Intellectual Property-Related Preferential Trade Agreements and the Composition of Trade*

Keith E. Maskus  
University of Colorado  
keith.maskus@colorado.edu

William Ridley  
University of Colorado  
william.ridley@colorado.edu

April 2018

Abstract

We study how preferential trade agreements (PTAs) with complex chapters covering intellectual property rights (IPRs) affect the composition of aggregate and bilateral trade flows of member countries, focusing on high-technology sectors. Despite the proliferation of PTAs with strong IPRs standards, their effect on such trade has not been studied systematically. Our identification framework defines treatment PTAs as those in which one partner is the United States or either the European Union or European Free Trade Association. We focus on these “IP-related PTAs” that were implemented after member countries came into compliance with global IPRs rules in order to isolate the agreement effects. The results are broken down by income groups and trade in specific IP-sensitive sectors. We find that the addition of IPRs chapters with elevated regulatory standards into PTAs has relatively limited total effects on trade, but strongly encourages trade in biopharmaceutical goods. There are additional important but heterogeneous cross-border impacts, suggesting that “behind the border” regulations within preferential agreements do influence international trade.

**JEL codes:** F14, F15, O34  
**Keywords:** trade agreements, intellectual property rights, high-technology trade

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*We gratefully acknowledge the creators of the Design of Trade Agreements Database (DESTA) available at http://www.designoftradeagreements.org, whose work facilitated this research. We also thank Carsten Fink, Olena Ivus, Tristan Kohl, and Walter Park for comments on an earlier draft.