

Three main findings

- ▶ The importance of excluding composition effects
 - The reduction of the *pure* transport costs: Starts in 1985 (not in 1974)
 - The reduction between 1974 and 1984 (▶ Figure 1), attributable to change in the composition of trade patterns
- ▶ Overall (pure) transport costs have declined by $\simeq 40\%$ since 1985
- ▶ The importance of the additive component of transport costs (again)
 - When only iceberg costs are modeled (Panel (a)): A stronger decrease in Air transport over the 1985-2005 period
 - In accordance with Hummels (2007), Behar & Venables (2011)
 - But... No more substantial difference when additive costs are included (Panel (b))