

Do Preferential Trade Policies (Actually) Increase Exports? An analysis of EU trade policies

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Trade preferences have been used by the European Union (EU) and most developing countries (DCs) can export with preferential market access under different schemes. Based on cross-section trade data for 2004 and an explicit measure of the intensity of the preference margins at the 8-digit tariff line level, this work estimates and compares the impact on trade of EU preference schemes using a theoretical grounded gravity model framework. We use a continuous variable to measure the preference margin adopting a definition that takes into account the duties paid by each exporting country to the EU market. We also take into account the actual preference utilization since we distinguish preferential and MFN trade flows.

Our results show that trade elasticity estimates are very sensitive to the preference margin definition adopted. From a policy perspective, preferential schemes have a significant impact on trade in terms of both the intensive and extensive margins, although with significant differences across sectors.