The gravity of surveys: non-tariff barriers and the cost of traded goods^{*}

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Abstract

We estimate trade costs of NTBs, with an emphasis on plausible reductions. Mapping survey-based rankings of market access conditions (openness rankings) to data on bilateral trade flows, we estimate a gravity model augmented to exploit differences between intra-EU and extra-EU rankings, allowing us to estimate the intra-EU volume effects linked to variations in NTB levels (NTB preference margins). Combining the estimated volume impact of NTBs with price elasticities, we then use the original survey data to estimate NTBs for 10 broad goods categories for the G20 for 2007. Because we emphasize actual experience, our estimates of potential efficiency gains are less than full barriers might imply. Among the G20, the non-OECD members have substantially higher NTB levels than the OECD members. The sector with the greatest potential cost savings for both OECD and non-OECD Members is motor vehicles. Across all G20 countries and all 10 sectors, the average estimated reduction from moving to the intra-EU level of market access is 11.2percent of the cost of goods sold. Given that these are largely dead-weight costs, and that average tariffs are far less, this implies that potential income effects linked to NTB reductions, even under our "realistic liberalization" constraint, are an order of magnitude greater than those from prevailing tariffs.

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