

The Sound of Silence.

Non transparent Technical Regulations as obstacle to trades

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Long abstract

Trade Policy Uncertainty is a major obstacle to international trade. Several works have documented the trade promotion effects of reduced uncertainty on applied tariffs rates. However, contemporary trade agreements go much beyond traditional trade restrictions. They include regulatory standards, health and safety rules, investment, banking and finance and intellectual property rights. This work documents the protective nature of newly introduced technical regulations that are not properly disclosed at the international level. We begin by building a novel database which identifies the process of adoption of those Technical Barriers to Trade (TBTs) that have been contested to the WTO through a Specific Trade Concern (STC). We then cross-reference this database with a firm-level panel of French exporters. We find that in more than 1/3 of the studied cases, countries have adopted the underlying regulations without previously announcing the change to other members. In these cases, the new regulation determines a temporary halt of the exporting activity. This stop lasts from one to two semesters, and it is shorter if the content of the new TBT is eventually disclosed by governments. While large firms are able to wait until more information is available, small firms exit the market. We interpret these results in a framework in which heterogeneous firms must incur a sunk cost to adopt the new technical standard and the lack of transparency increases their uncertainty about the investment.