Heterogeneous Impact of Non-Tariff Measures through Global Value Chains

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Abstract
Over the last decades, the rising fragmentation of the production process across countries has been an increasingly key trend in international trade. On the other hand, while import tariff increases have been constrained by multilateral and regional trade agreements, non-tariff measures (NTMs) have spread in the world, certainly in those developing countries such as China. This paper investigates the impact of NTM’s stringency on Chinese firms’ margins of trade by paying special attention to how the impacts vary across firms with different positioning in the GVC. The empirical analysis employs a panel of Chinese firm level imports over the 2009-2013 period and an original dataset on NTM provided by the UNCTAD. We also consider the effect of NTM on trade unit values - as a proxy for prices. We count the number of NTMs imposed by China on a given HS6 product in order to measure the stringency of China’s NTM regulations on its imports. Our results show that while the imposition of NTM reduces the participation of firms in the international trade market, the import value of those firms can be stimulated. For importers with higher GVC positioning index, the negative effects have diminished. We also found evidence of the price-raising effect imposed by NTM. Compliance with strict NTM requirements incurs additional costs, which are at least partly passed on to consumers and/or may represent an incentive for companies to upgrade their imports.

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