

Lukaszuk, Piotr; Legge, Stefan

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Which Factors Determine the Utilization of Preferential Tariff Rates?

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Which Factors Determine the Utilization of Preferential Tariff Rates?

Stefan Legge*

Piotr Lukaszuk**

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— Preliminary results: please contact the authors before citation —

Abstract

The number of bilateral and multilateral trade agreements has surged in recent years. In order to benefit from preferential tariff rates, firms must apply and comply with rules of origin requirements. This is costly and explains why preference utilization rates (PUR) are far below 100 percent. In this paper, we examine the variation in PUR both across products and countries of origin. This allows us to analyze determinants of utilization rates as well as the costs associated with using a preferential trade agreement. Our findings highlight that both savings potential and trade volume positively affect utilization. Furthermore, the product mix that two countries trade has substantial predictive power for the overall utilization rate.

JEL Classification: F13, F14

Keywords: FTA, RTA, Tariffs, Trade Policy, Utilization

* University of St.Gallen, Department of Economics, SIAW Institute, Bodanstrasse 8, CH-9000 St.Gallen, Switzerland. Email: stefan.legge@unisg.ch; ** piotr.lukaszuk@student.unisg.ch
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1 Introduction

Over the recent decade, the trade policy debate has seen a consensus emerge that free trade agreements have become the centre of shaping international trade patterns. Due to the multilateral failings of the WTO Doha round, most researchers agree that any substantial trade liberalization largely occurs through the vast network of over 400 trade agreements currently in place or being negotiated. In fact, the majority of international trade now takes place between countries that have an active trade agreement.¹ Each of them promises to enlarge trade flows between its signatories by slashing tariffs and removing various non-tariff barriers.

Yet, one key element which is largely overlooked in the debate on the effects of these trade agreements is their utilization. Most studies assume that once a free trade agreement is put into place, it will be automatically used by all firms of the countries involved. If at all, the only two limitations usually mentioned at the conclusion of such agreements are the exemptions of certain sectors (mainly agriculture) as well as rules-of-origin requirements, intended to prevent trans-shipments from third countries misusing the preferential tariff rates.

What this debate largely misses is that there are other factors impeding the utilization of FTA provisions. In this paper, we take a closer look at these factors influencing whether an FTA is used, by looking at the large variation in preference utilization rates (henceforth: PUR). These rates reveal what percentage of given imports is using the preferential duties offered by the free trade agreements².

There may be a large number of reasons why the PUR would fall below 100%. For instance,

¹We document this in Figure A.1 in the Appendix using data from UN Comtrade and Jeffrey Bergstrand's database on Economic Integration Agreements.

²These PURs are adjusted for the cases where the non-preferential import duty (the so-called most-favoured-nation duty) is zero anyway. In these cases, free trade agreements may not offer any further reductions in import duties.

the tariff preference offered by the FTA might be too small, firms may not yet be aware of the agreement, or simply applying for the preferential duties may incur too high fixed costs. This paper attempts to filter out which of these factors explain the in some cases low PURs. Our analysis is largely focused on Swiss import patterns, for which we have 10-digit product data from the Swiss Federal Customs Administration. Such a high-dimensional dataset allows us to explore the various factors driving the PUR. Also, the benefit of studying this country is that Switzerland offers a large variation of trade agreements, having signed 30 deals with 40 different countries. In addition, we expand our study to also explore the preference utilization rates of free trade agreements signed by the the European Union. This analysis, however, is conducted at an aggregated tariff line (hence not transaction-based) level. Nonetheless, this expansion allows us to study if certain patterns found for Swiss imports can be seen also in larger economies.

We find that the factors shaping utilization rates are mostly driven by the product composition of the trade flows between FTA countries. Furthermore, the utilization rates are higher for products which offer a higher savings potential when using the preferential duties instead of the standard MFN duty rates.

The remainder of the paper is structured as follows. After a review of the related literature in Chapter 2, Chapter 3 provides an overview of the data used for the analysis and Chapter 4 looks at the variation in the utilization rates by country and by product. In Chapter 5, we examine the determinants driving the variation in the PUR and in Chapter 6 we examine the various costs of utilization which need to be considered. Finally, we conclude and provide policy recommendations in Chapter 7.

2 Literature

Our research contributed to three strands of literature. First, we add to research on the determinants of preference utilization. Then we contribute more generally to the growing body of literature on the pros and cons of free trade agreements as well as the economic impact of tariffs.

Existing research on the determinants of preference utilization has established some important factors. These can be roughly grouped into a ‘margin effect’, a ‘RoO effect’, and a ‘scale effect’. The higher the incentive to utilize an agreement, the higher the PUR. Higher MFN duties or a larger preferential margin (i.e. the difference between the MFN and the preferential tariff rate set out in an agreement) significantly affect utilization rates (Hayakawa et al., 2013; Hayakawa, Kim and Lee, 2014; Keck and Lendle, 2012). The more costly utilization is, the lower we expect PUR to be. The restrictiveness of rules of origin play a role as documented by Takahashi and Urata (2010) as well as Hayakawa, Kim and Lee (2014). Furthermore, Kim and Cho (2010) study Korean FTAs and document that more restrictive ROO have a negative impact on the utilization rates. In this regard, differences in PUR across sectors are important (Hayakawa et al., 2013). Furthermore, firm size and experience with utilization have been found to shape utilization (Wignaraja, 2014; Hayakawa, 2015*a*). In the trade literature, there is general discussion of the benefits and disadvantages of trade liberalization through (bilateral) trade agreements. A summary of this discussion is provided by Rodrik (2018). While trade agreements can reduce barriers and might be a road toward further liberalization (Limão, 2006), an alternative perspective holds that FTAs are the result of rent-seeking, self-interested behavior on the part of politically well-connected firms. Furthermore, the necessity of rule-of-origin requirements can substantially mitigate (or even reverse) the trade-creating effects (Chase, 2008; Conconi et al., 2018; Felbermayr, Teti and

Yalcin, 2018)

In line with this discussion, research on the economic effects of trade agreements has been mixed. Baier, Yotov and Zylkin (2019) find that the impact of FTAs vary substantially. Moreover, bilateral trade agreements are found to create trade diversion (Dai, Yotov and Zylkin, 2014). Often reductions in import duties are the main content of trade agreements. Goldberg et al. (2010) show that lower input tariffs account on average for 31 percent of the new products introduced by domestic firm. Furthermore, tariffs affect the rate at which firms upgrade product quality (Amiti and Khandelwal, 2013), alters sourcing behavior (Ornelas, Turner and Bickwit, 2017), and increase productivity (Topalova and Khandelwal, 2011; Ornelas, Turner and Bickwit, 2018).

Halpern, Koren and Szeidl (2015): productivity gain from a tariff cut is larger when the economy has many importers and many foreign firms

Albert and Nilsson (2016): estimate the fixed costs of utilizing preferential tariff rates using export data from Iceland. Due to such costs, PUR can be high despite low preferential margins if the trade volume is sufficiently large (Hayakawa, 2015*b*).

Nilsson and Preillon (2018): find that for EU exports in 2016 the overall PUR was 77.4% with significant variations across country-pairs and products.

3 Data

The underlying data has been obtained from Swiss-Impex, the database of the Swiss Federal Customs Administration. It contains the information at the 8-digit HS code level on all Swiss imports, including the tariff regime under which each good has entered Switzerland. This piece of information is crucial for the determination whether the importer has utilized (if applicable) the available preferential tariff rates.

In addition, we use similar data provided by Eurostat, to look at the overall PUR for the trade partners of the European Union.

For trade flows, we use monthly import statistics at the 8-digit HS level from the Swiss Federal Customs Administration. These include import value, weight, tariff treatment, as well as duties paid. The data is available for the years 2000 to 2017. When no year is specified, we use the latest available data from 2017. Comparable data for the European Union is available from Eurostat and for the United States it is available from USITC DataWeb.

Tariff rates are added to the trade data and cover duties according to most-favored-nation (MFN), free trade agreement (FTA), and generalized system of preferences (GSP). Swiss rates are obtained directly from the Federal Customs Administration. For the US and EU, we also utilize information from the WTO Tariff Download Facility. Notably, we focus on tariff rates and neglect non-tariff measures.³

Finally, we complement our data set by additional data from sources that include the database on Economic Integration Agreements by Jeff Bergstrand, the Atlas of Economic Complexity, as well as UN Comtrade.

3.1 Switzerland's Network of Trade Agreements

Switzerland has spent the last decades building a network of 30 free trade agreements (FTAs) with 40 partner countries. In Legge and Lukaszuk (2018), we provide an overview of Switzerland's trading relationships. Figure 1 illustrates treaty status with all trading partners.

— Figure 1 about here —

³Niu et al. (2018) finds that trade protectionism has been rising over the last two decades, despite the perception of falling protection due to tariff cuts over this same period. In the aftermath of the 2008 financial crisis, non-tariff measures and overall trade protection peaked in 2009, but remained much higher at the end than at the start of the period. NTM protection does vary across sectors and countries, but the evolution of overall trade protection over this period has broadly been driven by changes in NTM protection, with tariff levels remaining stable or falling a little.

The two main countries that currently have no preferential agreement with Switzerland and also no negotiations are the United States as well as Australia.

— Table 1 about here —

Overall, over 80 percent of Swiss trade is covered by free trade agreements, with roughly three quarters of those being with members of the European Union. The key non-EU FTA partners are China and Japan, respectively responsible for 6 and 2.7 percent of total Swiss trade.

4 Variation in Utilization Rates

Before we analyze the determinants of preference utilization, this section illustrates the variation in PURs.

4.1 Variation across Countries of Origin

Looking at the PUR for Switzerland's trading partners in Figure 2, we see a very large variation ranging from nearly 0% for the United Arab Emirates to over 90% for Norway. While most European Union member states have a PUR of 60 to 80%, British exports into Switzerland utilize the available preferences in less than half of the possible cases.

Furthermore, countries that have relatively recently signed free trade agreements - such as China, Japan, or Canada - have utilization rates that are even lower. This could be on the one hand due to lacking salience of these agreements. On the other hand, these countries are likely to export different products and are geographically located further away than its European competitors. Which factor is actually responsible for this low utilization will be explored in the following chapter.

— Figure 2 about here —

Given that these agreements may be utilized differently over time, Figure 3 provides a further insight into these developments. Interestingly, we see that new trade agreements (e.g. the ones for Japan or China) quickly increase their PUR in the first years after the agreements come into force. However, after the initial two to three years, the PURs quickly settle at a stable level.

In addition, we find that whereas the majority of exporters have little variation in their PURs, the utilization rate of some countries fluctuates very starkly. For instance, Ireland's PUR was above 90% in the early 2000s but fell to ca. 50% in 2016 before partially recovering again. Similarly volatile time series can be registered for South Korea, Singapore and Spain.

— Figure 3 about here —

Lastly, Figure 3 shows a generally negative trend in the PUR over time. Regressing the utilization rate on the time (in years) since the FTA came into effect and including country fixed effects, we find a negative coefficient of -0.005, which is statistically significant at the 1% level. Hence, trade agreements seem to be utilized less over time. On the one hand, this could be due to the reductions in the Swiss MFN duties⁴, reducing thus the incentives to apply the preferential duty rates. On the other hand, the downward shift could be explained by the potential changes in the product mixes of imported goods over time. Should this be the case, it would potentially highlight the importance of updating free trade agreements after several years.

⁴Back in 2000, Switzerland had 1296 products facing zero MFN duty rates. Until 2017, this number has increased to 1838.

4.2 Variation across Products

The stark variation in the PURs can be seen not only between countries, but also across products, as shown in Figure 4, which portrays the cumulative distribution of PURs of products classified at the 8-digit HS code level for four trading partners: China, Germany, Austria, and the United Kingdom.

— Figure 4 about here —

There are two interesting observations on this cumulative distribution. First, the PURs of products vary from 0 up to 100 percent, with a relatively sizable distribution between the two extremes. This would hence point to the finding that the product composition of a trade relationship could play an important role in determining the PUR of a free trade agreement. Its implications will be further explored in Chapter 5.2.

— Figure 5 about here —

Second, the variation across products differs significantly across trading partners (see Figure 5). For example, China's PUR distribution seems relatively uniform. Meanwhile, forty percent of products that the United Kingdom exports to Switzerland do not utilize the preferential duty rates at all. At the other extreme, more than 80 percent of Austrian exports to Switzerland have a PUR of above 80%.

5 The Determinants of Utilization

In general, we estimate the following model:

$$\text{AUR}_{i,c} = \alpha_0 + \mathbf{X}_{i,c}\beta + \gamma_i + \delta_c + \varepsilon_{i,c} \quad (1)$$

to see what is driving the PUR for product i from country c . How much of the variation can be explained? Which covariates in $\mathbf{X}_{i,c}$ have explanatory power? Note that we include fixed effects by product i , country c , or both.

5.1 Savings Potential and Preference Utilization

The first factor we suspect drives preference utilization rates across products is the potential savings (incentive channel). To explore this, we calculate for each 8-digit product the preference margin —the difference between MFN and FTA duties— and multiply it by the trade volume. The results show that products for which FTA utilization leads to large tariff savings have a much higher utilization rate. Figure 6 illustrates this relationship for Swiss imports from Germany.

— Figure 6 about here —

A similarly strong correlation is found for other Swiss trading partners. Regressing the PUR on the logarithm of potential savings (see Table 2) shows that *ceteris paribus* increasing the savings potential by 1 percent results in a 3.2 percent higher preference utilization rate.

— Table 2 about here —

Other factors which are explored include the tariff differential between the preferential duty rate and the MFN rate, the import volume, as well as a proxy for the complexity of the traded goods.

As can be seen in the first regression in table 2, the tariff differential surprisingly seems to be negatively correlated with the PUR. In fact, an additional 1 Swiss franc of preference per 100 kilograms reduces the PUR by 0.03 percent. One possible explanation for this could be that products with high tariff differentials have very restrictive rules of origin. Another reason for

it could be that larger tariff differentials are offered only for products which the exporting country does not produce anyway. This would also explain why the PUR is negatively correlated with the tariff differential but positively with potential savings.

In terms of the correlation with the import volume, the PUR is 4.71 percent higher with an increasing 1 percent in the import volume (which is defined in kilograms). Lastly, we explore the relation between the PUR and the complexity of a product. For this, we apply the Product Complexity Index from the Atlas of Economic Complexity, specified at the 4-digit HS code level.⁵ Here, we find that an increase of the product complexity by one unit increases the PUR by 3.89 percent.

5.2 Product Mix and Aggregate Utilization Rate

A second key determinant of preference utilization is the cost associated with application and compliance with rules of origin requirements. Such costs differ substantially across products. As a result, we suspect that countries which export primarily goods to Switzerland for which costs of utilization are high should have a lower aggregate preference utilization rate. Testing this hypothesis, we calculate the average PUR for each 8-digit product using Swiss import statistics from 2017. Then we combine each origin country's exports to Switzerland with the average PURs to obtain a predicted overall PUR.

— Figure 7 about here —

In Figure 7 we plot for all countries the predicted against the actual preference utilization rate. The strong positive correlation indicates that the product mix has high predictive power for overall PURs.

⁵Detailed information on this measure can be found in the “The Atlas of Economic Complexity” at the Center for International Development, Harvard University, <http://www.atlas.cid.harvard.edu>

6 The Costs of Utilization

In this chapter, we attempt to infer the costs of preference utilization from the foregone potential savings. If utilized, the benefits must outweigh the costs. In addition, we need to distinguish fixed and variable costs of utilization. Break down costs into: production adjustment, shipping adjustment, and admin costs. Think which observable variables alter some costs but not the others (e.g. geography, rules-of-origin).

Consider a firm f that produces good i in country c and ships it to Switzerland in shipment s . At the Swiss border there are two different tariffs for product i : the regular most-favored nation (MFN) duty τ_i^{MFN} and a lower tariff τ_i^{FTA} specified in the FTA that Switzerland has signed with country c . Firm f is aware that it can potentially save customs duties. However, utilization of the FTA might require adjustments to the production of i , changes in the shipment s , and create some bureaucratic costs for documentation. We summarize the costs of utilization as follows: $C_{c,f,i,s} = g(P_{f,i}, S_{f,i,s}, B_{f,i}, \dots)$ where P denotes costs of adjusting production, S describes costs of changing the shipment, and B denotes bureaucratic costs. If firm f decides to utilize the FTA, it must hold that duty savings exceed total costs of utilization. Formally,

$$v_s * (\tau_i^{MFN} - \tau_i^{FTA}) > C_{c,f,i,s} \quad (2)$$

with v_s denoting the value of the shipment.⁶

Utilization of the FTA differs across four dimensions: c, f, i, s . This is shown in the empirical evidence provided earlier in this paper. To infer the costs of preference utilization, we use the utilization status of each shipment and exploit the variation in utilization within origin

⁶Note that for the purpose of illustration we assume Switzerland to impose ad-valorem duties. The logic would be identical when using q_s for the weight of shipment s and weight-based tariffs.

country, within firms, and/or within products.

In order to estimate these costs, transaction-level data is needed to understand and quantify the cost components of FTA utilization.

7 Conclusion

Since the failure of the Doha Round within the World Trade Organization, the total number of bilateral and multilateral trade agreements has surged. One downside of this type of liberalization is that in order to benefit from preferential tariff rates, firms must actively apply for preferential tariffs and also comply with rules of origin requirements. This process is costly and thus preference utilization rates (PUR) are far below 100 percent. In this paper, we document the large variation in PUR both across products and countries of origin. Analyzing determinants of utilization rates, we highlight that the mix of products two countries trade has substantial predictive power for the overall utilization rate.

Furthermore, we find that the potential savings amount is predictably positively correlated with the PUR. However, the utilization rate is lower for less complex goods and for products which have a larger tariff differential, defined as the difference between the preferential duty rate and the MFN rate.

Our findings thus contribute to the literature on the benefits of free trade agreements. Moreover, they are informative to policymakers intended on advancing trade liberalization (Saggi, Stoyanov and Yildiz, 2018; Saggi, Wong and Yildiz, 2018). To the extent that the product mix two countries trade remains largely stable post-FTA, policymakers can use preference utilization rates from established trade agreements to estimate the PUR of additional agreements.

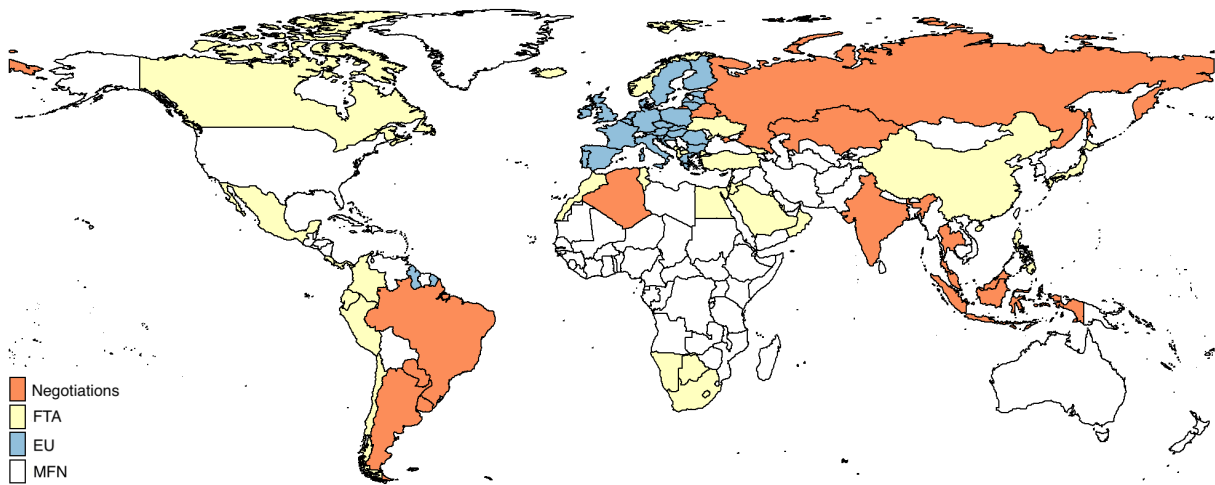
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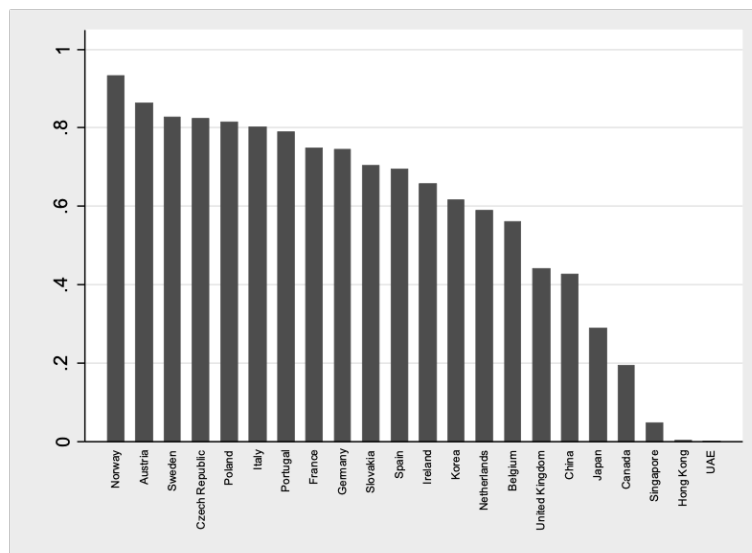
Figures and Tables

Figure 1: Switzerland's Trading Relationships



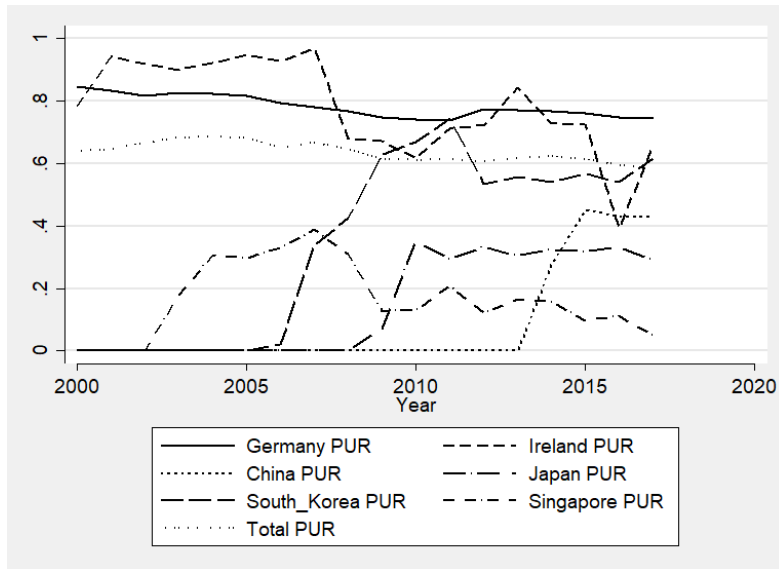
Note: The figure shows for all countries in the world the trading relationship status with Switzerland. Countries are grouped into EU (blue), bilateral or EFTA free trade agreement (yellow), as well as in FTA negotiations (orange). Countries trading at most-favored-nation WTO terms are not colored. Source: SECO.

Figure 2: Switzerland's PUR by exporting country



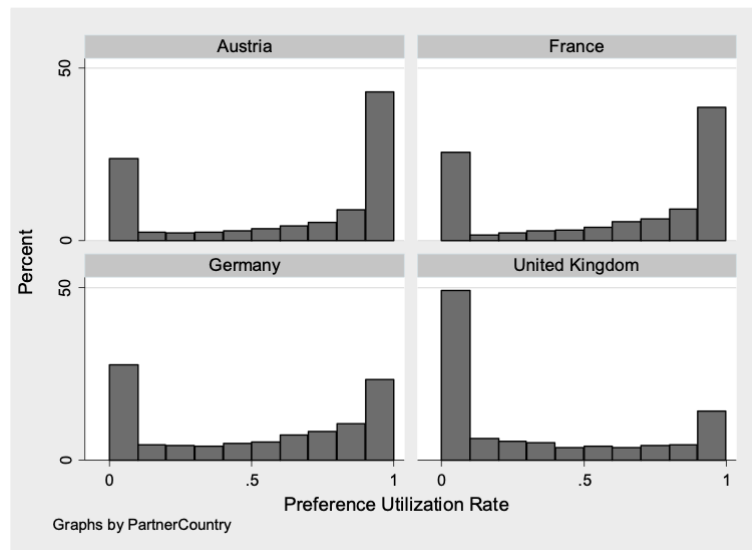
Note: The figure shows for a selection of countries that have signed an FTA with Switzerland the preference utilization rate in the year 2017. Source: Swiss Federal Customs Administration.

Figure 3: Switzerland's PUR by exporting country over time



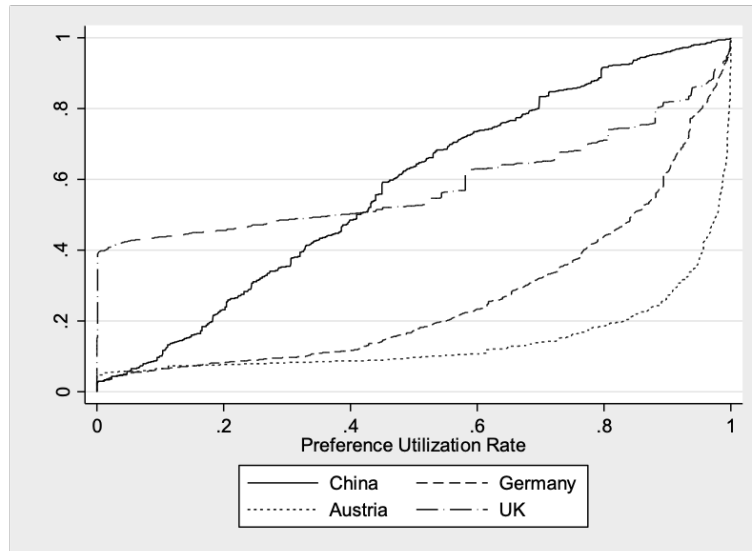
Note: The figure shows for a selection of countries that have signed an FTA with Switzerland the preference utilization rate over time. Source: Swiss Federal Customs Administration.

Figure 4: Switzerland's PUR across Products



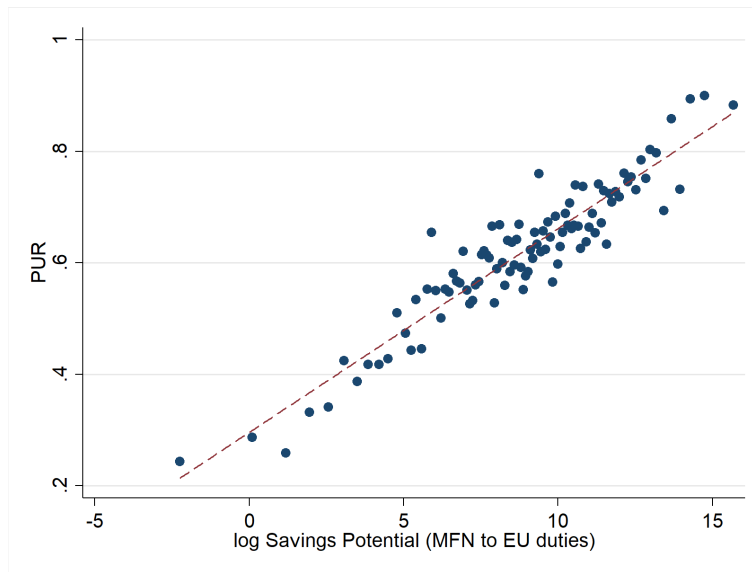
Note: The figure shows the probability density distribution by ten intervals of the preference utilization rates by products for four Swiss trading partners. Source: Swiss Federal Customs Administration.

Figure 5: Switzerland's PUR distribution by exporting country



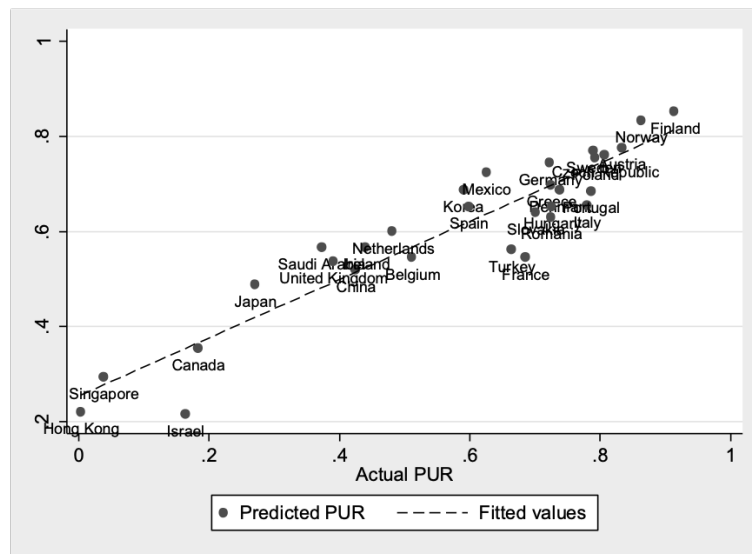
Note: The figure shows the cumulative distribution of PURs by product for four Swiss trading partners. Source: Swiss Federal Customs Administration.

Figure 6: Savings Potential and Preference Utilization Rates



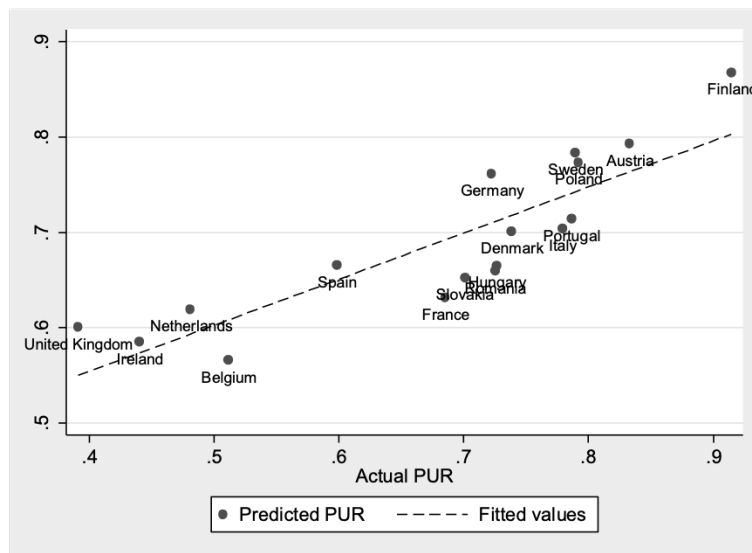
Note: The figure shows the correlation between the logarithmized savings potential of each product and its preference utilization rates. The savings potential is calculated as the difference between the preferential and MFN duty rates, multiplied by the trade volume. Source: Swiss Federal Customs Administration.

Figure 7: Product Mix and Preference Utilization Rates



Note: The figure shows the correlation between the actual preference utilization rate of exports from all Swiss FTA partners and the predicted rates, which were calculated based on the average PUR on product level of the remaining countries. Source: Swiss Federal Customs Administration.

Figure 8: Product Mix and Preference Utilization Rates for EU trading partners



Note: The figure shows the correlation between the actual preference utilization rate of exports from EU member states and the predicted rates, which were calculated based on the average PUR on product level of the remaining countries. Source: Swiss Federal Customs Administration.

Table 1: Switzerland's Trade Relationships with Top-20 Partners

Rank	Partner	Imports	Exports	Trade	Share Trade	FTA	FTA since
1	Germany	52.33	41.62	93.94	23.1%	EU	1973
2	USA	12.69	33.77	46.46	11.4%	none	
3	Italy	18.01	13.76	31.77	7.8%	EU	1973
4	France	14.74	14.01	28.75	7.1%	EU	1973
5	China	13.00	11.40	24.40	6.0%	Bilateral FTA	01.07.2014
6	United Kingdom	6.09	11.38	17.47	4.3%	EU	1973
7	Austria	7.80	6.67	14.47	3.6%	EU	1973
8	Japan	3.59	7.33	10.92	2.7%	Bilateral FTA	01.09.2009
9	Spain	5.07	5.77	10.84	2.7%	EU	1973
10	Netherlands	5.04	5.13	10.17	2.5%	EU	1973
11	Ireland	7.73	0.99	8.71	2.1%	EU	1973
12	Belgium	3.32	4.13	7.45	1.8%	EU	1973
13	Hong Kong	1.19	5.35	6.54	1.6%	Bilateral FTA	01.10.2012
14	Singapore	1.95	4.25	6.20	1.5%	Bilateral FTA	01.01.2003
15	United Arab Emirates	2.95	2.73	5.68	1.4%	Bilateral FTA	01.07.2014
16	Canada	1.31	3.51	4.81	1.2%	Bilateral FTA	01.07.2009
17	Poland	2.10	2.23	4.33	1.1%	EU	1973
18	Czech Republic	2.44	1.62	4.07	1.0%	EU	1973
19	South Korea	0.71	3.06	3.77	0.9%	Bilateral FTA	01.09.2006
20	Turkey	1.44	1.84	3.29	0.8%	Bilateral FTA	01.04.1992
	Total	185.77	220.58	406.36	100%		

Note: The table shows Switzerland's top-20 trading partners, sorted by total trade volume. Imports and exports are shown in billion CHF as reported by Swiss Customs (excluding gold and precious metals) for 2017.

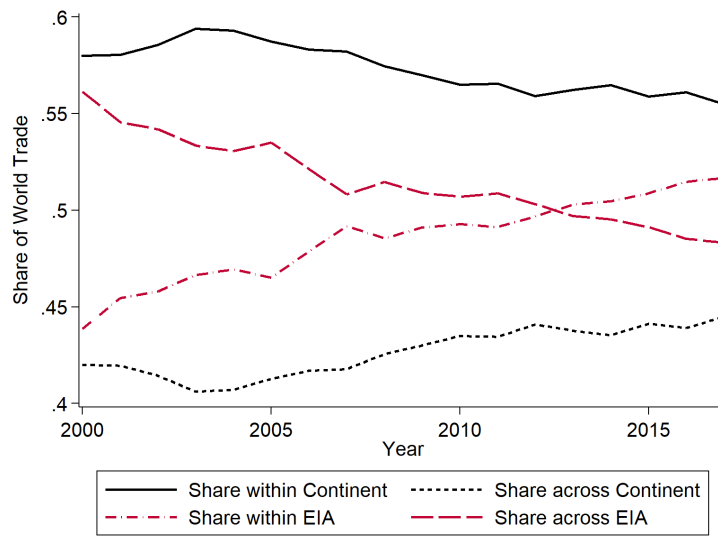
Table 2: Determinants of Preference Utilization Rates

Dependent Variable:	Preference Utilization Rate			
	(1)	(2)	(3)	(4)
Tariff differential	-0.03*** (0.00)			
log Savings potential		3.20*** (0.28)		
log Import volume			4.71*** (0.27)	
Complexity index				3.89*** (0.53)
Origin FE	Yes	Yes	Yes	Yes
Observations	36,128	36,128	35,609	35,724
R^2	0.256	0.317	0.390	0.245

Note: The table shows the result of four separate regressions using the preference utilization rate as the dependent variable. The sample includes the top 10 Swiss trading partners which have signed an FTA. The preference utilization rate is re-scaled, measured in percentage points. Standard errors are clustered at the partner country level and shown in parentheses. Significance at the 10% level is indicated by *, at the 5% level by **, and at the 1% level by ***.

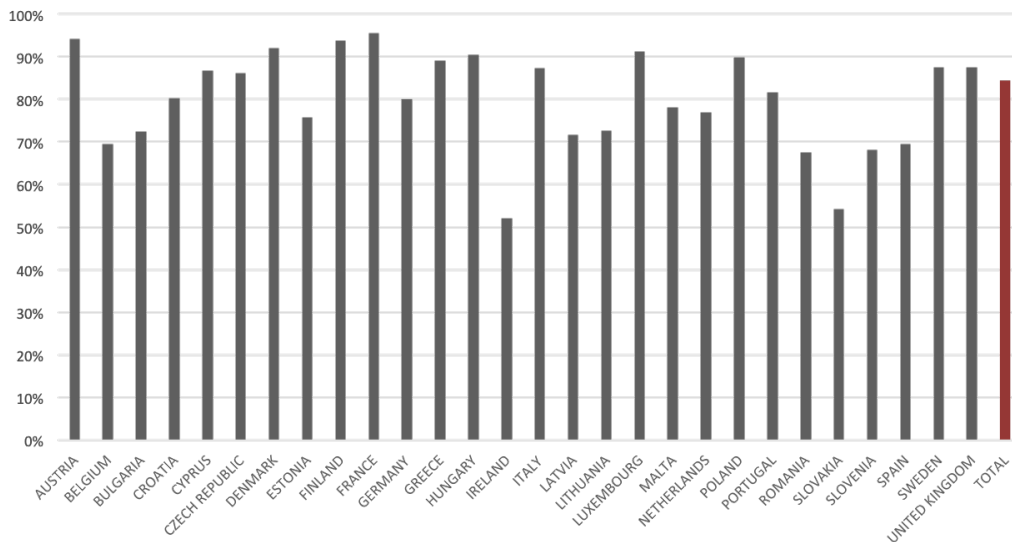
A Additional Tables and Information

Figure A.1: Trade Shares within and across Regions and Trade Agreements



Note: The figure shows the share of global trade across/within continent as well as within/across trade agreements. Source: UN Comtrade.

Figure A.2: PUR by Exporting Country in the European Union



Note: The figure shows for all countries in the world the trading relationship status with Switzerland. Countries are grouped into EU (blue), bilateral or EFTA free trade agreement (yellow), as well as in FTA negotiations (orange). Countries trading at most-favored-nation WTO terms are not colored. Source: SECO.

Table A.1: Switzerland's Imports From Its Top-50 Trading Partners

Rank	Trading Partner	Total Trade (mio. CHF)	FTA	% MFN Imports	% MFN-free Imports	% Imports FTA	% Imports GSP
1	Germany	93'945	EU	14.2%	40.2%	43.2%	0.0%
2	USA	46'460		23.1%	73.1%	0.0%	0.0%
3	Italy	31'768	EU	11.5%	35.2%	50.5%	0.0%
4	France	28'752	EU	12.6%	41.7%	39.9%	0.0%
5	China	24'399	FTA	32.8%	41.7%	24.7%	0.0%
6	United Kingdom	17'471	EU	10.7%	77.2%	8.9%	0.0%
7	Austria	14'473	EU	6.7%	44.1%	46.5%	0.0%
8	Japan	10'919	FTA	23.2%	55.2%	12.1%	0.0%
9	Spain	10'835	EU	12.9%	47.1%	31.6%	0.0%
10	Netherlands	10'166	EU	17.1%	45.5%	26.2%	0.0%
11	Ireland	8'713	EU	1.5%	93.4%	2.9%	0.0%
12	Belgium	7'454	EU	19.0%	51.2%	24.9%	0.0%
13	Hong Kong	6'539	FTA	14.6%	81.6%	0.1%	0.0%
14	Singapore	6'195	FTA	11.3%	83.7%	0.6%	0.0%
15	UAE	5'682	GCC-FTA	8.3%	66.2%	0.0%	0.0%
16	Canada	4'811	EFTA-FTA	7.7%	88.7%	2.1%	0.0%
17	Poland	4'332	EU	11.5%	33.5%	52.6%	0.0%
18	Czech Republic	4'065	EU	12.2%	22.6%	62.4%	0.0%
19	South Korea	3'771	FTA	26.1%	27.6%	42.8%	0.0%
20	Turkey	3'288	FTA	22.7%	26.4%	48.8%	0.0%
21	India	3'102	Negotiations	43.0%	24.6%	0.0%	30.7%
22	Taiwan	2'933		53.3%	41.7%	0.0%	0.0%
23	Brazil	2'793	Negotiations	6.6%	79.2%	0.0%	7.2%
24	Sweden	2'735	EU	8.8%	43.2%	44.8%	0.0%
25	Australia	2'624		9.4%	88.6%	0.0%	0.0%
26	Russia	2'449	Negotiations	11.2%	85.7%	0.0%	0.0%
27	Mexico	2'330	FTA	9.2%	73.1%	16.8%	0.0%
28	Hungary	2'138	EU	17.1%	28.8%	51.7%	0.0%
29	Thailand	2'125	Negotiations	12.6%	79.9%	0.0%	6.3%
30	Vietnam	2'034	Negotiations	38.9%	49.1%	0.0%	8.4%
31	Saudi Arabia	2'025	GCC-FTA	18.1%	54.1%	17.1%	0.0%
32	Portugal	1'904	EU	17.6%	14.5%	67.2%	0.0%
33	Denmark	1'758	EU	14.8%	39.8%	44.5%	0.0%
34	Slovakia	1'517	EU	22.8%	19.6%	56.4%	0.0%
35	Romania	1'416	EU	20.5%	20.6%	57.6%	0.0%
36	Israel	1'271	FTA	61.1%	18.6%	13.3%	0.0%
37	Malaysia	1'266	Negotiations	40.5%	52.3%	0.0%	5.3%
38	Finland	1'257	EU	1.8%	74.3%	23.5%	0.0%
39	Norway	1'003	EFTA	2.9%	49.2%	43.9%	0.0%
40	Greece	988	EU	14.5%	35.1%	47.0%	0.0%
41	South Africa	986	SACU-FTA	20.0%	68.9%	9.6%	0.0%
42	Slovenia	957	EU	15.4%	29.5%	54.6%	0.0%
43	Egypt	946	FTA	7.3%	83.3%	8.4%	0.0%
44	Argentina	888	Negotiations	5.7%	92.1%	0.0%	0.2%
45	Indonesia	830	Negotiations	75.5%	11.1%	0.0%	4.4%
46	Nigeria	709	EFTA Coop.	1.6%	98.3%	0.0%	0.0%
47	Bulgaria	700	EU	25.9%	14.9%	57.2%	0.0%
48	Qatar	681	GCC-FTA	15.7%	13.0%	0.0%	0.0%
49	Bangladesh	677		62.8%	0.6%	0.0%	36.4%
50	Kazakhstan	661	Negotiations	7.7%	83.3%	0.0%	0.7%

Table A.2: EU's Imports by Tariff Regime

Tariff Regime	EU-28	Germany	France	Italy	UK	Austria	Spain
Import Value (billion Euro)							
MFN	8.00	4.70	0.47	0.55	0.28	0.19	0.62
MFN duty-free	51.58	16.93	6.06	5.23	9.03	2.50	1.50
FTA duty-free	43.30	18.91	9.80	3.82	1.93	3.05	1.41
Other	2.21	2.12	0.02	0.01	0.01	0.01	0.00
Total	105.09	42.66	16.34	9.62	11.25	5.75	3.54
PUR (excl Other)	84.40%	80.10%	95.40%	87.30%	87.50%	94.20%	69.50%

Note: The table groups imports in the European Union (as well as selected EU member countries) by tariff treatment.