

Trade Costs and International Development

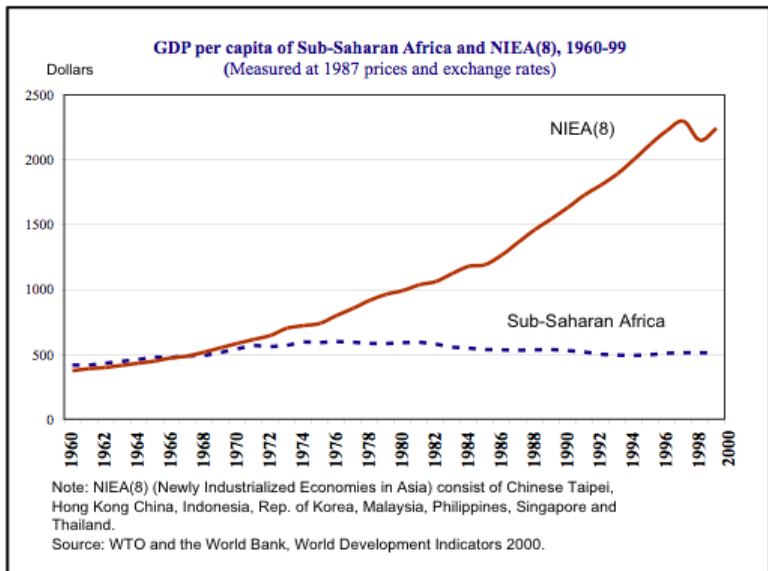
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- Data and Indicators
 - Infrastructure
 - Services Barriers
 - Regulation
- Quantifying Impact
 - Trade flows and ETEs
 - Income Effects (CGE)
 - Growth regressions
- Directions for Research
 - Utility of Indicators
 - Trade vs General Effects
 - Marginal Impact Assessment
 - Composite indicators

Some Motivation

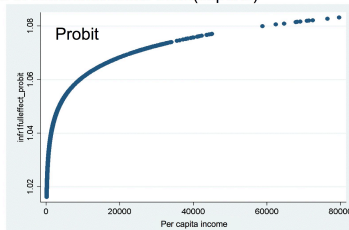
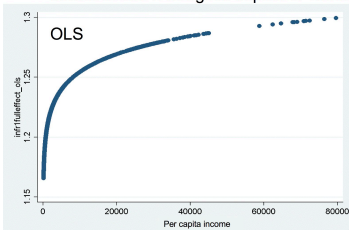


- Integration has potential to promote development
 - an econometric quagmire
 - notwithstanding theological arguments, the Asian miracle stands
- Rules matter for trade
 - rules can add 6% to 20% (and more) to costs
 - business believes facilitation matters for trade
- Preferences are a distraction
 - Asian experience vis-a-vis Africa makes this obvious
- Infrastructure also matters

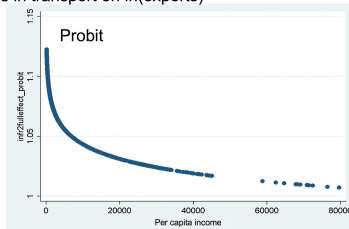
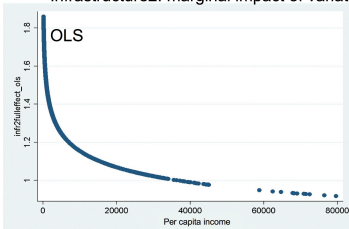
- **DATA!!!**
 - Firm surveys
 - Regulatory and infrastructure surveys (PMRs)
 - Extension of OECD-based regulatory surveys in a consistent way (the Bank is doing this)
 - Services trade and FDI (FATS, cross-border, etc etc)
- **Quantification of price wedges**
 - Gravity modeling
 - Price comparisons (like the OECD agriculture exercise)
 - Deepening resources devoted to ICP benchmark
 - Extend the ICP methodology to generate notional cross-country PPIs?
 - Summary indicators (TRI may be meaningless without such information)
- **Estimation of implications**
 - Merge econometric estimates with numerics (CGEs etc)
 - Revisit openness: growth regressions with new indicators

An Example: Communications Infrastructure

Infrastructure1: marginal impact of variations in communications on ln(exports)

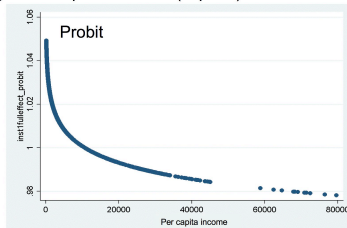
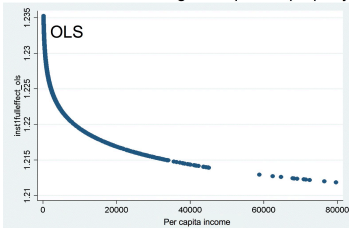


Infrastructure2: marginal impact of variations in transport on ln(exports)

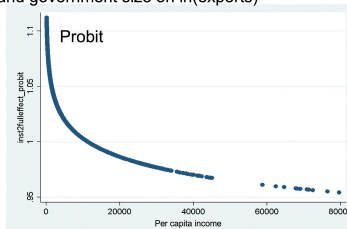
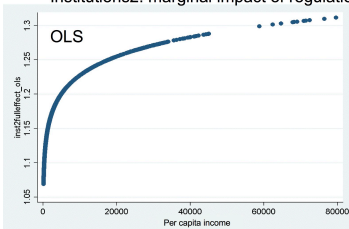


An Example: Institutions Infrastructure

Institutions1: marginal impact of property rights and openness on $\ln(\text{exports})$



Institutions2: marginal impact of regulation and government size on $\ln(\text{exports})$



● DATA

- Deepen WITS database
- Extension of real bilateral services databases (basic investment needed here)
- OECD-UNCTAD cooperation on regulatory information
- Firm-level surveys (consistent indicators – EC NTB survey)
- Extension of ICP-type activities (a cross-country PPI project)
- Deeper comparable infrastructure index series

● Quantification

- Gravity modeling for NTB estimation
- Integration of gravity estimates with CGE and CPE models
- Integration of new indicators with growth regressions
- Quantify marginal impact/benefits of improvements
- Extend theory on summary measures to include trade costs