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Trade-Policy Dynamics

Evidence from 1975-1995

1 Introduction

and required the United States to renew China's NTR status annually. When China joined the World Trade Organization (WTO) in 2001, the United States eliminated this renewal

(2021a). Industries in the model correspond directly to the goods used in our empirical analysis: the 5-digit Standard Industrial Classification of Trade (SITC), revision 2. Firms in each industry di

it was initially high, peaking at 81 percent in 1981. This observation reflects our empirical

estimate from cross-sectional data. The pooled cross section mixes the short-run and long-run responses to tariffs and also contains very little tariff variation, because most of the countries besides China in our sample face the same MFN rates. Our error-correction specification

In section 2

U.S. imports from China as a share of overall U.S. imports and shows the post-1980 period featured sustained growth in U.S. imports from China, although at a slowing rate.

time. Tariffs on imports, τ_{jt}

3.2

The addition of the lagged tariff allows for a more flexible short- to long-run adjustment.
Note the dependent variable is the 1-year log di

over periods of up to 15 years. Although the delayed effect of NAFTA's tari

the e

3.3.3 Robustness

variables for the first, second, penultimate, and last years a good appears in the sample.

the 1980 NTR liberalization. Nonetheless, the results with more disaggregated product-

barriers). Note our coe

and the wage, w ,

$$g_t(Z_t, t)$$

Parameters calibrated to short- and long-run trade elasticities.

In panel (a) of Figure 11, we plot the annual NNTR-gap elasticities from the model and the data. The elasticities from the data are from Figure 6

alongside the mean applied tariff (NNTR before 1979 and MFN from 1980 onward). Whereas the realized path of applied tariffs falls sharply in 1980 when China gains NTR status, and then falls slightly throughout the 1980s and 1990s due to continued reforms to U.S. MFN tariff rates, the expected present value of tariff

and 2000s. The jump in exports between 1979 and 1981 is the growth in the exports of firms

When tari

model, we can discipline the process for these possible trade-policy outcomes.

References

Alessandria, George, Costas Arkolakis, and Kim J. Ruhl

Staiger, Robert W. and Guido Tabellini, "Discretionary Trade Policy and the Over-

Table 1: Summary Statistics (percent)

Table 3: Short- and Long-Run Trade Elasticity: Robustness

Table 5: Annual Elasticity to NNTR Gap: Robustness

Table 7: Calibrated Parameter Values

Figure 7: Elasticity of U.S. Imports from China to NNTR Gap, with Lagged Imports

Figure 9: Annual Elasticity to NNTR Gap: HS-8 Aggregation, 1989–2007

Figure 11: Trade and Policy Dynamics in the Model

(a) Annual elasticity to NNTR gap

(b) Trade-policy probabi-0.7(ad)-0.(r)T(l)]TJE3egap

B Tables

