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ECONOMETRIC MODELING OF INDIRECT TRADE: EVIDENCE FROM RE-EXPORTS, MERCHANTING AND QUASI-TRANSIT IN SELECTED COUNTRIES

Abstract:

This paper suggests a simple econometric framework for modelling the newly growing “indirect” trade, namely re-exports, merchanting and quasi-transit, as defined by the UN SNA and IMF guidelines (as well as by the European Commission’s guidelines in the EU). The proposed concept is the following: contrary to “direct” trade, “indirect” trade operations are a function of relationships between three parties, the reporting country and two third parties, hence its intensity can be explained by a) the relationship between the third parties themselves, b) the relationship between the country in question and one or both third parties. This methodology is applied to the gravity model of trade and tested on quarterly and annual multidimensional data for selected countries, 1970–2018, with the help of LSDV, FGLS and GMM estimators. The paper provides an empirical background for the observed changes in international trade caused by globalisation and/or regional integration and attempt to derive the main factors behind “indirect” trade as compared to the “direct” one.

Keywords:

re-exports, merchanting, quasi-transit, gravity model, GMM

JEL Classification: C55, F14