Do Preferential Trade Policies (Actually) Increase Exports? A Comparison between EU and US Trade Policies

Maria Cipollina *(University of Molise)*

David Laborde *(International Food Policy Research Institute)*

Luca Salvatici *(University of Molise)*

Abstract

Trade preferences for developing countries have been used by the European Union (EU) and the United States (US) since the early 1960s. Most developing countries (DCs) can export to EU and US with preferential market access under different preferential 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 and US preference schemes using a theoretical grounded gravity model framework. We obtain estimates of elasticity of substitution across commodities and evaluate the impact of preferences on extensive margin and trade intensity. From a policy perspective, our results show that preferential schemes have a significant impact on trade in terms of both margins, and such effect seems to be stronger in the case of EU preferences, although with significant differences across products.