

ABSTRACT:

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30 Years of Trade Policy: Evidence from 5.7 Billion Tariffs

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This paper shows that existing work on estimating trade elasticities suffers of measurement error in tariff data and omitted variable bias due to rules of origin (RoOs). I introduce a new global tariff dataset at the sig-digit product level for 197 countries and 30 years that alleviates the issues of missing data and false imputation of current data sources. Correcting for messy data almost doubles existing estimates of the tariff elasticity. Even with clean data exploiting variation in tariffs within pairs over time will lead to biased results as it assumes exporters to always use the preferential tariff when, actually, RoOs make it often times unprofitable. I propose a new approach using information on preference utilization to account for RoOs and find a tariff elasticity of -4.5. This result implies that RoOs significantly lower the gains from trade agreements.