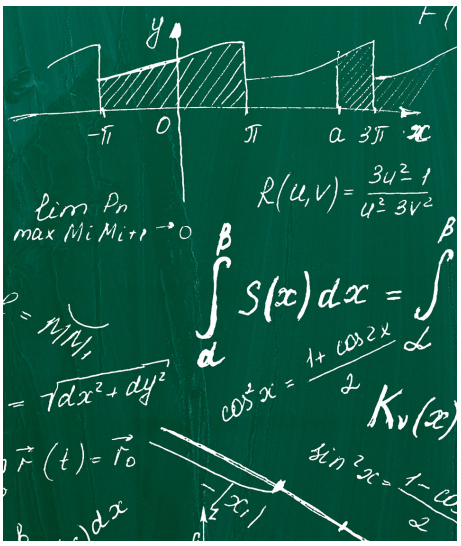
UNIVERSIDAD DE GRANADA

Departamento de
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Título: Sovereign Gravity: The Military Alliances Effect on Trade

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Resumen: International insecurity can severely disrupt trade. This paper studies treaties aimed at preventing such insecurity: military alliances. Taking a structural gravity approach, we show that alliances increase trade by 60% on average. The effects of military alliances are dynamic and heterogeneous. They depend to a large extent on the type of alliance and the economic size of partners. We use robustness tests and an instrumental variables strategy to confirm the causal interpretation of the results. Investigating the mechanism behind the impacts of military alliances, we demonstrate that alliances increase trade by reducing international insecurity. General equilibrium analysis moreover shows that the growth in trade generated by military alliances brings substantial welfare gains for signatories and losses for non-aligned countries.

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