Referee 1

Implementation and the presentation.

The paper will be redrafted to focus on the research question and remove any typographical errors, providing a better presentation and answering the first point of substantive comments.

Substantive comments

2. One version of the trade equation will be based on the theoretical foundations

- (a) A previous version of the paper had looked at the difference between the level of corruption of the importer and the exporter. We will reinstate this version of the model.
- (b) Although this is a possible direction of research, it would mean switching to a different measure of corruption in the various countries. It would make sense to consider this in future research but for not the current paper as this would delay the research.
- 3.
- (a) More information will be given on the construction of the Corruption Perception Index
- (b) We would be happy to do this with the caveat stated in 2(b).
- 4
- (a) A careful exposition of the HT will be given and robustness checks on undertaken.
- (b) IV estimation was tried but it raises the issue of getting appropriate instruments.
- 5.

A better statement of the research question would remove the ambiguity.

- (a) Pre-agreements can be given, although this might lengthen the paper.
- (b) A better exposition can be given

Minor comments

- 1. This will be addressed.
- 2. We are happy to take the suggestion on board.
- 3. Happy to incorporate this suggestion in the paper.
- 4. Fine
- 5. More discussion of the results will take place

Referee 2

A better motivation will be given.

Overall Comment

We accept the issue raised by the referee and are unsure if the latest version of the paper was submitted.

Specific Comments

- Descriptive Statistics and list of abbreviations will be given.
- Comparisons will be made with other estimation techniques, although the results may not be reported.
- An improved discussion of the literature will take place.
- Openness will be considered
- We will discuss measures of corruption in more detail.
- The Hausman-Taylor estimator will be explained in more detail
- A dummy for landlocked countries will be included in the regression equation.
- The policy implications will be drawn out and highlighted.

• A further suggestion would be to disaggregate trade flows by sector (using, e.g., UN Comtrade) and see if, for example, R&D-intensive sectors are affected more intensively than lower-tech sectors.