and sample information reported at the bottom of the table corresponds to all regressions across panels in each column. The dependent variable in column a is the logit transformation of value added divided by the gross value of output. The dependent variable in column b is the logit transformation of value added minus labor costs over the gross value of output. The dependent variable in column c is the logarithm of the sales over the full-time unit of employment. The dependent variable in column d is the logarithm of the physical capital per full-time equivalent labor. Source: Statistics Denmark.

Table A-3: Skill Intensity

Sample	Textile and Apparel Manufacturers (1996-2006)					
	(a)	(b)	(c)	(d)	(e)	(f)
Variable	Log College Educated Share	Log College Educated Wage Share	Log College Rate Among Base Level Jobs	Log Average Experience Among Base Level Jobs	Log College Rate Among Professional Jobs	Log Average Experience Among Professional Jobs
Panel A						
$MFAQProd99_i * Dum02_t$	0.220*** (0.059)	0.154* (0.068)	0.278** (0.088)	0.184*** (0.041)	0.039 (0.058)	-0.103* (0.045)
F	14.161	12.497	8.435	29.901	1.786	14.408
Panel B						
$MFAQProdShare99_i * Dum02_t$	0.520*** (0.122)	0.445*** (0.130)	0.561** (0.197)	0.301*** (0.063)	0.100 (0.132)	-0.182 (0.142)
F	14.860	13.138	8.582	28.294	1.825	15.567
Panel C						
$MFAQRevShare99_i * Dum02_t$	0.373*** (0.103)	0.312** (0.108)	0.304 (0.162)	0.242*** (0.048)	0.019 (0.109)	-0.107 (0.098)
F	14.330	12.465	8.538	29.718	1.912	14.761
Year Fixed Effects	yes	yes	yes	yes	yes	yes
Firm Fixed Effects	yes	yes	yes	yes	yes	yes
Number of Obs.	3031	2944	1539	4971	1992	3367
Number of Firms	637	631	373	969	459	729

Robust standard errors are reported in parentheses. They are clustered for firms. \*, \*\*, and \*\*\* indicate significance at the 10 %, 5% and 1% levels respectively. Fixed effect indicators and sample information reported at the bottom of the table corresponds to all regressions across panels in each column. The dependent variable in column a is logarithm of the share of employees with at least some college level education. The dependent variable in column b is the logarithm of the share of the total wages paid to college educated employees over total wages. The dependent variable in column c is the logarithm of the share of college level employees in base level occupations. The dependent variable in column d is the logarithm of the average work experience of employees who have basic level occupations. The dependent variable in column e is the logarithm of the share of college level employees in occupations where professional and technical skills are required. The dependent variable in column f is the logarithm of the average work experience of employees in occupations where professional and technical skills are required. The source of the data is persondata (IDA), Statistics Denmark.

Table A-4: Pre-Post WTO Analysis with Aggregate Data I

Sample	T&C Manufacturers pre(1995-2001) and post(2002-2007) periods						
Variable	(a)	(b)	(c)	(d)	(e)	(f)	(g)
	Log Turnover	Log Value Added	Log FTE	Log Labor	Log Capital	Log Intangible Assets	Log Investment
Panel A							
$MFAQProd99_i * Dum02_t$	-0.181** (0.066)	-0.210** (0.065)	-0.274*** (0.065)	-0.261*** (0.060)	-0.127 (0.108)	-0.492** (0.153)	-0.292* (0.116)
$Dum02_t$	0.032 (0.037)	-0.067 (0.036)	-0.073 (0.039)	-0.137*** (0.030)	0.043 (0.057)	-0.376*** (0.076)	0.096 (0.071)
F	4.014	14.876	23.746	40.464	0.711	33.685	3.183
Panel B							
$MFAQProdShare99_i * Dum02_t$	-0.245** (0.094)	-0.341*** (0.094)	-0.451*** (0.112)	-0.446*** (0.099)	-0.312 (0.184)	-0.553 (0.293)	-0.507* (0.207)
$Dum02_t$	0.011 (0.035)	-0.085* (0.035)	-0.095** (0.036)	-0.156*** (0.029)	0.046 (0.054)	-0.444*** (0.073)	0.075 (0.066)
F	4.160	19.851	23.332	44.352	1.444	30.361	3.006
Panel C							
$MFAQRevShare99_i * Dum02_t$	-0.256* (0.106)	-0.326** (0.101)	-0.321*** (0.086)	-0.322*** (0.080)	-0.276 (0.147)	-0.591* (0.242)	-0.454** (0.148)
$Dum02_t$	0.012 (0.034)	-0.087** (0.033)	-0.112** (0.036)	-0.172*** (0.029)	0.041 (0.054)	-0.438*** (0.071)	0.068 (0.064)
F	3.156	14.836	24.866	45.578	1.753	31.760	4.925
Firm Fixed Effects	yes	yes	yes	yes	yes	yes	yes
Number of Obs.	1605	1603	1603	1667	1589	1514	1574
Number of Firms	1093	1093	1093	1155	1083	1052	1071

Robust standard errors are reported in parentheses. They are clustered for firms. \*, \*\* and \*\*\* indicate significance at the 10 %, 5% and 1% levels respectively. Fixed effect indicators and sample information reported at the bottom of the table corresponds to all regressions across panels in each column. The dependent variable in column a is the natural logarithm of the firm turnover (revenue). The dependent variable in column b is the natural logarithm of the value-added. In column c, the dependent variable is the logarithm of the full-time equivalent number of employees. In column d, the dependent variable is the logarithm of employee head-count. The dependent variable in column e is the logarithm of the physical capital assets. The dependent variable in column f is the logarithm of intangible assets. The dependent variable in column g is the logarithm of the total investment in physical assets. The logarithm transformation is applied after taking the mean values of original variables across 1995-2001 and 2002-2007 periods. Data Source: Statistics Denmark.

Table A-5: Pre-Post Analysis with Aggregate Data II

Variable	(a) Basic Level Occupations	(b) Professional and Technical Occupations	(c) Employees with College Education	(d) Employees with High School Education	(e) Employees with Tech. Design Education	(f) Employees with T&C Production Education	(g) Log of Avg. Hourly Wage
Panel A							
$MFAQProd99_i * Dum02_t$	-0.240*** (0.065)	-0.087 (0.047)	0.015 (0.045)	-0.343*** (0.057)	0.062* (0.031)	-0.202*** (0.041)	0.053*** (0.014)
$Dum02_t$	-0.381*** (0.030)	-0.048** (0.018)	0.021 (0.015)	-0.162*** (0.026)	0.007 (0.009)	-0.022 (0.015)	0.019* (0.010)
F	136.907	8.548	1.274	68.887	2.893	18.714	27.032
Panel B							
$MFAQProdShare99_i * Dum02_t$	-0.440*** (0.107)	-0.137 (0.081)	0.042 (0.069)	-0.531*** (0.102)	0.068 (0.046)	-0.316*** (0.078)	0.080** (0.026)
$Dum02_t$	-0.394*** (0.030)	-0.056** (0.018)	0.020 (0.016)	-0.193*** (0.026)	0.016 (0.010)	-0.039** (0.015)	0.024** (0.009)
F	141.420	8.603	1.204	67.986	2.666	15.825	20.091
Panel C							
$MFAQRevShare99_i * Dum02_t$	-0.299*** (0.089)	-0.106 (0.080)	0.045 (0.068)	-0.374*** (0.081)	0.052 (0.042)	-0.252*** (0.074)	0.057** (0.020)
$Dum02_t$	-0.412*** (0.030)	-0.060*** (0.018)	0.019 (0.017)	-0.213*** (0.026)	0.018 (0.011)	-0.048** (0.015)	0.027** (0.009)
F	145.038	8.450	1.243	69.629	2.694	14.243	19.417
Firm Fixed Effects	yes	yes	yes	yes	yes	yes	yes
Number of Obs.	1605	1605	1631	1631	1631	1631	1634
Number of Firms	1095	1095	1121	1121	1121	1121	1135

Robust standard errors are reported in parentheses. They are clustered for firms. \*, \*\*, and \*\*\* indicate significance at the 10 %, 5% and 1% levels respectively. Fixed effect indicators and sample information reported at the bottom of the table corresponds to all regressions across panels in each column. The dependent variable in column (a) is the logarithm of the number of employees that are classified as doing basic skill required jobs plus 1. The dependent variable in column (b) is the logarithm of the number of employees that are classified as top-level employees (e.g. engineers) and intermediate-level employees, (e.g. laboratory technician, computer programmer) plus 1. The dependent variable in column (c) is the logarithm of the number of employees with at least some college level education plus 1. The dependent variable in column d is the logarithm of the number of employees with at most high school diploma plus 1. The dependent variable in column (e) is the logarithm of the number of employees with textile and clothing related technical design education plus 1. The dependent variable in column (f) is the logarithm of the number of employees with textile and clothing production training such as textile machine operator plus 1. The dependent variable in column (g) is the logarithm of the average hourly wage within firms. The logarithm transformation is applied after taking the mean values of original variables across 1995-2001 and 2002-2007 periods (subject to their availability). Data Source: Statistics Denmark.

Table A-6: Pre-Post Analysis with Aggregate Data III

Sample Variable	T&C Manufacturers pre(1996-2001) and post(2002-2004) periods			
	(a) Log Number of Dropped Products	(b) Log Number of New Products	(c) Log Number of New Non-MFA Products	(d) Log Number of New Non T&C Products
Panel A				
$MFAQ2Prod99_i * Dum02_t$	0.490*** (0.083)	0.215** (0.066)	0.320*** (0.067)	0.401*** (0.075)
$Dum02_t$	0.242*** (0.037)	0.061 (0.034)	0.095** (0.034)	0.163*** (0.038)
F	85.038	81.757	81.725	59.155
Panel B				
$MFAQ2ProdShare99_i * Dum02_t$	0.931** (0.335)	0.582** (0.196)	0.823** (0.255)	0.826** (0.288)
$Dum02_t$	0.322*** (0.037)	0.090** (0.032)	0.140*** (0.031)	0.228*** (0.036)
F	89.021	83.145	81.983	56.273
Panel C				
$MFAQ2RevShare99_i * Dum02_t$	0.458 (0.243)	0.299 (0.172)	0.460* (0.180)	0.485* (0.196)
$Dum02_t$	0.339*** (0.037)	0.100** (0.031)	0.152*** (0.031)	0.239*** (0.036)
F	85.412	78.707	78.012	54.507
Panel D				
$MFAQProd99_i * Dum02_t$	0.335*** (0.069)	0.182** (0.058)	0.265*** (0.058)	0.337*** (0.066)
	0.216*** (0.039)	0.032 (0.039)	0.055 (0.036)	0.109** (0.041)
F	83.564	82.135	80.667	61.306
Firm Fixed Effects	yes	yes	yes	yes
Number of Obs.	1019	1020	1020	1020
Number of Firms	699	716	716	716

Robust standard errors are reported in parentheses. They are clustered for firms. \*, \*\* and \*\*\* indicate significance at the 10 %, 5% and 1% levels respectively. Fixed effect indicators and sample information reported at the bottom of the table corresponds to all regressions across panels in each column. A new product is defined as a product that a firm started to sell/export that current year, which is not observed to be produced by the firm in previous years. A dropped product is defined as a product that a firm stopped selling that current year, and is not observed to be sold by the firm in subsequent years. The logarithm transformation is applied after taking the mean values of original variables across 1996-2001 and 2002-2004 periods. All regressions include size quintiles, where the size is measured as the number of products. Data set Data Source: Statistics Denmark.

Table A-7: The Impact of Competition on Employment (Year By Year Changes)

Sample Variable	Textile and Apparel Manufacturer Firms		
	(a) Log No of Employees	(b) Log No of Base Level Jobs	(c) Log No of Employees with at most High School Diploma
<i>MFAQProd95<sub>i</sub></i> * 1996	-0.059 (0.043)	–	-0.076 (0.044)
<i>MFAQProd95<sub>i</sub></i> * 1997	-0.017 (0.052)	-0.000 (0.041)	-0.051 (0.055)
<i>MFAQProd95<sub>i</sub></i> * 1998	-0.054 (0.056)	-0.062 (0.051)	-0.071 (0.056)
<i>MFAQProd95<sub>i</sub></i> * 1999	-0.101 (0.071)	-0.074 (0.064)	-0.120 (0.067)
<i>MFAQProd95<sub>i</sub></i> * 2000	-0.060 (0.071)	-0.024 (0.067)	-0.134 (0.069)
<i>MFAQProd95<sub>i</sub></i> * 2001	-0.097 (0.071)	-0.075 (0.076)	-0.143* (0.072)
<i>MFAQProd95<sub>i</sub></i> * 2002	-0.204** (0.079)	-0.165* (0.081)	-0.256** (0.078)
<i>MFAQProd95<sub>i</sub></i> * 2003	-0.210* (0.088)	-0.079 (0.098)	-0.288*** (0.082)
<i>MFAQProd95<sub>i</sub></i> * 2004	-0.314*** (0.094)	-0.165 (0.102)	-0.421*** (0.088)
<i>MFAQProd95<sub>i</sub></i> * 2005	-0.289** (0.094)	-0.204 (0.108)	-0.430*** (0.089)
<i>MFAQProd95<sub>i</sub></i> * 2006	-0.292** (0.105)	-0.237* (0.117)	-0.418*** (0.097)
<i>MFAQProd95<sub>i</sub></i> * 2007	-0.328** (0.108)	-0.292* (0.129)	–
Year Fixed Effects	yes	yes	yes
Firm Fixed Effects	yes	yes	yes
Number of Obs.	7319	6624	6893
Number of Firms	1155	1095	1095
F	6.248	19.719	10.581

Robust standard errors are reported in parentheses. They are clustered for firms. \*, \*\* and \*\*\* indicate significance at the 10 %, 5% and 1% levels respectively. In column a, the dependent variable is the logarithm of employee head-count. In column b, the dependent variable is the logarithm of the number of base-level occupations plus 1. In column c, the dependent variable is the logarithm of the number of employees with at most high school diploma plus 1. *MFAQProd95<sub>i</sub>* is an indicator variable that takes 1 if firm *i* is found to produce MFA quota goods in 1995. Data Source: Statistics Denmark.

Table A-8: The Impact of Competition on Wages: Worker Level with Firm fixed effects

Sample Dependent Variable	Textile and Apparel Manufacturers (1996-2006) Log of Hourly Wage			
	(a)	(b)	(c)	(d)
$MFAQRevShare99_i * Dum02_t$	0.082*** (0.018)	0.051*** (0.015)		
Gender Dummy (male=1)		0.191*** (0.007)	0.191*** (0.007)	0.192*** (0.007)
Log Worker's Age		0.096*** (0.011)	0.096*** (0.011)	0.096*** (0.011)
Work Experience		0.008*** (0.001)	0.008*** (0.001)	0.008*** (0.001)
Below High School Dummy		-0.059*** (0.004)	-0.059*** (0.004)	-0.056*** (0.004)
College and Above Dummy		0.100*** (0.008)	0.100*** (0.008)	0.097*** (0.009)
Auxiliary Occupations		-0.134*** (0.012)	-0.130*** (0.012)	-0.134*** (0.012)
Base Level Occupations		-0.057*** (0.009)	-0.054*** (0.009)	-0.057*** (0.009)
Professional Occupations		0.139*** (0.009)	0.141*** (0.010)	0.139*** (0.009)
Executives and Employers		0.403*** (0.019)	0.408*** (0.020)	0.402*** (0.019)
$MFAQRevShare99_i * Dum02_t * Unspecified\ Occup$			0.088* (0.039)	
$MFAQRevShare99_i * Dum02_t * Auxiliary\ Occup$			0.042 (0.024)	
$MFAQRevShare99_i * Dum02_t * Base\ level\ Occup$			0.039** (0.014)	
$MFAQRevShare99_i * Dum02_t * Professional\ Occup$			0.065** (0.021)	
$MFAQRevShare99_i * Dum02_t * Executives\ and\ Employers$			0.014 (0.051)	
$MFAQRevShare99_i * Dum02_t * Below\ High\ School$				0.006 (0.015)
$MFAQRevShare99_i * Dum02_t * High\ School\ and\ Vocational$				0.067*** (0.017)
$MFAQRevShare99_i * Dum02_t * College\ and\ Above$				0.107*** (0.026)
Year Fixed Effects	yes	yes	yes	yes
Firm Fixed Effects	yes	yes	yes	yes
Number of Obs.	102561	102561	102561	102561
Number of Firms	1034	1034	1034	1034
F	33.045	174.078	158.987	156.870

Robust standard errors are reported in parentheses. They are clustered for firms. \*, \*\* and \*\*\* indicate significance at the 10 %, 5% and 1% levels respectively. The analysis only covers full-time employees. The gender dummy takes 1 for males and zero otherwise. The reference group consists of employees with high school diploma in unspecified occupations. The source of the data is persondata (IDA), Statistics Denmark.



Table A-9: The Impact of Competition on Wages: Worker Level with Worker Fixed Effects

Sample Dependent Variable	Textile and Apparel Manufacturers (1996-2006)		
	Log of Hourly Wage	Log of Hourly Wage	Log of Hourly Wage
	(a)	(b)	(c)
$MFAQRevShare99_i * Dum02_t$	0.045** (0.015)		
$MFAQRevShare99_i$	-0.027* (0.011)	-0.029** (0.011)	-0.027** (0.011)
$MFAQRevShare99_i * Dum02_t * \text{Unspecified Occup}$		0.037* (0.019)	
$MFAQRevShare99_i * Dum02_t * \text{Auxiliary Occup}$		0.035* (0.015)	
$MFAQRevShare99_i * Dum02_t * \text{Base Level Occup}$		0.035* (0.014)	
$MFAQRevShare99_i * Dum02_t * \text{Professional Occup}$		0.116*** (0.017)	
$MFAQRevShare99_i * Dum02_t * \text{Executives and Employers}$		-0.022 (0.038)	
$MFAQRevShare99_i * Dum02_t * \text{Below High School}$			0.002 (0.014)
$MFAQRevShare99_i * Dum02_t * \text{High School and Vocational}$			0.057*** (0.016)
$MFAQRevShare99_i * Dum02_t * \text{College and Above}$			0.128*** (0.023)
Year Fixed Effects	yes	yes	yes
Worker Fixed Effects	yes	yes	yes
Number of Obs.	102561	102561	102561
Number of Firms	1034	1034	1034
F	25.859	22.694	21.941

Robust standard errors are reported in parentheses. They are clustered for firms. \*, \*\* and \*\*\* indicate significance at the 10 %, 5% and 1% levels respectively. The analysis only covers full-time employees. The source of the data is persondata (IDA), Statistics Denmark.

## B The Impact on T&C Export

As in other small open advanced economies, exporting is a very important and relatively common activity for Danish producers. On average every year more than half of all of the Danish Textile and Clothing firms export (52 %).<sup>1</sup> To quantify any significant change in the prices and volumes of Danish textile and clothing exporters observed as a result of the MFA quota removal for Chinese goods, the transaction-level export data-set between 1995 and 2007 is aggregated into firm (i), CN 8-digit product (j), and year (t) level, and equation B-1 is estimated with the dependent variables being the unit price and value of firm i's export j at period t. In these regressions, instead of deflating unit prices, changes in the price levels specific to textile or clothing industries are controlled for using industry by year fixed effects. Product by firm fixed effects are also included to control for brand/firm specific product prices and qualities.

$$\ln X_{ijt} = \alpha_0 + \alpha_1 Dum02_t * MFAQ2Exported99_i + \alpha_2 Dum05_t * MFAQ5Exported99_i + \delta_i * \pi_j + \tau_t * \nu_n + \epsilon_{ijt} \quad (\text{B-1})$$

In equation B-1 *MFAQ2Exported99* and *MFAQ5Exported99* consist of firms that exported one or more of the MFAQ2 and MFAQ5 products respectively in 1999. The results, which are presented in Table B-1, show that both the 2002 and the 2005 quota removals have significant and negative impact on Danish firms' export. The first two columns indicate that the 2002 quota removal for China had a significant negative effect on export prices of Danish firms while the 2005 quota removal for China had a significant negative effect on export volumes of Danish firms. Columns c and d present the estimation result of equation B-1 when firms that export MFAQ2 and MFAQ5 products in 1999 are combined. Results show that both prices and volumes of exports decreased disproportionately after 2001 among firms that export any MFAQ goods.

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<sup>1</sup>Many establishment level studies are based on data-sets that contain establishments with 10 or more employees. For the purpose of comparison, among firms that have 10 or more employees the ratio of firms that export (directly) is 82 %.

Table B-1: Export Prices and Values

Sample Variables	Trade Data: Textile & Clothing Export 1995-2007			
	Log Price	Log Value	Log Price	Log Value
$Dum02_t * MFAQ2Exported99_j$	-0.056** (0.021)	-0.097 (0.079)		
$Dum05_t * MFAQ5Export99_j$	-0.005 (0.026)	-0.219** (0.080)		
$Dum02_t * MFAQExported99_j$			-0.063** (0.024)	-0.228** (0.077)
Industry By Year Fixed Effect	yes	yes	yes	yes
Product (CN8) by Firm Fixed Effect	yes	yes	yes	yes
Number of Obs.	279076	279189	279076	279189
F	5.526	5.916	5.567	5.523

Robust standard errors are reported in parentheses. They are clustered for each firm. A constant is included but not reported. The sample covers all reported export transactions in textile and clothing between 1995 and 2007. The transaction-level data set is aggregated into firm-product-year level. Data Source: Statistics Denmark.

## C Constructing Matched Data Sets for the Textile and Clothing Industry

The data sets used in this study are compiled from different sources mainly within Statistics Denmark. The main data sets are an international trade data-set (Udtræk Udenrigshandel), a domestic sales/production data-set (Udtræk Varestatistik), a firm accounting data-set (Udtræk Regnskabsdata) and a person-level labor market data-set (Udtræk Persondata / IDA). Detailed information on content, coverage and variable definitions of these data-sets can be found at <http://www.dst.dk/da/Statistik/dokumentation/times.aspx>. Quota information is reported in the SIGL (Système Intégré de Gestion de Licenses) database and is available online at <http://trade.ec.europa.eu/sigl/index.html>. A brief summary of content and coverage of the confidential data-sets is provided below.

The International trade data-set (Udtræk Udenrigshandel): The international trade data set is compiled from the Danish Customs records. Each shipment record includes the date of the shipment, the value of the shipment, the product code (The Combined Nomenclature (CN) 8-digit), the name of the product, weight of the shipment, unit of weight and, when relevant, quantity information as well as a unique firm identifier. Statistics Denmark aggregated these shipment records into annual shipments for each triplet of product (CN 8-digit), country and

firm. As provided by Statistics Denmark, the international transaction data-set does not have a truncation at the firm-level as it covers the universe of Danish firms' transactions between 1993 and 2007. However, only product shipments of 10,000 kr (approx. 1700 USD) or more are included in the data set. Unit prices are calculated using uniform measures of weight/quantity for each product.

Domestic trade data (Udtræk Varestatistik): The industry's sales of products are recorded in the 10-digit product classification. The first 8 digits of the classification of goods is always identical to the combined nomenclature. This data-set is available for the period 1995-2005. Only firms with employment of 10 people or more two years prior to current (statistics) date are included in this survey.

Firm Accounting data (Udtræk Regnskabsdata): Business statistics data are compiled from survey results of firms that take part in an annual financial survey as well as from the annual tax reports, vat reports, and annual reports from incorporated companies. The general business statistics include only firms that employ at least a 0.5 FTE (full-time equivalent employment) employment and/or have had estimated earnings of a certain size.<sup>2</sup> However, some of the data for small firms may be subject to imputation. This data-set is available starting from 1995. Only manufacturing, construction and retail sectors are included until 1998. In 1998, the wholesale trade sector is included and starting from 1999 it covers almost all sectors including mining, and all business service sectors.<sup>3</sup>

Integrated Database for Labour Market Research (IDA): A longitudinal yearly data-set of persons (age 15-70) are merged with establishments. It contains establishment and industry codes, education-level, wages, type of jobs, work experience, age, and other person classifications. For a complete description see the Danmarks Statistik document at <http://www.dst.dk/da/Statistik/dokumentation/Times/ida-databasen.aspx>.

All of the data-sets are accessed through the LMDG (Labor Market Development and Growth)

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<sup>2</sup>In the wholesale trade sectors, the limit of earnings is typically at 500,000 Danish Kroner, while in the manufacturing industry, it ranges between 150,000 and 200,000 Danish Kroner.

<sup>3</sup>Starting from 1999, the data-set includes hospitality, transportation, telecommunication, real estate, rental services, information technology services, research and development services, and other consultancy and business services. It does not include agriculture, financial sector, public, education and medical service sectors.

project sponsored servers, and the routine cleaning procedures have been executed both by Statistics Denmark and also by the LMDG. For details of the cleaning procedures conducted by the LMDG project, see Bunzel (2008).

## C-I Firm-Level Values

Raw materials, intermediate goods, capital goods, electric, gas, water, and output deflators provided by Statistics Denmark are used to deflate the nominal variables. Wages are deflated using cpi. Sales and output values are deflated separately for textile and apparel producers using the output deflators. Value-added information is derived by the author using the following formula: [turnover + work performed for own purposes and capitalized + (end of year inventory – beginning of year inventory) – [purchase of raw materials + energy + subcontracting expenses]]. Values, except hourly wages, are expressed in thousands year 2000 constant Danish Kroner. Hourly wages are expressed in constant year 2000 Danish kroner. Physical capital assets include plant, machinery, technical installations, land, buildings, and other equipment such as computers, and office furniture. Table C-1 and C-2 present summary statistics for firm-level variables from the Regnskabsdata and IDA data-sets.

Table C-1: Summary Statistics I

Source	Regnskabsdata				
Variables	N	Median	Mean	Standard Deviation	Sample
Turnover	7275	5092.5	21560.3	54842.8	1995-2007
Value Added	7275	2675.0	9766.5	24030.3	1995-2007
Profit	7275	239.9	1252.7	7047.5	1995-2007
Total Assets	7275	3564.0	17970.2	68447.1	1995-2007
Capital	7275	928.0	5271.7	21617.9	1995-2007
Investment	7275	131.8	1052.2	6645.0	1995-2007
Firm Age	6738	13.0	15.3	12.2	1995-2007
Full-time Equivalent Labor	7275	5.9	18.0	39.4	1995-2007
Average Full Wage (Per Person)	7213	261.8	275.4	108.5	1995-2007

Values are expressed in constant year 2000 prices in thousand Danish kroner. Source: Statistics Denmark.

Table C-2: Summary Statistics II

Source	IDA				
Variables	N	Median	Mean	Standard Deviation	Sample
Head-Count Labor	7319	7.0	20.0	41.3	1995-2007
Vocational Educ. and Above	6893	3.0	9.0	19.5	1995-2006
High School and Below	6893	4.0	10.5	22.1	1995-2006
Executives and Employers	7319	1.0	1.2	1.9	1996-2007
Top and Mid Level Occupations	7319	0.0	2.7	7.3	1996-2007
Base Level Occupations	6624	3.0	10.9	27.3	1996-2007
Auxiliary Occupations	6624	0.0	1.5	5.2	1996-2007
Unspecified Occupations	6624	2.0	3.0	6.7	1996-2007
Average Hourly Wage	7074	142.3	144.9	36.1	1995-2007

Values are expressed in constant year 2000 prices in Danish kroner. Source: Statistics Denmark.

## C-II Employee Characteristics (IDA)

Every person is attached a code regarding his/her status within the firm. In order to comply with the major groupings of the the International Standard Classification of Occupations Codes (ISCO-88), The Danish statistics created a Danish version of ISCO-88, called DISCO-88, in 1996 to replace the previous categorization. So there is a discontinuity between the codes between pre and post 1996 data and so the analysis of occupation characteristics does not include data for the year 1995. Inactive people in the payroll such as retirees, employees on leave as well as owners' spouses are dropped before calculating the employment characteristics for each firm.

The classifications of occupations are derived from the variable 'pstill2'. Occupation categories are 'employer', 'executive', 'top-level employee', 'intermediate-level employee', 'auxiliary employee' and 'unspecified'. The professional and technical occupations in the analysis correspond to the 'pstill2' values 32 and 34, which are top-level professional employees and intermediate level professional and technical employees, respectively. The classification of base-level occupations corresponds to the pstill2 value 35, which includes work that requires basic level skills, such as office work or operating different types of stationary machinery. The classification of auxiliary employee (employees with no skill requirement) refers to the pstill2 value 36, which includes work such as cleaning services, delivery services, guard work, and transport work. The last grouping, pstill2 value 37, contains occupations that are unclassified due to various reasons.

The educational backgrounds of employees are obtained from the 8-digit education code, 'hffsp', that shows the person's maximum completed education level combined with professional training. Since 8-digit education codes are not reported in 2007, the relevant education variables are not constructed for that year. The first two digits of the code indicate the main education groups. The group of people with at most high school diploma refers to a hffsp value with the first two digits at 25 or below. The group of people with at least some college schooling refers to a hffsp value with the first two digits equal to or larger than 40. Employees with professional training (college level) in technical design in textile and clothing industry corresponds to hffsp value 405985, it includes industrial designer, model engineering, product developer, textile and garment engineering training. Employees with production training in textile and clothing industry corresponds to hffsp values 355880 and 355890, it includes clothing operator, fashion craft, hand stitchers, cutter, tailor, knitting operator, textile operator, textile worker etc..Skill or vocational training in Denmark is provided by the technical high schools (after 9 years of mandatory schooling) and involves several years of formalized training including both schooling and apprenticeship. For example being a tailor requires between 3 years and 3 years and 4 months skill education or being an industry operator requires between 2 years and 2 years and 8 months education depending on additional qualifications.

In the labor (IDA) data-set, for each employed person there is a unique firm identifier provided for the employer. Using this firm identifier, extracted information from IDA is merged with the Firm Accounting Data Set for each year. Only a couple of observations in the firm accounting data are left unmatched from this matching.

### **C-III Product Characteristics**

The product classifications are based on The Combined Nomenclature (CN). It is comprised of the Harmonized System (HS) nomenclature with further European Community subdivisions. The first six digits of the classification matches with the Harmonized System. A detailed description of the CN codes can be found at <http://udr.dst.dk/nomenklatur/index.aspx>. Export data between 1993 and 2007 and domestic sales/production data between 1995 and 2005 are merged to construct product portfolios of firms. The first eight digits of the product cate-

gories in the domestic sales data are the same as the combined nomenclature (CN) reported in the international trade data. Quota categories for China, which are reported in the SIGL (Système Intégré de Gestion de Licenses) database, are assigned CN codes based on CN 1999. This is done by going over the description of each quota category as well as each CN 8-digit product and confirming it using Annex I of the “Council Regulation (EEC) No 3030/93 of 12 October 1993 on common rules for imports of certain textile products from third countries” which reports the CN 2009 correspondence of the quota categories. The annex is available at the SIGL. The resulting CN correspondence of the quotas for China are linked back and forth through years using correspondence tables linking CN 1995 through CN 2007 as provided by the European Commission-Eurostat. Most of the quotas for China were utilized above 90 % but there were some additional quotas designed only for China which involved silk and rami fabrics. Since some of these additional quotas were not utilized, the empirical analysis focuses on quotas for China that were utilized at at least 10 % prior to their removals. The matchings of the CN codes to the quota categories are available from the author.

Product classifications as new products or dropped products are made according to the 8-digit classification. Products are defined in CN 8-digit in the analysis if not otherwise stated. Analyses with 6-digit product classification are also available upon request. Table C-3 presents summary statistics. The median number of 8-digit products produced among the Textile and Apparel firms is 6. About 42 % of the firms are found to produce between 1 and 5 products as shown in Table C-4. Table C-5 also shows the transition probabilities for firms between the number of products they produce. For firms producing 1 to 5 products in one period, the probability of producing 1 to 5 products in the next period is about 84 percent.

Table C-3: Summary Statistics III

Source	Custom and Domestic Sales Data Sets				
Variables	N	Median	Mean	Standard Deviation	Sample
Number of 8-digit Products	4218	6	16.955	30.185	1995-2005
Number of 6-digit Products	4218	6	15.240	26.082	1995-2005
Number of New Products	3467	2	6.491	12.972	1996-2005
Number of New Non-MFAQ Products	3467	2	5.041	10.620	1996-2005
Number of New Non-T&C Products	3467	0	2.560	7.967	1996-2005
Number of Dropped Products	3609	2	5.365	11.593	1995-2004

Source: Statistics Denmark.



Table C-4: Distribution of Firms Over the Number of Products

Sample	Textile and Apparel Manufacturers 1995-2005					
# of 8-digit products	<b>1-5</b>	<b>6-10</b>	<b>11-15</b>	<b>16-20</b>	<b>21-25</b>	<b>25+</b>
Percentages	41.68	15.88	10.13	6.78	4.85	20.67

Source: Statistics Denmark.

Table C-5: Transition Matrix between the Number of Products

# of 8-digit products at $t$	Number of Products at $t + 1$					
	<b>1-5</b>	<b>6-10</b>	<b>11-15</b>	<b>16-20</b>	<b>21-25</b>	<b>25+</b>
<b>1-5</b>	84.33	10.61	2.31	1.08	0.22	1.44
<b>6-10</b>	24.59	46.97	17.80	6.06	1.47	3.12
<b>11-15</b>	4.78	25.48	41.40	14.01	6.37	7.96
<b>16-20</b>	5.58	5.12	20.93	37.67	14.88	15.81
<b>21-25</b>	3.75	3.75	8.13	18.13	30.63	35.63
<b>25+</b>	1.00	1.84	1.51	2.68	7.36	85.62

Source: Statistics Denmark.

## D Supplemental Analysis

- Table D-1 presents the share of imports in textile and clothing industry in Denmark from countries that experience quota removal during the second phase of the abolishment of MFA quotas.
- Table D-2 presents the average numbers of employees in jobs that require basic skills and professional skills respectively across treated firms (MFAQ producers in 1999) and untreated firms.
- Table D-3 presents the average numbers of employees with no high school diploma and with college education respectively across treated firms (MFAQ producers in 1999) and untreated firms.
- Figure D-1 shows the evolution of the ratio of employees with professional occupations to employees in jobs that require basic skills.

- Table D-4 presents main results when only the 2005 quota removal is considered as treatment. These results are obtained by re-doing the main analysis presented in the paper with a treatment variable that covers firms affected by the 2005 quota removal for China.
- Table D-5 presents main results when only the 2002 quota removal is considered as treatment. These results are obtained by re-doing the main analysis presented in the paper with a treatment variable that covers firms affected by the 2002 quota removal for China.
- Table D-6 presents main results when the 2002 and 2005 quota removals are considered as treatments separately within the same analysis.
- Table D-7 and Table D-8 present the analysis using a two stage least squares method where Chinese competition is proxied with the firm-specific Chinese import measure.
- Table D-9 presents results where firms' age is additionally controlled for. Since firms' age is not reported for every firm, the number of observations drop.
- Tables D-10 and D-11 present results where entry and exit of firms are controlled for in addition to firms' age. The entry variable is not defined in 1995 and the exit variable is not defined in 2007. Hence the sample period for this analysis is 1996-2006.
- Table D-12 repeats the analysis of product churning presented in Table 7 of the paper without controlling for size quintile dummies.
- Table D-13 presents an analysis of profit.
- Table D-14 presents a probit analysis of profit to understand if firms' switching from positive to negative profit is correlated with the Chinese competition.
- Table D-15 presents a probit analysis of firm exit.

## D-I Phase II Quota Removal

Table D-1: Phase II Imports

Year	% of Import from Countries that face quota removal in 1998					
	EEC	Argentina	Brazil	Hong Kong	Korea	Macao
1995	0.0820	0.0000	0.0010	0.0413	0.0071	0.0077
1996	0.0827	0.0000	0.0007	0.0409	0.0069	0.0089
1997	0.0832	0.0004	0.0007	0.0392	0.0090	0.0100
1998	0.0866	0.0003	0.0003	0.0345	0.0091	0.0075
1999	0.0878	0.0001	0.0003	0.0383	0.0108	0.0078
2000	0.0839	0.0000	0.0003	0.0382	0.0117	0.0077
2001	0.0862	0.0000	0.0003	0.0320	0.0101	0.0073
2002	0.0736	0.0000	0.0003	0.0261	0.0083	0.0063
2003	0.0561	0.0000	0.0004	0.0202	0.0064	0.0061
2004	0.0519	0.0000	0.0003	0.0212	0.0064	0.0058
2005	0.0370	0.0000	0.0003	0.0159	0.0044	0.0037
2006	0.0441	0.0000	0.0004	0.0266	0.0044	0.0044
2007	0.0419	0.0000	0.0002	0.0192	0.0030	0.0035

The EEC column is the sum of import shares of all EEC countries that experienced textile quota removal in 1998. They are Bulgaria, Romania, Poland, Czech Republic, Slovakia, and Hungary. Data Source: Statistics Denmark.

## D-II Labor Changes Among Treated Firms versus Untreated Firms

Table D-2: Summary Statistics: Occupation Composition Among Treated versus Untreated Firms

Size (in FTE)	Year	Base-Level Occupations		Professional Occupations	
		Average Among Treated	Average Among Untreated	Average Among Treated	Average Among Untreated
> 100	1996-2001	114.275	75.102	28.691	9.245
	2002-2006	78.537	63.712	29.292	10.039
30 – 100	1996-2001	34.523	33.512	8.544	5.743
	2002-2006	27.071	31.414	10.897	5.748
10 – 30	1996-2001	11.507	12.274	3.259	1.912
	2002-2006	8.065	9.273	3.174	2.174

Source: Statistics Denmark.

Table D-3: Summary Statistics: Skill Composition Among Treated versus Untreated Firms

Size (in FTE)	Year	No High School Diploma		College Education	
		Average Among Treated	Average Among Untreated	Average Among Treated	Average Among Untreated
> 100	1996-2001	80.632	47.204	20.374	11.627
	2002-2006	55.171	42.036	24.990	14.202
30 – 100	1996-2001	25.697	24.510	6.966	5.666
	2002-2006	20.583	24.162	10.680	7.189
10 – 30	1996-2001	8.901	9.412	2.331	1.775
	2002-2006	6.685	7.496	3.111	1.980

Source: Statistics Denmark.

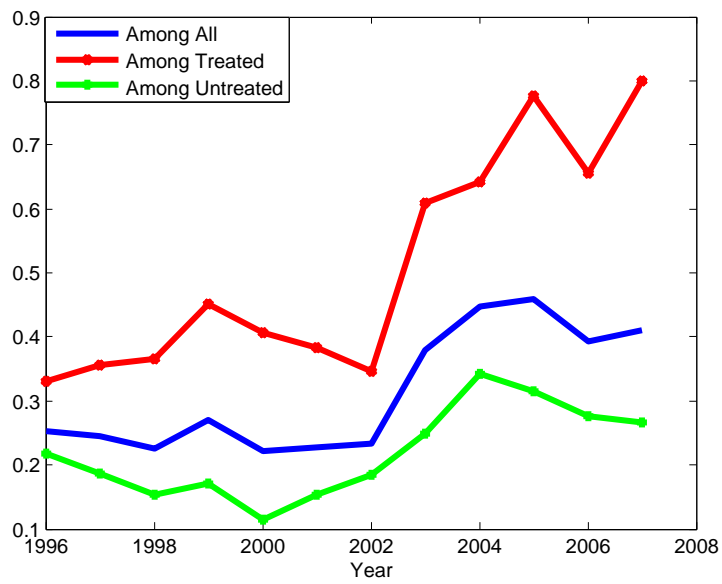


Figure D-1: The Ratio of Professional and Technical (Top and Mid) Occupations to Base Level Occupations (Source: Statistics Denmark.)

### D-III Separate Analyses of the Impacts of the 2002 and 2005 Quota Removals

Table D-4: Separate Analysis for the 2005 Quota Removal Experience

	(a)	(b)	(c)	(d)
Panel A				
Variable	Log Turnover	Log Value Added	Log FTE	Log Labor
$MFAQ5Prod99_i * Dum05_t$	-0.156* (0.070)	-0.185* (0.077)	-0.191** (0.070)	-0.148* (0.064)
Year Fixed Effects	yes	yes	yes	yes
Firm Fixed Effects	yes	yes	yes	yes
Number of Obs.	7274	7252	7213	7319
F	3.185	6.642	10.101	10.459
Panel B				
Variable	Employees with at least College Educ.	Employees with at most High School Educ.	Employees with T&C Production Educ.	Employees with T&C Technical Design Educ.
$MFAQ5Prod99_i * Dum05_t$	0.041 (0.048)	-0.244*** (0.055)	-0.112* (0.044)	0.082 (0.043)
Year Fixed Effects	yes	yes	yes	yes
Firm Fixed Effects	yes	yes	yes	yes
Number of Obs.	6893	6893	6893	6893
F	2.325	17.119	3.480	3.312
Panel C				
Variable	Auxiliary and Base Level Occupations	Base Level Occupations	Professional and Technical Occupations	Average Hourly Wage
$MFAQ5Prod99_i * Dum05_t$	-0.198** (0.073)	-0.209** (0.076)	0.024 (0.051)	0.036* (0.015)
Year Fixed Effects	yes	yes	yes	yes
Firm Fixed Effects	yes	yes	yes	yes
Number of Obs.	6624	6624	6624	7074
F	35.628	35.751	4.820	10.177
Panel D				
Variable	Log Capital	Log Intangible Assets	Log Investment	Log Capital Per Labor
$MFAQ5Prod99_i * Dum05_t$	0.157 (0.119)	-0.212 (0.169)	-0.352* (0.147)	0.332** (0.124)
Year Fixed Effects	yes	yes	yes	yes
Firm Fixed Effects	yes	yes	yes	yes
Number of Obs.	7115	5845	6598	7054
F	15.010	83.877	32.296	16.032

Robust standard errors are reported in parentheses. They are clustered for firms. \*, \*\* and \*\*\* indicate significance at the 10 %, 5% and 1% levels respectively. Source: Statistics Denmark.

Table D-5: Separate Analysis for the 2002 Quota Removal Experience

	(a)	(b)	(c)	(d)
Panel A				
Variable	Log Turnover	Log Value Added	Log FTE	Log Labor
<i>MFAQ2Prod99<sub>i</sub> * Dum02<sub>t</sub></i>	-0.058 (0.075)	-0.072 (0.074)	-0.191** (0.074)	-0.166* (0.071)
Year Fixed Effects	yes	yes	yes	yes
Firm Fixed Effects	yes	yes	yes	yes
Number of Obs.	7274	7252	7213	7319
F	2.967	6.052	9.582	10.319
Panel B				
Variable	Employees with at least College Educ.	Employees with at most High School Educ.	Employees with T&C Production Educ.	Employees with T&C Technical Design Educ.
<i>MFAQ2Prod99<sub>i</sub> * Dum02<sub>t</sub></i>	0.137* (0.059)	-0.248*** (0.064)	-0.226*** (0.060)	0.147** (0.052)
Year Fixed Effects	yes	yes	yes	yes
Firm Fixed Effects	yes	yes	yes	yes
Number of Obs.	6893	6893	6893	6893
F	2.493	16.710	3.660	3.249
Panel C				
Variable	Auxiliary and Base Level Occupations	Base Level Occupations	Professional and Technical Occupations	Average Hourly Wage
<i>MFAQ2Prod99<sub>i</sub> * Dum02<sub>t</sub></i>	-0.113 (0.086)	-0.099 (0.091)	-0.040 (0.066)	0.047*** (0.013)
Year Fixed Effects	yes	yes	yes	yes
Firm Fixed Effects	yes	yes	yes	yes
Number of Obs.	6624	6624	6624	7074
F	35.494	35.622	4.679	11.452
Panel D				
Variable	Log Capital	Log Intangible Assets	Log Investment	Log Capital Per Labor
<i>MFAQ2Prod99<sub>i</sub> * Dum02<sub>t</sub></i>	0.079 (0.116)	-0.621*** (0.168)	-0.182 (0.122)	0.255* (0.106)
Year Fixed Effects	yes	yes	yes	yes
Firm Fixed Effects	yes	yes	yes	yes
F	14.850	81.756	31.685	15.893
Number of Obs.	7115	5845	6598	7054

Robust standard errors are reported in parentheses. They are clustered for firms. \*, \*\* and \*\*\* indicate significance at the 10 %, 5% and 1% levels respectively.  
Source: Statistics Denmark.

Table D-6: Separate Analysis for the 2002 and 2005 Quota Removal Experience

	(a)	(b)	(c)	(d)
Panel A				
Variable	Log Turnover	Log Value Added	Log FTE	Log Labor
<i>MFAQ2Prod99<sub>i</sub> * Dum02<sub>t</sub></i>	-0.018 (0.071)	-0.025 (0.069)	-0.152* (0.069)	-0.137* (0.069)
<i>MFAQ5Prod99<sub>i</sub> * Dum05<sub>t</sub></i>	-0.151* (0.064)	-0.178* (0.071)	-0.150* (0.064)	-0.111 (0.061)
Year Fixed Effects	yes	yes	yes	yes
Firm Fixed Effects	yes	yes	yes	yes
Number of Obs.	7274	7252	7213	7319
F	2.970	6.458	9.350	9.771
Panel B				
Variable	Employees with at least College Educ.	Employees with at most High School Educ.	Employees with T&C Production Educ.	Employees with T&C Technical Design Educ.
<i>MFAQ2Prod99<sub>i</sub> * Dum02<sub>t</sub></i>	0.136* (0.058)	-0.209** (0.063)	-0.215*** (0.059)	0.137** (0.049)
<i>MFAQ5Prod99<sub>i</sub> * Dum05<sub>t</sub></i>	0.004 (0.044)	-0.188*** (0.053)	-0.053 (0.040)	0.044 (0.037)
Year Fixed Effects	yes	yes	yes	yes
Firm Fixed Effects	yes	yes	yes	yes
Number of Obs.	6893	6893	6893	6893
F	2.403	16.102	3.401	3.191
Panel C				
Variable	Auxiliary and Base Level Occupations	Base Level Occupations	Professional and Technical Occupations	Average Hourly Wage
<i>MFAQ2Prod99<sub>i</sub> * Dum02<sub>t</sub></i>	-0.067 (0.083)	-0.049 (0.087)	-0.021 (0.159)	0.040** (0.013)
<i>MFAQ5Prod99<sub>i</sub> * Dum05<sub>t</sub></i>	-0.180** (0.068)	-0.196** (0.070)	-0.002 (0.084)	0.025 (0.015)
Year Fixed Effects	yes	yes	yes	yes
Firm Fixed Effects	yes	yes	yes	yes
Number of Obs.	6624	6624	6624	7074
F	32.878	33.020	4.351	11.210
Panel D				
Variable	Log Capital	Log Intangible Assets	Log Investment	Log Capital Per Labor
<i>MFAQ2Prod99<sub>i</sub> * Dum02<sub>t</sub></i>	0.041 (0.117)	-0.609*** (0.172)	-0.107 (0.123)	0.182 (0.106)
<i>MFAQ5Prod99<sub>i</sub> * Dum05<sub>t</sub></i>	0.146 (0.120)	-0.047 (0.169)	-0.320* (0.149)	0.281* (0.126)
Year Fixed Effects	yes	yes	yes	yes
Firm Fixed Effects	yes	yes	yes	yes
Number of Obs.	7115	5845	6598	7054
F	13.928	76.141	30.071	14.994

Robust standard errors are reported in parentheses. They are clustered for firms. \*, \*\* and \*\*\* indicate significance at the 10 %, 5% and 1% levels respectively.  
Source: Statistics Denmark.



## D-IV Two Stage Regressions

Table D-7: Two Stage Regressions I

Sample	Textile and Apparel Manufacturers (1995-2007)			
Variable	(a)	(b)	(c)	(d)
	Log Turnover	Log Value Added	Log FTE	Log Labor
$IMPCH_{it}$	-2.509*	-3.274**	-3.991**	-3.271**
	(1.125)	(1.206)	(1.254)	(1.205)
Year Fixed Effects	yes	yes	yes	yes
Firm Fixed Effects	yes	yes	yes	yes
F	3.269	6.539	10.109	10.440
Number of Obs.	7274	7252	7213	7319
Number of Firms	995	995	992	1008
F-test of excluding instr.	57.569	58.227	54.876	55.671
Hansen J-stat (P-value)	0.165	0.202	0.543	0.461
First Stage $R^2$	0.387	0.389	0.388	0.383
Panel B: Education				
Variable	(a)	(b)	(c)	(d)
	Employees with at least College Educ.	Employees with at most High School Educ.	Employees with T&C Production Educ.	Employees with T&C Technical Design Educ.
$IMPCH_{it}$	1.001	-4.600***	-2.451**	1.313*
	(0.909)	(1.181)	(0.870)	(0.625)
Year Fixed Effects	yes	yes	yes	yes
Firm Fixed Effects	yes	yes	yes	yes
F	2.352	16.214	3.424	3.156
Number of Obs.	6893	6893	6893	6893
Number of Firms	988	988	988	988
F-test of excluding instr.	80.233	80.233	80.233	80.233
Hansen J-stat (P-value)	0.086	0.426	0.070	0.130
First Stage $R^2$	0.391	0.391	0.391	0.391

Results are obtained using 2SLS regressions in which the explanatory variable is the Chinese import share at the firm-level. Robust standard errors are reported in parentheses. They are clustered for firms.  $IMPCH_{it}$  is the firm-specific Chinese import measure based on firms' 1999 product portfolio. It is the weighted average of the Chinese import shares in each 8-digit product where the weights are the revenue share of that particular 8-digit product in firms' portfolio in 1999. Instruments that are used for all regressions are  $MFAQRevShare99_i * Dum02_t$ ,  $MFAQ2ProdShare99_i * Dum02_t$ , and  $MFAQ5ProdShare99_i * Dum05_t$ . The dependent variables in Panel A are the natural logarithm of the firm turnover (revenue), the natural logarithm of the value-added, the logarithm of the full-time equivalent number of employees and the logarithm of the number of employee head-count respectively in columns (a)-(d). Sales, value-added and FTE information is from Regnskabsdata and head-count information is from IDA, Statistics Denmark. The sample period in Panel A regressions is 1995-2007. The dependent variables in Panel B in columns (a)-(d) are the logarithm of the number of employees with at least some college level education plus 1, the logarithm of the number of employees with at most high school diploma plus 1, the logarithm of the number of employees with vocational training in textile and clothing production plus 1 and the logarithm of the number of employees with textile and clothing related technical design education plus 1. The sample period in Panel A regressions is 1995-2006. The source of these data is IDA, Statistics Denmark.

Table D-8: Two Stage Regressions II

Panel A: Occupation and Wages				
	(a)	(b)	(c)	(d)
	Auxiliary and Base	Base Level	Professional and	Average Hourly
	Level		Technical	
Variable	Occupations	Occupations	Occupations	Wage
$IMPCH_{it}$	-3.456** (1.299)	-3.731** (1.428)	-0.450 (0.926)	0.583* (0.287)
Year Fixed Effects	yes	yes	yes	yes
Firm Fixed Effects	yes	yes	yes	yes
F	35.163	34.850	4.662	8.976
Number of Obs.	6624	6624	6624	7074
Number of Firms	927	927	927	993
F-test of excluding instr.	62.661	62.661	62.661	61.349
Hansen J-stat (P-value)	0.934	0.803	0.758	0.162
First Stage $R^2$	0.361	0.361	0.361	0.390
Panel B: Assets				
Variable	Log Capital	Log Intangible	Log Investment	Log Capital
		Assets		Per Labor
$IMPCH_{it}$	2.616 (1.720)	-5.025* (2.543)	-5.431* (2.351)	5.377** (1.760)
Year Fixed Effects	yes	yes	yes	yes
Firm Fixed Effects	yes	yes	yes	yes
F	51.025	36.912	77.971	74.518
Number of Obs.	7115	5845	6598	7054
Number of Firms	985	914	962	982
F-test of excluding instr.	45.883	42.110	61.679	62.535
Hansen J-stat (P-value)	0.394	0.093	0.152	0.044
First Stage $R^2$	0.384	0.407	0.393	0.390

Results are obtained using 2SLS regressions in which the explanatory variable is the Chinese import share at the firm-level. Robust standard errors are reported in parentheses. They are clustered for firms.  $IMPCH_{it}$  is the firm-specific Chinese import measure based on firms' 1999 product portfolio. It is the weighted average of the Chinese import shares in each 8-digit product where the weights are the revenue share of that particular 8-digit product in firms' portfolio in 1999. Instruments that are used for all regressions except the capital and intangible assets regressions are  $MFAQRevShare99_i * Dum02_t$ ,  $MFAQ2ProdShare99_i * Dum02_t$ , and  $MFAQ5ProdShare99_i * Dum05_t$ . The instruments used for the capital regression (Panel B, column (a)) are  $MFAQProdShare99_i * Dum02_t$ ,  $MFAQ2ProdShare99_i * Dum02_t$ , and  $MFAQ5ProdShare99_i * Dum05_t$ . The instruments used for the intangible assets regression are  $MFAQProdShare99_i * Dum02_t$ ,  $MFAQ2Prod99_i * Dum02_t$ , and  $MFAQ5ProdShare99_i * Dum05_t$ . The dependent variables in Panel A columns (a)-(d) are the logarithm of the number of employees that are classified as doing basic skill required jobs or no specific skill required jobs plus 1, the logarithm of the number of employees that are classified as doing basic skill required jobs plus 1, the logarithm of the number of employees in occupations that are classified as either top-level or intermediate-level plus 1 and the logarithm of the average hourly salary, respectively. The sample period for the occupation variables is 1996-2007 and for the wage variable is 1995-2007. The source of these data is IDA, Statistics Denmark. The dependent variables in Panel B columns (a)-(d) are the logarithms of the tangible assets, intangible assets, investment and the capital-labor ratio respectively. The sample period in Panel B regressions is 1995-2007. The source of these data is Regnskabsdata, Statistics Denmark.

## D-V Additional Firm-level Controls

Table D-9: Additional Firm-level Control: Firm Age

Variable	(a) Log Turnover	(b) Log Value Added	(c) Log FTE	(d) Log Labor
<i>MFAQProd99<sub>i</sub> * Dum02<sub>t</sub></i>	-0.119* (0.055)	-0.138* (0.057)	-0.214*** (0.055)	-0.197*** (0.053)
Firm Age	-0.004 (0.017)	-0.001 (0.021)	-0.026 (0.015)	-0.022** (0.009)
Year Fixed Effects	yes	yes	yes	yes
Firm Fixed Effects	yes	yes	yes	yes
F	3.218	6.055	9.585	9.279
Number of Obs.	6737	6715	6677	6648
Variable	(a) Auxiliary and Base Level Occupations	(b) Base Level Occupations	(c) Professional and Technical Occupations	(d) Average Hourly Wage
<i>MFAQProd99<sub>i</sub> * Dum02<sub>t</sub></i>	-0.157* (0.064)	-0.167* (0.066)	-0.022 (0.043)	0.050*** (0.012)
Firm Age	-0.021 (0.013)	-0.029*** (0.008)	-0.011 (0.012)	-0.009 (0.005)
Year Fixed Effects	yes	yes	yes	yes
Firm Fixed Effects	yes	yes	yes	yes
F	33.093	34.760	3.971	10.620
Number of Obs.	6161	6161	6161	6468
Variable	(a) Employees with at least College Educ.	(b) Employees with at most High School Educ.	(c) Employees with T&C Production Educ.	(d) Employees with T&C Technical Design Educ.
<i>MFAQProd99<sub>i</sub> * Dum02<sub>t</sub></i>	0.057 (0.041)	-0.281*** (0.048)	-0.166*** (0.039)	0.097** (0.032)
Firm Age	-0.004 (0.003)	-0.026** (0.009)	-0.014 (0.008)	-0.004 (0.002)
Year Fixed Effects	yes	yes	yes	yes
Firm Fixed Effects	yes	yes	yes	yes
F	2.175	16.115	3.275	3.193
Number of Obs.	6272	6272	6272	6272
Variable	(a) Log Capital	(b) Log Intangible Assets	(c) Log Investment	(d) Log Capital Per Labor
<i>MFAQProd99<sub>i</sub> * Dum02<sub>t</sub></i>	0.012 (0.089)	-0.306* (0.132)	-0.223* (0.094)	0.216* (0.084)
Firm Age	0.013 (0.020)	-0.006 (0.032)	-0.002 (0.032)	0.034* (0.014)
Year Fixed Effects	yes	yes	yes	yes
Firm Fixed Effects	yes	yes	yes	yes
F	12.840	73.125	29.048	14.717
Number of Obs.	6595	5387	6104	6534

Robust standard errors are reported in parentheses. They are clustered for firms. \*, \*\* and \*\*\* indicate significance at the 10 %, 5% and 1% levels respectively.

Table D-10: Additional Firm Level Controls: Firm Age, Entry and Exit

Variable	(a) Log Turnover	(b) Log Value Added	(c) Log FTE	(d) Log Labor
<i>MFAQProd99<sub>i</sub> * Dum02<sub>t</sub></i>	-0.087 (0.049)	-0.109* (0.051)	-0.186*** (0.048)	-0.179*** (0.048)
Firm Age	-0.021 (0.016)	-0.018 (0.019)	-0.045** (0.015)	-0.032** (0.010)
Entry Dummy	-0.396*** (0.052)	-0.420*** (0.050)	-0.446*** (0.046)	-0.247*** (0.042)
Exit Dummy	-0.416*** (0.056)	-0.484*** (0.061)	-0.493*** (0.050)	-0.576*** (0.056)
Year Fixed Effects	yes	yes	yes	yes
Firm Fixed Effects	yes	yes	yes	yes
F	11.364	14.628	24.078	17.923
Number of Obs.	5848	5830	5798	5785
Variable	(a) Auxiliary and Base Level Occupations	(b) Base Level Occupations	(c) Professional and Technical Occupations	(d) Average Hourly Wage
<i>MFAQProd99<sub>i</sub> * Dum02<sub>t</sub></i>	-0.141* (0.061)	-0.148* (0.063)	-0.022 (0.042)	0.044*** (0.012)
Firm Age	-0.026 (0.014)	-0.033*** (0.008)	-0.014 (0.012)	-0.009 (0.005)
Entry Dummy	-0.093* (0.042)	-0.098* (0.042)	-0.068** (0.026)	0.013 (0.014)
Exit Dummy	-0.405*** (0.050)	-0.411*** (0.049)	-0.162*** (0.033)	0.015 (0.020)
Year Fixed Effects	yes	yes	yes	yes
Firm Fixed Effects	yes	yes	yes	yes
F	37.356	39.647	5.324	8.397
Number of Obs.	5785	5785	5785	5633

Robust standard errors are reported in parentheses. They are clustered for firms. \*, \*\* and \*\*\* indicate significance at the 10 %, 5% and 1% levels respectively. The entry dummy takes 1 if a firm appears in the data-set the first time and zero otherwise. It is not defined in 1995. The exit dummy takes 1 if a firm appears in the data-set the first time and zero otherwise. It is not defined in 2007. Source: Statistics Denmark.

Table D-11: Additional Firm Level Controls: Firm Age, Entry and Exit

Variable	(a) Employees with at least College Educ.	(b) Employees with at most High School Educ.	(c) Employees with T&C Production Educ.	(d) Employees with T&C Technical Design Educ.
$MFAQProd99_i * Dum02_t$	0.045 (0.039)	-0.265*** (0.045)	-0.165*** (0.037)	0.077* (0.031)
Firm Age	-0.008*** (0.002)	-0.033*** (0.009)	-0.016* (0.008)	-0.005* (0.002)
Enter Dummy	-0.068*** (0.020)	-0.159*** (0.036)	-0.041 (0.022)	-0.011 (0.011)
Exit Dummy	-0.178*** (0.032)	-0.414*** (0.045)	-0.110*** (0.024)	-0.081*** (0.019)
Year Fixed Effects	yes	yes	yes	yes
Firm Fixed Effects	yes	yes	yes	yes
F	5.037	21.923	5.074	3.575
Number of Obs.	5785	5785	5785	5785
Variable	(a) Log Capital	(b) Log Intangible Assets	(c) Log Investment	(d) Log Capital Per Labor
$MFAQProd99_i * Dum02_t$	-0.014 (0.085)	-0.231 (0.130)	-0.133 (0.093)	0.157* (0.078)
Firm Age	0.011 (0.020)	-0.009 (0.031)	-0.009 (0.031)	0.057** (0.017)
Enter Dummy	-0.006 (0.082)	-0.097 (0.092)	-0.155 (0.091)	0.517*** (0.076)
Exit Dummy	-0.317*** (0.090)	-0.365*** (0.104)	-0.382*** (0.115)	0.230** (0.085)
Year Fixed Effects	yes	yes	yes	yes
Firm Fixed Effects	yes	yes	yes	yes
F	13.159	70.615	26.812	15.809
Number of Obs.	5729	4658	5364	5678

Robust standard errors are reported in parentheses. They are clustered for firms. \*, \*\* and \*\*\* indicate significance at the 10 %, 5% and 1% levels respectively. The entry dummy takes 1 if a firm appears in the data-set the first time and zero otherwise. It is not defined in 1995. The exit dummy takes 1 if a firm appears in the data-set the first time and zero otherwise. It is not defined in 2007. Source: Statistics Denmark.

## D-VI Analysis of Product Churning when Size Quintile Dummies are not Controlled for

Table D-12: Product Churning (when size quintiles are not controlled for)

Variable	(a)	(b)	(c)	(d)
	Log No of Dropped Products	Log No of New Products	Log No of New Non-MFA Products	Log No of New Non T&C Products
Panel A				
$MFAQ2Prod99_i * Dum02_t$	0.452*** (0.095)	0.151 (0.084)	0.229** (0.082)	0.334*** (0.080)
F	37.078	17.233	21.669	24.735
Panel B				
$MFAQ2Prod.Share99_i * Dum02_t$	1.024* (0.473)	0.778* (0.332)	0.903* (0.352)	0.835** (0.315)
F	32.676	16.859	20.742	21.556
Panel C				
$MFAQ2Rev.Share99_i * Dum02_t$	0.570 (0.292)	0.459* (0.224)	0.559* (0.228)	0.585** (0.216)
F	31.966	16.576	20.508	21.577
Year Fixed Effects	yes	yes	yes	yes
Firm Fixed Effects	yes	yes	yes	yes
Number of Obs.	3164	3196	3196	3196
Number of Firms	699	716	716	716

Robust standard errors are reported in parentheses. They are clustered for firms. \*, \*\*, and \*\*\* indicate significance at the 10 %, 5% and 1% levels respectively. Fixed effect indicators and sample information reported at the bottom of the table corresponds to all regressions across panels in each column. A dropped product is defined as a product that a firm stopped selling that current year and is not observed to be sold by the firm in subsequent years. For firms that appear the last time in the data-set, dropped product indicator takes missing value. A new product is defined as a product that a firm started to sell/export that current year, which is not observed to be produced by the firm in previous years. If the firm appears in the data the first time, then this variable is not defined. Since new products are not defined in 1995 and dropped products are not defined in 2005, the sample period is taken as 1996-2004. Data source: Regnskabsdata, Statistics Denmark.

## D-VII Analysis of Profit

Table D-13: Analysis of Profit

Dependent Variable	Profit (a)	Profit Dummy (b)
Panel A		
$MFAQProd99_i * Dum02_t$	-0.024 (0.104)	-0.063* (0.028)
F	3.176	2.659
Panel B		
$MFAQProdShare99_i * Dum02_t$	-0.175 (0.159)	-0.121** (0.046)
F	3.273	2.878
Panel C		
$MFAQRevShare99_i * Dum02_t$	-0.198 (0.145)	-0.121** (0.040)
F	3.334	3.161
Year Fixed Effects	yes	yes
Firm Fixed Effects	yes	yes
Number of Obs.	5843	7259

Robust standard errors are reported in parentheses. They are clustered for firms. \*, \*\* and \*\*\* indicate significance at the 10 %, 5% and 1% levels respectively. Fixed effect indicators and sample information reported at the bottom of the table corresponds to all regressions across panels in each column. The dependent variable in column (a) is the logarithm of profit. The dependent variable in column (b) is a profit dummy that takes 1 if profit is positive and zero otherwise. Source: Statistics Denmark.

Table D-14: Probit Analysis of Profit

Dependent Variable	Profit Dummy (a)	Profit Dummy (b)	Profit Dummy (c)
$MFAQProd99_i * Dum02_t$	-0.162* (0.077)		
$MFAQProd99_i$	-0.058 (0.053)		
$MFAQProdShare99_i * Dum02_t$		-0.295* (0.142)	
$MFAQProdShare99_i$		0.005 (0.092)	
$MFAQRevShare99_i * Dum02_t$			-0.313* (0.126)
$MFAQRevShare99_i$			0.095 (0.082)
Firm Level Controls	yes	yes	yes
Year Fixed Effects	yes	yes	yes
Industry Dummy (Textile/Clothing)	yes	yes	yes
$\chi^2$	96.920	91.972	91.887
Number of Obs.	7196	7196	7196

Robust standard errors are reported in parentheses. The dependent variable is a profit dummy that takes 1 if profit is positive and zero otherwise. Firm-level controls are the logarithm of labor (fte), the logarithm of the total assets, and a dummy for whether a firm is singleplant. Source: Statistics Denmark.

## D-VIII Analysis of Firm Exit

Table D-15: Probit Analysis of Exit

Dependent Variable	Exit Dummy (a)
$MFAQProd99_i * Dum02_t$	0.048 (0.131)
$MFAQProd99_i$	0.130 (0.104)
lnTotalAsset	-0.162*** (0.025)
SinglePlant Dummy	-0.285** (0.107)
FirmAge	0.006* (0.002)
Year Fixed Effects	yes
Industry Dummy (Textile/Clothing)	yes
$\chi^2$	130.096
Number of Obs.	5796

Robust standard errors are reported in parentheses. The dependent variable is an exit dummy that takes 1 if a firm exits in the following year and zero otherwise. It is not defined in 2007. The sample period is 1995-2006. Source: Statistics Denmark.

## References

- [1] Bunzel, Henning (2008), “The LMDG Data Sets”, mimeo, Univeristy of Aarhus.