Trade Policy and the “Missing” Extensive Margin *

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Abstract

This paper provides, to our knowledge for the first time, evidence on countries’ bilateral trade at the firm-level as well as an assessment of the role played by trade policy in shaping these trade relationships. In particular, using highly disaggregated firm-level export data from Costa Rica to all countries over the period 2005-2008, we first describe the distribution of the number of trading partners and the average traded volume for all exporting firms in the country, both overall and across specific products. Second, we explore how trade policy, as proxied by both hard (i.e., tariffs) and soft measures (i.e., export promotion assistance), affects these firm-level trade margins.

Keywords: Firm-level Trade; Trade Policy; Costa Rica
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