

Read me – Estimates of ad-valorem equivalents (AVE) of standard harmonization

The AVE estimates are based on a HS-sector-level regression of export quantities $q_{ijt}^{(k)}$ on the harmonization indicator $h_{ijt}^{(k)}$ and the tariff rate $t_{ijt}^{(k)}$, similar to equation (3) in Schmidt and Steingress (2019). For each HS-sector k , the regression specification is:

$$\log q_{ijt}^{(k)} = \beta_1^{(k)} \log(1 + t_{ijt}^{(k)}) + \beta_2^{(k)} h_{ijt}^{(k)} + f_{ij} + f_{it} + f_{jt}$$

Following Kee and Nicita (2016), sector-specific AVEs are then calculated as:

$$AVE^{(k)} = \frac{\exp \beta_2^{(k)} - 1}{\exp \beta_1^{(k)} - 1}$$

The AVEs are available on the HS 2-digit level (AVE_HS2.xlsx) and HS 4-digit level (AVE_HS4.xlsx).

Citation:

Schmidt, Julia and Walter Steingress (2019): No Double Standards: Quantifying the Impact of Standard Harmonization on Trade, *Banque de France Working Paper*, no. 729.

References:

Kee, Hiau Looi and Alessandro Nicita (2016): Trade Frauds, Trade Elasticities and Non-Tariff Measures. *Mimeo*.