The Effects of Standards on Value Chains and Trade in Europe

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Abstract

We examine the impact of formal standards on trade in global value chains (GVCs). Using a gravity model approach for panel data, we estimate the influence of national, European, and international standards on GVCs and gross trade flows within Europe. We find that national standards hamper trade in European value chains while European and international standards foster trade. European standards have greater influence on trade in inner-European value chains whereas international standards have positive effects on imports into Europe from third countries. European standards therefore reduce information asymmetries between market actors in European value chains. International standards serve a more general purpose as a means of global communication between international trade partners. In addition, we find a positive effect of an interaction term between national and European standards in European value chains. These two types of standards generate gains from trade when their specifications are combined in the production process. Our overall finding is that formal standards are an important means of providing product and service specifications when the number of production stages in GVCs keeps increasing.

Keywords: Trade, Global value chains, Standards, Standardization unions, Value-added

JEL: F14, F15, O33, R10