

Time trends in transport costs & composition effects

- ▶ Does it mean a decrease in transport costs *per se*? Not necessarily
- ▶ The change in overall transport costs over time:
 - Depend on the evolution of per product- per partner costs,
 - But also on the composition of trade flows
 - ★ Over time, import more goods that are cheaper to transport, and/or from countries with which it is cheaper to trade
- ⇒ Necessary to eliminate the composition effects of trade flows, to isolate the evolution of transport costs *per se*
- ⇒ What we do, in accordance with Hummels (2007)
 - ▶ Some insights on our methodology [▶ More details](#) [▶ Comparison with Hummels \(2007\)](#)
 - Start with estimates of additive/multiplicative transport costs
 - Extract the “pure” TC component by the mean of a time fixed-effect
 - Build a unified measure of “total” transport costs (agglomerate the two components), also both fitted and unfitted