

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

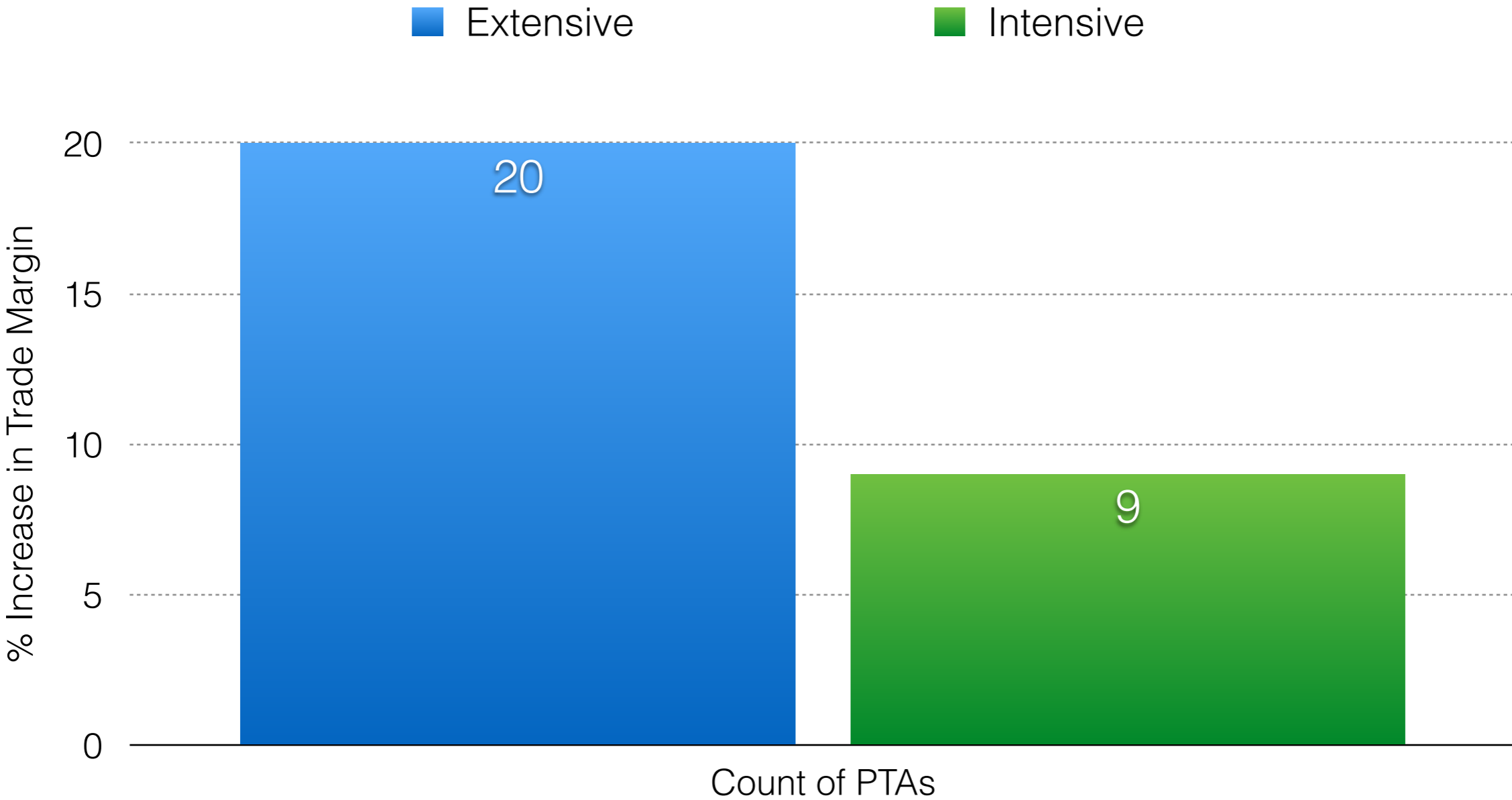
Data

- 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)

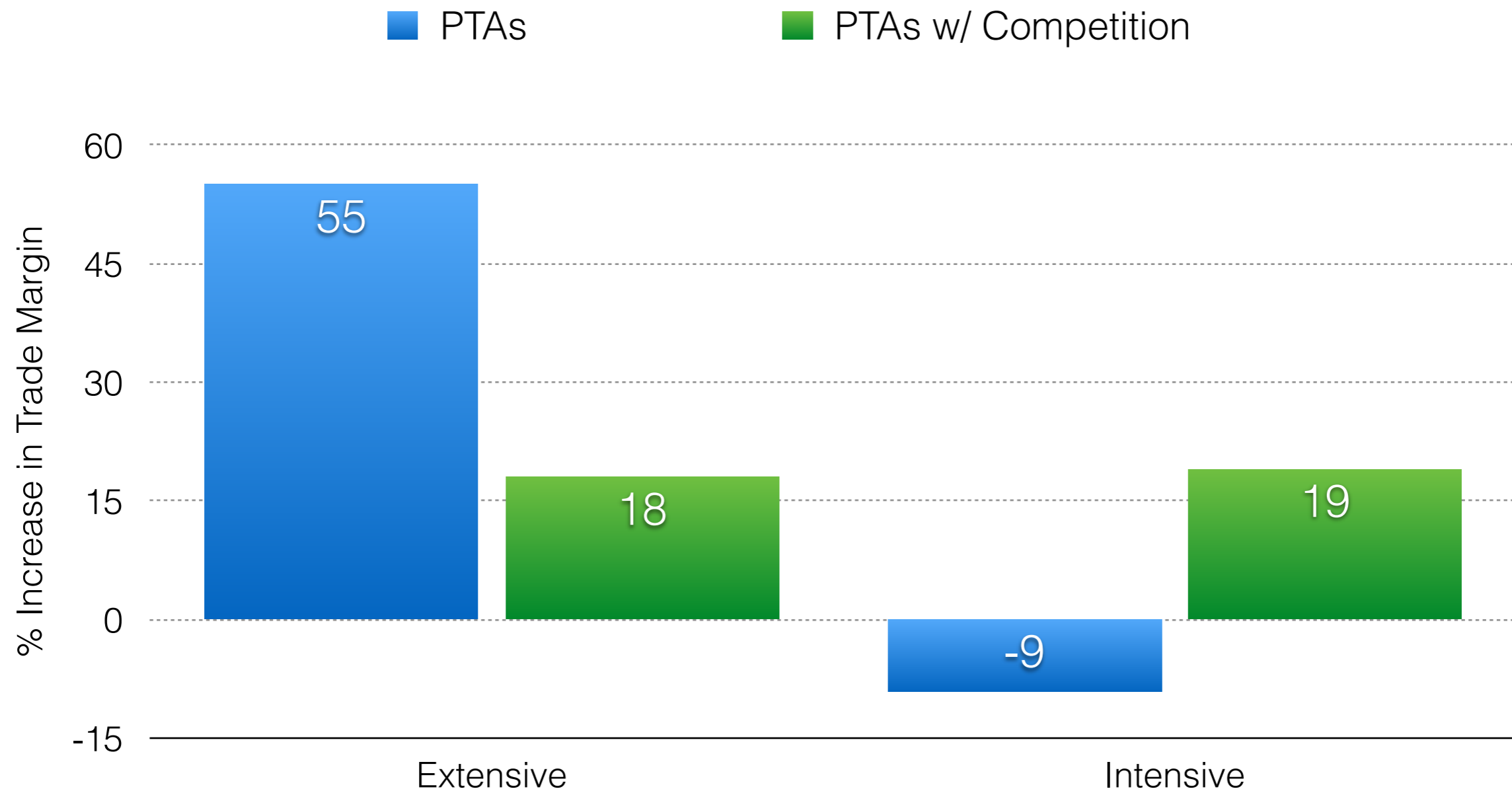
Research Design

- 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

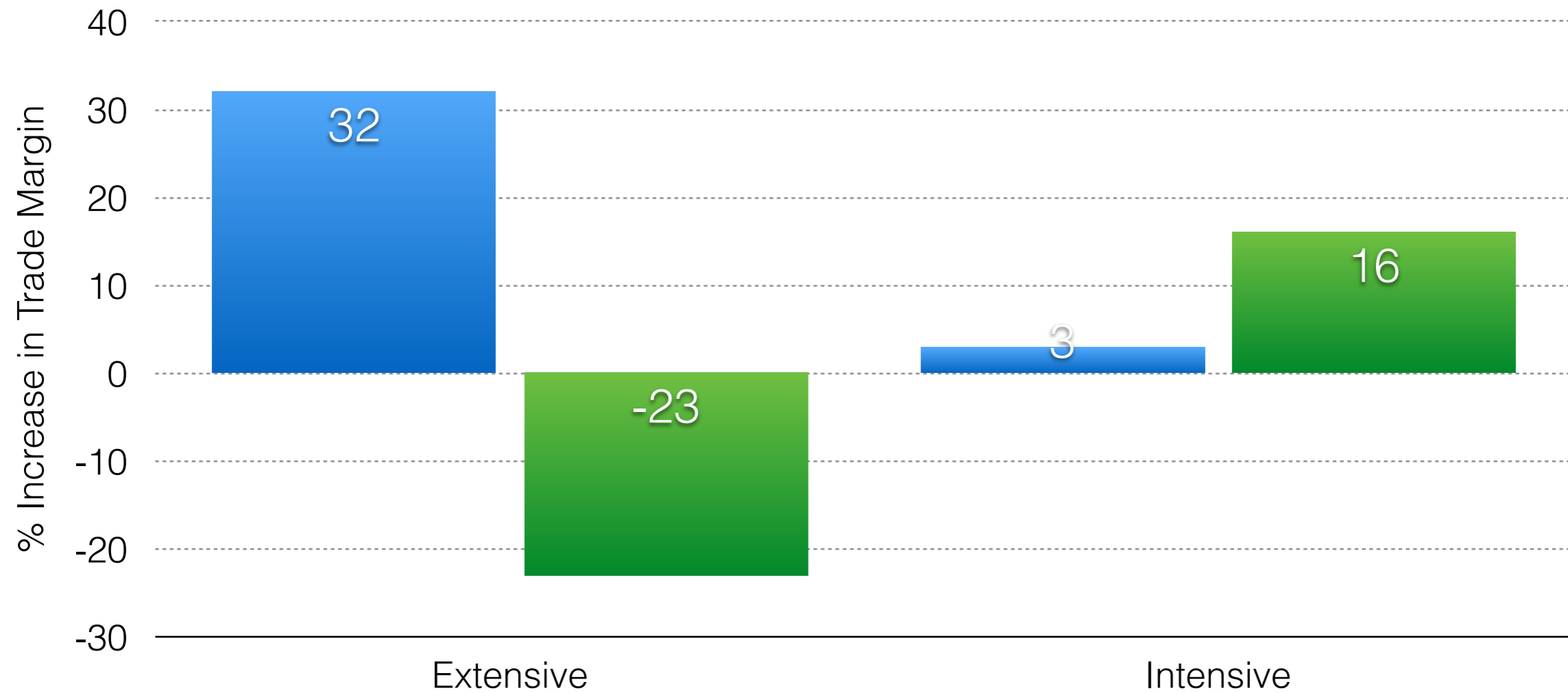


PTAs vs. PTAs with a Competition Chapter

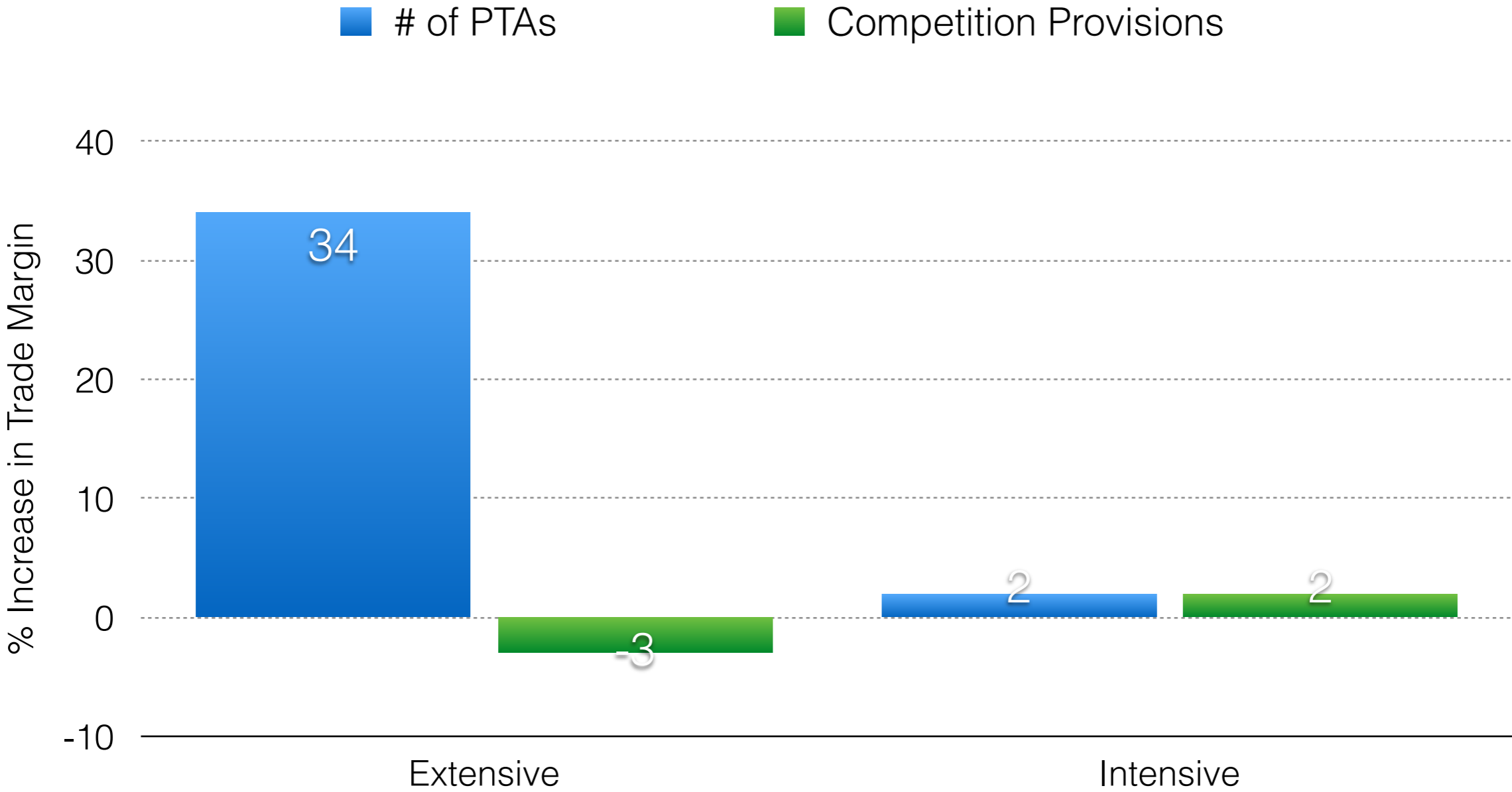


Count of PTAs and Competition Chapter

■ # of PTAs ■ Competition Chapter



Count of PTAs and 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