New-New PTAs and Trade

Firms, Trade Agreements and Trade Flows

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NNTT & PTAs?
Margins in International Trade

- Intensive margins
  - Changes in trade volumes for existing traders/firms and products
- Extensive margins
  - Changes in traders/firms and products traded
Fixed vs. Variable Costs and Margins of Trade

- When fixed and variable costs fall…:
  - ▲ extensive margins
  - ▼ fixed costs = ▼ intensive margins
  - ▼ variable costs = ◀️ or ▲ intensive margins
PTA Provisions and Costs

- Do they in fact lower fixed and variable costs?
- Inconsistent with incumbent trading firms’ interests
- Design PTA provisions to
  - Decrease extensive margins
  - Increase intensive margins
Hypotheses

• Focus on competition provisions

• If a PTA includes greater regulation of competition:
  • it will decrease the extensive margins of trade
  • It will increase the intensive margins of trade
Data

• Dutt, Mihov and Van Zandt (forthcoming)

• Margins
  • Extensive: count of bilateral exports at HS 6-digit
  • Intensive: average bilateral export per product

• Competition provisions
  • Kim (2012)
Research Design

- Gravity model with exporter-year and importer-year effects
- WTO membership, PTA count and bilateral distance measures
- 1988–2012 for 191 exporters and 222 importers
Count of PTAs between Countries

- Extensive: 20
- Intensive: 9

% Increase in Trade Margin

Count of PTAs
PTAs vs. PTAs with a Competition Chapter

% Increase in Trade Margin

PTAs
PTAs w/ Competition

% Increase in Trade Margin

Extensive

Intensive

55
18
-9
19
Count of PTAs and Competition Chapter

- Extensive: 32
- Intensive: 16

% Increase in Trade Margin:

- Extensive: -23%
- Intensive: 0%

Graph showing the count of PTAs and Competition Chapter for Extensive and Intensive categories.
Count of PTAs and Competition Provisions

- Extensive: 34 PTAs, -3 Competition Provisions
- Intensive: 2 PTAs, 2 Competition Provisions
Conclusion & Implications

• PTAs with competition provisions block entry by new firms while increasing trade volumes for extant exporters.

• Competition among firms in national economies
  • “Offensive”/“defensive” PTAs

• Trade margins as a way to bridge firm-level and international-level phenomena