Customs as Doorkeepers: What Are Their Effects on International Trade?

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Abstract

In this paper, we estimate the effects of custom-related delays on firm exports. In so doing, we use a unique dataset that consists of the universe of Uruguay’s export transactions over the period 2002-2011 and includes precise information on the actual time it took for each of these transactions to go through the customs. We account for potential endogeneity by exploiting the conditional random allocation of shipments to different verification channels associated with the use of risk-based control procedures. Results suggest that delays have a significant negative impact on firms’ exports. Effects are more pronounced on sales to newer buyers who are most likely to be imperfectly informed of the reasons of such delays. In addition, exports of time-sensitive products and to destinations with tougher competition and suffering from banking crises are particularly hurt by longer time-in-customs.

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