Seminario de microeconomía aplicada 26: No double standards: quantifying the impact of standard harmonization on trade

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Banco de Canadá

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Organizador: Banco de la República **Lugar**: Banco de la República Cali, Cra. 4 # 7 – 14
Hora: 04:00 p.m.
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Resumen: Divergent product standards have been categorized as a major obstacle to international trade. This paper quantifies the heterogeneous trade effects of harmonizing standards on product entry and exit as well as export sales. Using a novel and comprehensive database on cross-country standard equivalences, we identify standard harmonization events at the document level. To link the standard data to international product trade flows, we create a new correspondence table between International Classification for Standards (ICS) and Harmonized System (HS) codes based on the WTO TBT and SPS notification database and keyword matching techniques. Our results show that, on average, harmonizing standards leads to a 1.1 percent increase in the growth rate of export sales (intensive margin). This effect is entirely driven by an increase in the sales volume, while export prices do not change. In terms of product entry and exit, a harmonization event reduces the probability of entry. This negative effect is more than offset by a reduction in the probability to exit, leading to an increase in the extensive margin. These findings suggest that incumbents benefit from the reduction in foreign competition brought about by the harmonization of standards, by being able to sell more at a given price.

Fuente: https://www.banrep.gov.co/es/eventos/seminario-semanal-economia-cali-26