

Firm-level Utilization Rates of Regional Trade Agreements: Perspective from Importers

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Abstract

While the previous theoretical studies have examined exporter's choice of tariff schemes under keeping settings for importers as simple as possible, the empirical analysis on regional trade agreement (RTA) utilization is in general possible by employing import data. In order to better link the empirical analysis with the theoretical model, this paper constructs the model that sheds light on the role of not only exporters' characteristics but also importers' characteristics in RTA utilization. This model enables us to replicate stylized facts on importers' RTA utilization. Based on this model, furthermore, we derive some propositions on RTA utilization rates (i.e., the share of imports under RTA schemes in total imports) at both an import firm-product-level and a product-level. Finally, we found that these theoretical predictions are supported by the highly-detailed import data in Thailand from Australia from 2007 to 2009.

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