

Motivation

- ▶ Trade costs: A central role in international economic analysis
 - Declining over the second half of the 20th century (Jacks et al., 2008, Novy, 2013)
 - But still significant
 - ★ Average international trade costs \simeq a 74% markup over production costs in the early 90's (Anderson & Van Wincoop, 2004)
 - ▶ What exactly are “trade costs”?
 - Transaction costs, policy costs, time costs, and transport costs *per se*
 - ▶ Transport costs: A sizeable share of international trade costs
 - Account for $\simeq 30\%$ of international trade costs \Leftrightarrow A 21% markup over production costs ($1.30 \cdot 0.74$)
- \Rightarrow If many trade policy barriers have been removed, the transport cost component of trade costs does not seem to be declining

The paper: On international transport costs