

# Heterogeneous Firms and Trade Policy

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- Differences in trade policies and industries.

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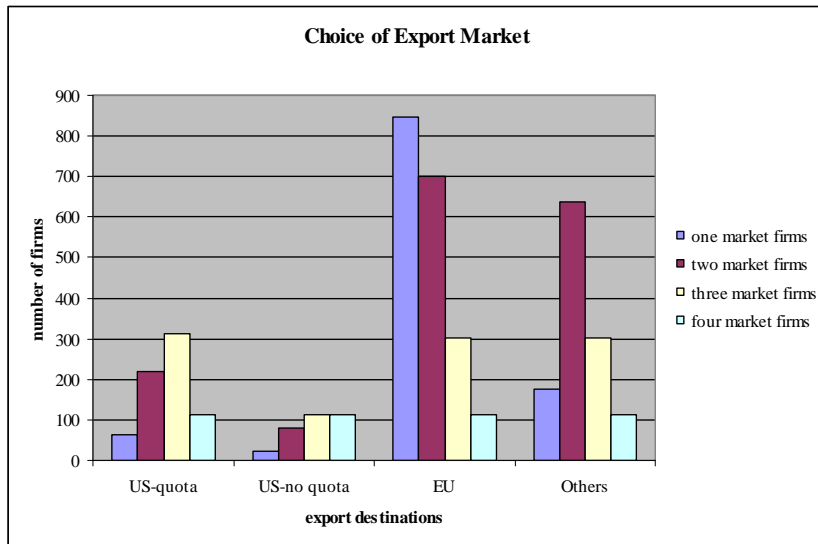
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- If meeting ROOs is easy, as in EU non-wovens, most should do so. The fraction of firms who sell to the EU and invoke ROOs is 58% which is higher than that in wovens which is 40%.

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  - Firms that export to both markets should be more productive than those who do not.

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  - Firms that supply a majority of their products to the US market are 42% more productive.
    - Productivity gap is not statistically significant in woven industry.

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- Multi-market firms are more productive and have larger sales.

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  - ① Effects of SAARC Regional Cumulation: Indian low price/quality textile demand higher.
  - ② Reverse Origin: Bangladeshi high price/quality textile demand higher.

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- Thus, even seemingly liberal trade preferences may have hidden costs and should be designed with caution.