Chapter 8

Application of Trade Indices Studies: A Review

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1. Introduction

The international trade indexes (ITI) have formulated and estimated in various ways for many years. This time the research works at the Institute of Developing Economies, JETRO, Japan tried to compose ITI with resolving some of the issues encountered in the compilation process of the world trade matrices in the past. In this Chapter, however, the reviewed studies have not this resolution. Applications reviewed were mostly focused on the export price indexes. The purpose of the study of this review is to clarify the role of the ITI in the academic researches and policy formulations. Hopefully the interests among the academic circles working on ITI will be disclosed. The other indexes of ITI, for example, the specialization ratio, RCA, or trade intensity index have also been estimated and used for making the policies on the international trade. The export price index is one of these useful indexes, especially in accounting the trade competitiveness. In the next Section, the export price index studies will be picked up.

1. Export Price and Domestic Cost

The fluctuations of the export price index are partly explained by the domestic production cost and its changes. The work by Ohno (1988) comparing the export pricing behavior of Japanese and the U.S. manufacturing showed one point. There is such a tendency that the U.S. manufacture set export prices closer to the domestic production cost than those of the Japanese counterpart. In the Japanese case, the difference between the export prices and the domestic production costs in most industries is comparatively wider than those of the U.S. industries, he said. The work on the export price index affected by the exchange rate appreciation or depreciation through the estimation of the responses of the former to the latter by Mahdavi (2000) made a point saying that the intracountry comparisons showed some evidence of an asymmetric adjustment.

One of the works on the impact of the economic crisis in the East Asia in the late 1990s (Barth, Marvin, and Dinmore, T., 1999) presented a case where the export earnings in some Asian countries dropped because the export prices slipped down as much as 9%, while the export volume increased.

2. Studies on the Other Indexes: Terms of Trade and Intraindustry Trade Indexes

New emerging countries appear in the international trade scene in the recent years. The country has long been existing, and its trade, too. She has peacefully recorded the trade statistics, and the trade volume was not large enough to attract the attentions from the other countries. When the trade developed and the country's trade reached to a level to attract the attentions from the other countries they only need to give a space to the new comer. But when a new item in the trade classification emerges, the statistics should make a new classification. This may cause a problem in some cases. It is said that theoretically it is not difficult. It is considered that the new item has so far had zero demand. But the recording in practice is not so clear cut(Feenstra, 1991). Even at the risk of the losing exactness in the indexes, the estimation of the terms of trade between newly appearing country group and an old one (developing countries or developed) is strongly recommendable (Greenlees and Zieschang, 1984). The new studies on the terms of trade between these countries and groups will become important information base for making international trade policies of the countries all over the world.

References

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