

## **FLEXIBILITY MEASURE: The Design of Trade Agreements (DESTA)**

**Long-term flexibility [flexescape]:** this can be used by parties in the future to protect against unforeseen developments without breaching the agreement. We measure this variable using a simple additive index of the presence or absence of four flexibility provisions in PTAs: a provision allowing for the suspension of tariff cuts in case of balance of payments problems, a general safeguard provision, a provision allowing for the imposition of countervailing duties, and a provision allowing for the imposition of anti-dumping duties. In the absence of these provisions, a country that suspends its tariff cuts or imposes antidumping and countervailing duties for goods covered by the agreement is in breach of the agreement. These four provisions thus serve as escape clauses. The index can range from 0 to 4.

**Short-term flexibility [Transition]:** we operationalize short-term flexibility relying on the maximum number of years that countries are allowed to achieve the liberalization of tariffs envisaged in the agreement. The longer the transition period, the more time exists for importcompeting groups to adjust to increased competition. Phase out periods for tariff liberalization range between 0 years (all tariffs are liberalized at the date of entry into force of an agreement) and 20 years (usually for a selected number of sensitive products).

**[flexrigid]:** we further provide an additive measure consisting of eight variables: a provision measuring whether parties agreed on GATT/WTO provisions on safeguards, a provision calling for a duration (and extension) of safeguard duty that is different from GATT/WTO, one allowing safeguard measures only during a transition period, another provision allowing safeguard measures on products up to the MFN duty or the temporal suspension of a duty reduction (a measure that controls for the scope and degree of the measure taken), a provision where parties agree on a de minimis dumping margin (or dumped volume) that differs from the GATT/WTO, refer to GATT/WTO, and a provision whether the parties develop a common policy on subsidies. Thus, this measure indicates how rigid flexibility is. A score of 8 means high and a score of 0 no rigidity concerning flexibility.