

# Assessing Intraregional Trade Facilitation Performance: ESCAP's Trade Cost Database

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# Background

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- Much progress has been made in developing trade facilitation/costs indicators
- However, there are limitations, including:
  - (1) partial coverage of international trade costs (e.g., only international shipping costs)
  - (2) little or no information on bilateral/regional/south-south trade costs
  - (3) very large variations in trade efficiency across products and trade routes not captured
- ESCAP is therefore:
  - Developing a database of bilateral and intraregional trade costs
  - Building capacity in Trade Process Analysis

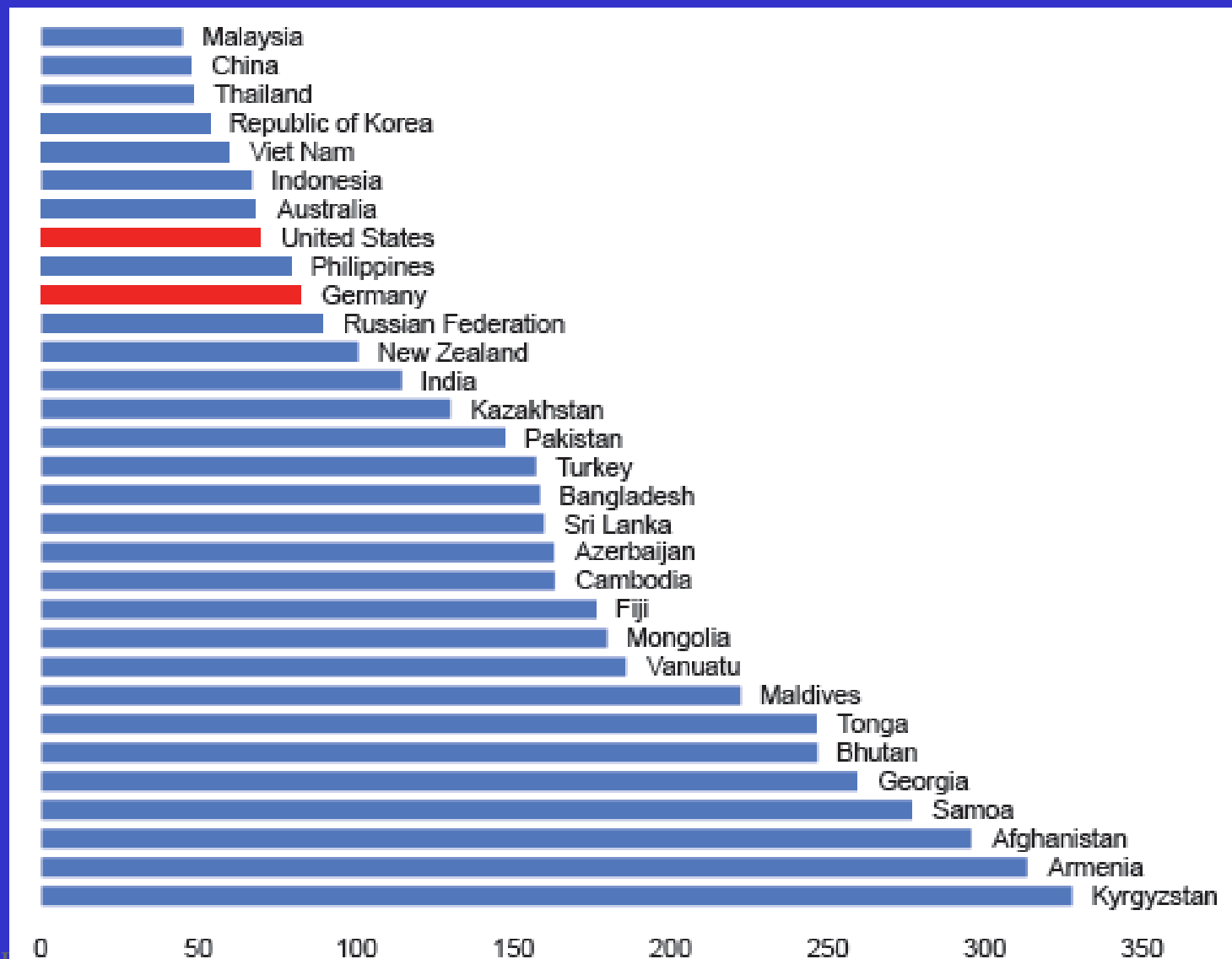
# ESCAP's Intraregional Trade Cost Database

- Based on the comprehensive trade costs measure proposed by Jacks, Meissner and Novy (2009)
  - Measure derived from the gravity equation, i.e., ratio based essentially on bilateral trade data and GDP data → “objective” measure of costs
- Captures all *additional costs involved in trading goods bilaterally relative to those involved in trading goods domestically*. It includes
  - International shipping and logistics costs
  - Tariff and non-tariff costs, including indirect and direct costs associated with trade procedures and regulations
  - Costs from differences in language, culture, currencies...

# ESCAP's Intraregional Trade Cost Database

- Includes bilateral comprehensive trade cost of 80 countries between 1988 and 2008
  - Expressed as tariff equivalents
  - Expressed as a trade cost index (relative to Japan's trade cost)
- Comprehensive trade costs are broken down into
  - A Tariff cost component
  - A Natural trade cost component
  - A Non-tariff policy-related trade cost component
  - Note: This is done by estimating a model of comprehensive trade costs (with geographic and cultural distance, and tariff as explanatory variables), and then using the estimated coefficients on tariff and distance to derive the non-tariff policy component)

## Bilateral comprehensive trade cost with Japan (ad valorem tariff equivalent), %



Source: ESCAP Trade Cost Database

# Intra & Inter subregional Trade Costs in Asia

(excluding tariff; 2007 in tariff equivalent; changes since 2003 in parenthesis)

	ASEAN-4	East and North-East Asia	North and Central Asia	SAARC-4	Aus-NZ	EU-5	NAFTA
ASEAN-4	49% (-1%)						
East and North-East Asia	132% (na)	105% (na)					
North and Central Asia	259% (10%)	193% (-5%)	148% (12%)				
SAARC-4	117% (-4%)	201% (na)	258% (-6%)	113% (-5%)			
Aus-NZ	85% (-2%)	143% (na)	313% (-4%)	145% (0%)	61% (3%)		
EU-5	105% (2%)	127% (na)	161% (-3%)	124% (-2%)	122% (0%)	59% (-3%)	
NAFTA	101% (3%)	109% (na)	244% (10%)	137% (-7%)	122%(6 %)	104% (1%)	50% (15%)

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# Inter-subregional Trade Costs in Asia

2007 in tariff equivalent; changes since 2003 in parenthesis)

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→ Intra-Asia trade cost HIGHER than trade cost of Asia with non-Asian partners