

# Firm-level Trade Creation and Diversion

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## Abstract

Using highly-detailed import data in Thailand, this paper examines firm-level trade creation and diversion of regional trade agreements (RTAs). Specifically, focusing on firms that imported a concerned product from non-members but did not from RTA members in the initial year of our sample, we empirically investigate the birth of imports from RTA members under RTA schemes and the stop of imports from non-members at a firm-level. We find that firms are more likely to stop importing products with low RTA tariff rates or high most-favoured-nation tariff rates from non-members and to start importing such products from RTA member countries. However, from the quantitative point of view, there are very few firms that switch import sources from non-members to RTA members facing the introduction of RTA schemes.