Factors Impact on Transaction Costs in Exporting Growth

Author's Details: ⁽¹⁾ Ngoc Toan Nguyen ⁽²⁾ Thi Thu Hien Phan ^{(1) (2)}University of Economics – Technology for Industries Correspondence: Ngoc Toan Nguyen, 456 Minh Khai, Hai Ba Trung, Ha Noi E: <u>nntoan@uneti.edu.vn</u>; T: +84 (0) 904. 141. 568

Abstract:

Export is one of the important economic activities of the country. The exporter has to pay cargo handling cost and other charges to concerned service providers. This high logistics cost impact adversely to business. Therefore, the object of research is to analysis transaction cost in Vietnamese exporting firms in practice. The objectives of the paper are analysis the overview of transaction costs and the important of transaction costs in trading growth in whole economy, particular in exportation. The paper has an overview of the factors affecting the transaction costs in export activities, how to measure transaction costs, and how to measure transaction costs in export growth.

Keywords: Transaction costs, export growth.

1. Introduction

Exporting is the sale of goods or services to another country on the basis of payment. The currency here may be foreign currency to one country or to two countries. The purpose of import and export activities is to exploit the advantages of each country in the international labor division. And when exchanging goods between countries is beneficial, all countries actively participate in this activity. Exporting is a basic form of international trade, it was formed from a long time ago and growing until now. The early export activities were just barter and then discovered many different forms such as direct export, convection trading, and authorized export. Exporting takes place on a very large scale in both space and time: it can take a very short time but it can last for years; It can be carried out on one country or many countries. It takes place in all fields, in all economic conditions, from the export of consumer goods to capital goods, machinery and high technology. All such exchanges are intended to benefit participating countries.

Export is a major content of foreign trade and the first activity of international trade, exporting plays a particularly important role in the economic development process of each country as well as the whole world. gender. Due to different conditions, a country may be strong in one area but weak in another, so that it can take advantage of and create a balance in the production and consumption processes of The nation must conduct exchanges with one another based on David Ricacdo's comparative advantage theory, he said: "If one country is less efficient than the others in producing almost all kinds of products. it can still engage in international trade to create its own interests and when it comes to international trade," countries with low efficiency in the production of goods will advance. To specialize in the production and export of goods of which production is the least unfavorable and imported. g the type of product whose production is at a greater disadvantage." In other words, a country in an unfavorable situation can still find an advantage to exploit. By exploiting these advantages, countries focus on producing and exporting goods with relative advantages. This specialization makes each country exploit its advantages in the best way to save human resources such as capital, technology and human resources in the production of goods. As a result, total world-wide production will also increase.

For each country's economy, exports create the main source of capital for imports, serving the cause of industrialization and modernization of the country. Each country's economic growth requires four conditions: human resources, resources, capital and technology. But not every country has all four conditions and to solve this situation forces them to import from the outside the factors that the country cannot afford. The problem is how to get enough foreign currency for this import. The reality shows that, in order to have enough imported capital, a country and especially developing countries can use the main sources of capital such as foreign investment, debt, aid and revenue from export activities.

The importance of foreign investment, debt and grants cannot be denied. But when using these funds, the borrower countries must accept certain disadvantages and, in one way or another, must repay the capital to foreign countries. Therefore, the most important source of capital that a country can count on is its export earnings. Therefore, export is the main activity that creates a premise for imports, determining the size and growth of imports.

In underdeveloped countries, the obstacle to economic growth is lack of potential and capital. In addition to capital mobilized from abroad, it is considered as the main base but all opportunities for investment or borrowing from foreign countries and international organizations only increase when investors and lenders see the export possibilities of other countries. There, because this is the main source that makes sure that it can repay its debt. Export contributes to the process of economic restructuring, promoting development of production. Promoting export activities will help underdeveloped countries to shift economic structure from agriculture to industry, in line with the development trend of the world economy.

For a business: Through export, domestic enterprises have the opportunity to participate in competition in the world market for price, product quality - the factors that require businesses to form a The production structure is in line with the market. Exports require businesses to always innovate and improve their business administration, and have foreign currency to invest in the production process not only in width but also in depth.

In addition, manufacturing exports helps businesses attract more workers, creating a stable income for workers to create foreign currencies to accept modern machinery and equipment for manufacturing exports and bringing high returns.

In any export activity, transaction costs are a very important cost that determines the quality of export activities. Controlling transaction costs will create a competitive advantage for exports. In this article, we conduct an analysis of the factors that affect the transaction costs of export operations.

2. Literature review

Transaction costs are costs incurred that don't accrue to any participant of the transaction. They have sunk costs resulting from economic trade in a market. In economics, the theory of transaction costs is based on the assumption that people are influenced by competitive self-interest.

The reduction in transportation costs, the progressive decline in tariff duties and other customs barriers, and the progress in information and communication technology connectivity have "flattened the planet" by reducing transaction costs, which has, in turn, contributed to the rapid expansion of global trade since 1985. After reviewing the domestic value-added embodied in the final expenditure of markets of ultimate destination over time, Johnson (2014) and Johnson and Noguera (2016) identified five stylized facts that explain the lessening of trade frictions.1 But as Anderson and van Wincoop (2004) noted, "The death of distance is exaggerated. Trade costs are large, even aside from trade policy barriers and even between apparently highly integrated economies."

Distance, transportation costs, and tariffs are only some of the factors that affect trade costs; there are many others, some of them not directly measurable, such as uncertainty (see Anderson and van Wincoop 2004 or Ferrantino 2012 for a review of trade costs and border barriers and their measurement). One way of understanding these factors is to associate them with the set of frictions that tend to reduce trade. Samuelson (1954) depicts trade shrinking under the effect of frictions in the same way that an iceberg melts while moving through the sea. International economics has overwhelmingly relied on Samuelson's hypothesis that frictions are proportional to value (ad valorem "iceberg transport cost").

An extensive literature has explored the influence of trade costs, especially using the gravity model. Head and Mayer (2013) showed that the magnitude of estimated elasticity of gross trade in goods varies across studies depending on the sample and methodology used but centers around -1. Baldwin and Taglioni (2011) showed

that for GVC trade the standard gravity model used by most studies performs poorly when applied to bilateral flows where parts and components trade is important.2 Noguera (2012) applied a gravity model to trade-in value-added and found that the bilateral trade cost elasticity of value-added exports was about two-thirds that of gross exports and that bilateral value-added exports increased with both bilateral trade agreements (a result also found in trade in final goods) and agreements with other countries.

Nominal tariffs are the most visible cross-border transaction cost. Tariff duties increase the domestic price of tradable goods by adding a tax to their international or free-market price. When duties are specific (particularly for agricultural products), analysts compute ad valorem equivalents.

For transportation costs the situation is more complex. In practice, transportation costs depend on the nature of the good (perishable or not, bulky or not), the mode of transport, and the distance between producers and consumers. Lewis (1994) identified several factors besides freight costs that contribute to logistics costs, including interest charges on goods awaiting shipment, on goods in transit, and on goods held as safety stock, as well as the loss, damage, or decay of goods between manufacture and sale.

Because tariffs have become a less frequent barrier to trade, the contribution of transportation to total trade costs—shipping plus insurance—has become more evident and more important. Hummels (2007) found that median transport expenditures were half as much as tariff duties for U.S. imports in 1958, equal to tariff duties in 1965 and three times higher than aggregate tariff duties in 2004.

Time matters, especially in GVC trade organized along complex international supply chains. See, for example, Hayakawa, Laksanapanyakul, and Yoshimi (2016), who concentrated on the time spent in the import process, including cargo handling and customs clearance. Those are the key components of the ad valorem time-related trade costs that are shifted onto the import price of imported inputs. If those costs are passed on to the price of exports, the demand for these exported products becomes smaller as time gaps lengthen.

In part 3, we will analyze in detail the factors that affect the transaction costs in export activities.

3. Factors impact on transaction costs in exporting growth.

In the context of a whole economy, the benefit of an individual transaction will tend to fall as the number of transactions increases. That benefit is related to differences in production costs. Naturally, the greatest benefits, or production cost differences should be exploited first, and smaller benefits only later additional transactions.

Transaction costs can be expected to depend on two main factors: trade development, and government's policies.

3.1. Impact of trade facilitication on transaction costs movement

We can be seen from this brief historical review, in the 19th century economic history of Germany, example of a relationship between transaction cost and economic growth. Germany experienced dynamic economic growth around the middle of the 19th century. There was physical capital investment in railways, and human capital investment in education, and improvements in production technologies, as conventional theory would expect, but also thedevelopment of a customs union, the Zollverein, from 1818 onwards. As Seidel (1971) notes, at the end of 18th century, in the territory of the previous German-speaking Holy Roman Empire, one could experience about 1800 customs barriers (about 1830 trade barriers even within Prussia, including the division of Prussia into two separate parts). Travelling from East Prussia Cologne to West Prussia was associated with custom borders checks and taxing 18 times. Transportation of goods was slowed down, and inspections off cargo and custom duties increased final prices. The Zollverein customs union reduced all these barriers to intra-German trade. The number of transactions increased, bringing prosperity to all engaged in production and exchange.

There is also the post-war phenomenon of European Union and attempts towards a common market for goods and services in the 1990s, with reductions of transaction costs for the 27 EU member states. Transactions cost can be reduced by imposing common technical standards for production and by reducing import and expenditure tax rates, and other barriers to trade within the Union.

Therefore, a reduction in transaction costs or a reduction in resource use per transaction leads to increase economic growth and economic welfare.

Traders from different Member States of the WTO have long complained that trade is often subject to excessive and overly-complex regulations on the importing and exporting of goods. Moreover, the regulations also differ from country to country (or from Union to Union). Especially for small and medium-sized companies, this becomes a costly matter, but even for large companies this often means a heavy administrative burden.

According to one study of Eximbank, the procedural complexities assume to have been started from the following qualitative factors:

- a. Complex administrative processes;
- b. Bureaucratic approach of public agents;
- c. Procedural delays in clearing imported inputs for exports at the customs;
- d. Multiplicity of rule and regulations;
- e. Stringent but inefficient implementation;
- f. Information constraints regarding credit availability and export remiitances;
- g. Infrastructural bottlenecks related to transportation and communication;
- h. Institutional factors which intensify rent-seeking activities in an economy;

i. Political environment as it affects any change in policy stances and other related parameters concerning the factors list above.

After the necessary ratifications were secured, the Trade Facilitation Agreement (TFA), a multilateral treaty that was concluded within the World Trade Organization (WTO), entered into force this past February 22nd. The TFA, which is designed to allow goods to be imported and exported more quickly and easily, will now have to be implemented by the various Member States of the WTO, including every country of the European Union. Because the European Union is already a customs union, this means concretely that positive consequences will be noticed primarily when trading with a Member State of the WTO that is not a Member State of the European Union.

With the entry into force of the TFA, one is seeking to allow the trading, release and clearance of goods to take place more quickly by providing the possibility for goods to be cleared even before all of the customs obligations have been satisfied. In this way, urgent shipments to other WTO Member States, for example shipments via air transport or shipments of perishable goods, will no longer incur unnecessary delays.

In addition, the TFA addresses the necessity of providing clear regulations, which moreover will be identical in the different WTO Member States. Concretely, this entails that Member States must set up websites which clearly explain their export and import procedures – and the accompanying costs – in this specific country and/or that specific Union, while also offering traders a chance to ask questions if anything is unclear.

Obviously, the ratification of the TFA is a first step in the right direction. Before one will truly be able to enjoy the benefits of the TFA, the treaty must first be implemented in each of the WTO Member States. In this regard, the TFA makes a distinction between developed and developing countries.

While the developed countries have undertaken to implement the provisions of the TFA immediately, the developing countries are receiving more time to adopt the provisions. Moreover, the latter group of countries will not only be financially assisted by several partners of the WTO, they will also be constructively supported by the so-called TFAF (Trade Facilitation Agreement Facility). This body was set up in order to pinpoint the specific needs and requirements of the various developing countries and help these countries achieve the objectives of the TFA. The TFA makes a further distinction between "developing countries" and LDCs (least developed countries)

According to the WTO, one result of full implementation of the TFA is that transaction costs or trade costs can be scaled back by 14.3%. Moreover, implementation should lead to global export growth increasing by 2.7% per year by 2030.

Principal focus of the TFA is to reduce the time it takes to cross borders, that is time spent in customs. According to the World Bank's Doing Business data, the average number of days spent by goods in import customs is 5.5 for landlocked developing countries, and 3.6 for non-landlocked developing countries. The data also indicates that for over 50 percent of non-landlocked developing countries, goods spend on average 2 days or less in customs. In landlocked developing countries, the corresponding figure is less than 5 percent, and for almost 10 percent of them, goods spend on average 10 days or more in customs. This pattern also holds when the comparison is between landlocked and non-landlocked LDCs.

For exports, the comparisons again reveal that the average number of days spent by goods in import customs is higher for LDCs (4.8) than for non-LDCs (3.7). Using an estimate of 1.3 percent additional costs per extra day in transit suggests that exporting firms relying on imported inputs in landlocked LDCs face, on average, an additional trade cost of 3.9 percent.

Because Doing Business data is collected every two years from only a handful of freight forwarders in each country, who are asked to report the time and cost for a 20 foot full container weighing 10 tons to cross the border. Estimates covering all parcel shipments from the Universal Postal Union (UPU) reported in figure 1 provide an additional source of comparison. The figure shows the distribution of the time in transit (defined as time between sorting facilities in origin and destination countries) for packages up to 30 kilograms from a large sample of shipment covering many countries. Average days spent by parcels in transit are 7.0 for high income countries, 13.0 for LDCs and 9.7 for other developing countries. Using the same estimate of 1.3 percent additional costs per extra day in transit would imply that LDCs face, on average, an extra 4.2 percent trade cost for parcel shipments compared to other developing countries.

Since the signing of the TFA in December 2013, the OECD has produced and released a series of 11 Trade Facilitation Indicators (TFI) for 187 countries, following closely the targets highlighted by the TFA. Currently, this constitutes the most detailed catalogue of the policies and procedures used in border management agencies around the world, and arguably the best we have to assess more closely the trade cost handicaps faced across different group of countries. Comparing LDCs with non-LDCs and landlocked with non-landlocked countries reveals that the values for the LDC group are again systematically lower for each indicator than for the non-LDC group, though not always significantly so. For some important categories like advance rulings, the differences between the groups is large, a pattern that is also apparent when comparing landlocked with non-landlocked countries.

We have estimated, in another article, the reduction in trade costs from improvements in values of the TFI that might result from implementing the TFA – on the basis of the time spent in customs for a 20' foot container from the Doing Business data. Our results suggest that a successful implementation of the TFA could lead to a percentage reduction in trade costs of 2.4 percent for LDCs, and 4.5 percent for landlocked LDCs. These are not insignificant estimates, and although they only relate to time in customs for imports, several of the gains would also apply for time in customs for exports.

3.2. Impact of government's policies on transaction costs

In import-export, transaction costs in goods and services markets can be loosely classified under two headings: locational factors and policy-related factors. Locational factors are exogenous: each country must take them as a given and cannot change them. They include issues such as sharing a common land border, geographical distance and remoteness, being landlocked or a small island state, having a population that speaks one of the main international languages and historical and commercial links with other countries.

Although countries must take geography and history as given, that does not mean that the trade costs related to those factors are completely impervious to government action. Geographical remoteness, for example, tends to increase trade costs substantially and poses particular problems that governments need to work hard to solve.

Policy makers can limit the effect of remoteness by developing the hard and soft infrastructure needed to build an economy that is strongly connected to global trade, transport and production networks. High country connectivity based on appropriate policies can reduce trade costs and limit economic remoteness, even though geographical remoteness in the strict sense cannot be changed.



Figure 1: Types of trade costs in goods markets

Source: Shepherd 2015.

For example, policy measures affecting trade costs come in three types: at the border, between borders and behind the border. (Figure 6)

Recognition of the importance of trade costs needs to be distinguished from action by governments to reduce trade costs. For example, while 87% of the 62 developing and least-developed country respondents to the 2015 monitoring exercise recognised the importance of trade costs, only 62% of respondents indicated that trade costs were addressed in their national development strategies, 60% in their national trade strategies and 53% in sector-specific strategies. Interestingly, the percentage is less for infrastructure strategy (35%), although this sector is one that has considerable potential to influence trade costs and performance. The picture at the regional level is similar: 80% of respondents indicate that the regional development strategy addresses trade costs, 60% in the case of the regional infrastructure and trade strategies and 50% for sector- and corridor-specific strategies. While there is clear recognition of the importance of trade costs, there are difficulties capturing this insight at a policy level, both nationally and regionally. This is especially true on the side of donor partners.

One set of border policies that affect trade costs in a very direct way relates to trade facilitation, i.e. customs and other border procedures. When those procedures are slow, expensive or unreliable, costs to business increase – with a resulting impact on trade costs. Trade facilitation reforms can therefore reduce trade costs, and the WTO agreement on Trade Facilitation (TFA) provides one framework for moving forward in this area. The OECD has estimated full implementation of the new WTO agreement could reduce developing countries' trade costs by 14% for low income countries, 15% for lower middle income countries and 13% for upper middle income countries (OECD, 2014).

Trade facilitation in this sense is of particular importance in some contexts. For example, India and Pakistan have only one permitted land border crossing, at Attari-Wagah. In 2012-13, 54% of India's imports from Pakistan and 25% of India's total exports to Pakistan passed through this crossing, even though only a restricted list of products is allowed to be traded. Historically, this border crossing has been well known as a chokepoint for traders. However, recent trade facilitation measures appear to have improved performance somewhat. India has introduced an Integrated Check Post, with a dedicated cargo building, an export warehouse and truck parking facilities. Similar facilities are being developed in Pakistan. Border crossing hours have been increased from eight hours per day to 12, and truck capacity has been increased tenfold. Trade facilitation has brought concrete benefits to the trading community in the form of lower trade costs and higher volumes.

The TFA deals with one set of factors that determine trade costs in goods markets, namely customs and other border procedures. However, many other policies are also at play. As already mentioned, transport plays a key role. On the one hand, goods have to be moved internationally, so policies governing the development and operation of maritime and air gateways have the potential to affect trade costs. Similarly, policies governing air and maritime transport are also relevant. Countries that sign liberal bilateral air services agreements can expect to see their trade costs go down for goods transported by air, such as parts and components that circulate through global value chains (GVCs) or horticultural products and new agricultural productions. Some countries limit competition in some aspects of their maritime services sectors, such as cabotage (movement between domestic ports), with resulting increases in trade costs.

Figure 7 summarises the above discussion by means of reference to a broad set of trade cost factors that are of relevance to many countries.



Figure 2: Policies affecting trade costs in goods markets at all points in the supply chain

Source: Moïsé and Le Bris (2013)

So far, the analysis has focused on policies at and between borders. But behind-the-border policies are also relevant (e.g. Moïsé and Le Bris, 2013). Wholesale and retail distribution, as well as transport and logistics, determine the ability of producers to get their goods to market in a cost-effective way. Countries with poorly performing distribution and logistics networks tend to suffer from high trade costs and can become insulated from world markets. In some countries in West Africa, for example, completion of national markets – not just the interface between national and international markets – is an issue.

Conclusion, trade costs come in a variety of different forms. However, each country has its own particular circumstances. A particular constraint may be binding in one country in the sense that it represents the main source of trade costs that prevents businesses from engaging with the world economy. The critical policy may be something quite different in another developmental or regional setting.

4. Measurement of transaction costs.

Available researches all divide the measurement into macro aspect and micro aspect, on the macro aspect it refers measuring the costs of economics system operation or institution transformation, on the micro aspect, and it refers measuring the costs of some industry or field executing a transaction (Zhang 2010). According to Steven N.S. Cheung (1998), the measurement includes accurate measuring and margin contrast analysis. The

former means adopting statistics data or model to calculating the costs, and the latter means non-accurate but comparable analysis. If we are able to say ceteris paribus, that's a particular type of transaction cost is higher in Situation A than in Situation B, and that different individuals consistently specify the same ranking whenever the two situations are observed, it would follow that transaction costs are measurable, at least at the margin (Cheung, 1998).

On the macro aspect, most of the works on macro aspect are concentrated on the measuring economy transaction costs and studying interaction between transaction costs and economic growth. The methods are widely adopted. One is directly measuring, just as Wallis &North have done in 1986. They partition the nation economic sections. The other is to build measuring model referred to Wallis &North's direct measuring method. In addition, researches based on the view of institution evolution also constitute a potential direction of studying. There are three measurements according to macro aspect:

- Direct measurement;
- Building Measurement Model;
- Institution Evolution Margin Analysis.

On the micro aspect, there are four measurements:

- Buy- sell price margin method;
- Typical reference quantities method;
- Investigating method;
- Data Statistic method.

This paper applies measurement of data statistic method. Many scholars directly use government statistics data or field survey statistics to conduct research although this way needed to cost a large number of manpower, material resources and time, but it contributes to remarkable and persuasive achievement. Government institutions documents researching can be regarded as a means of measuring public policy transaction costs. Katherine Falconer & Caroline Saunders (2002) have studied communication, documents, contract agreement, telephone, conference, web access and other information from the government departments. They have estimated the transaction costs of agricultural environment management agreement negotiation process. Kuperan, Nik, Robert, Genio & Salamance (2008) have studied the transaction costs of the Philippines San Salvador Island under two fishing models common management and centralized management, according to the data from 1988-1996.

5. Measurement of transaction costs level in export

Transaction costs are not only related to distance, transportation costs or tariffs, but include many other factors, some of them not directly measurable, such as uncertainty. Those transaction costs, which result from a mix of policy decisions (tariffs and non-tariff measures, customs and other cross-border administrative requirements) and structural conditions (distance from main markets, situation of the transport infrastructure) act as a nominal protection by shielding domestic producers from the competitions of imported products. But they also increase production costs, and reducetheir competitiveness.

Among all cross-border transaction costs, nominal tariffs are certainly the most visible. Tariff duties increase the domestic price of tradable goods by adding a tax to their international or free market price. When duties are specific (in particular for agricultural products), analysts compute ad-valorem equivalents. When it comes to non-tariff trade costs, the situation is more complex. International economics has overwhelmingly relied on Samuelson's (1954) hypothesis that they are proportional to value and distance (ad-valorem "iceberg transport cost"). Yet this remains an over-simplification.

For example, transportation costs depend on (i) the nature of the good (e.g., perishable or not; bulky or not, etc.) (ii) the distance between producers and consumers and (iii) the mode of transport. Besides freight costs, Lewis (1994) identifies various additional factors contributing to logistics costs, among them: interest charges on goods awaiting shipment, on goods in transit and on goods held as safety stock; loss, damage or decay of goods between manufacture and sale. Because tariffs have become a less frequent barrier to trade, the contribution of transportation to total trade costs —shipping plus tariffs—has become not only more evident,

but also relatively more important. Hummels (2007) records that median transport expenditures were half as much as tariff duties for U.S. imports in 1958, equal to tariff duties in 1965 and three times higher than aggregate tariff duties paid in 2004.

There are several ways for estimating trade costs (for a review, see Fortanier and Miao, 2016). Instead of a direct measure of trade margin, such as the FOB/CIF difference, we opted for an indirect estimate made on trade in value-added data taken from Duval, Saggu and Utoktham (2015). The non-tariff trade costs by Duval et al. are derived from an application of the "Gravity Model" on the OECD-WTO TiVAdatabase. Those trade costs have a monetary dimension (e.g., transportation, insurance and other fees) but also a more subjective dimension: information costs; non-monetary barriers (regulation, licensing, etc.); consumer taste differences; insecure contracts and weakness in trade governance leading to uncertainty. Trade costs measured through the indirect gravity model approach have two main components. The first one is mainly bilateral. It reflects the geographical and economic separation between the exporter and the importer and covers the geographical distance, freight and insurance costs, but also the trade friction/facilitation effect of features such as language, common history, common border and/or regional trade agreement participation. The second component of trade costs is proper to the exporter or the importer, irrespective of the bilateral trade aspects. They represent theadministrative and economic costs of crossing the border either at export or at import stage. These costs are often referred as border"thickness" (G-20, 2016) and include tariffsand nontariff measures, logistic and trade facilitation performances at the ports of origin or destination, but also trade policy uncertaintywhich may increase the perceived cost of doing business.

In terms of trade facilitation, according to Wilson *et al.* (2005) define trade facilitation using four indicators: port efficiency, customs, regulations and use of e-commerce, analysing their statistical significance with a gravity model for a sample of 75 countries. However, other studies have used one specific indicator to estimate trade facilitation and ascertain its impact on exports (UNDP, 2001; OECD, 2003; Dennis, 2006; Decreux and Fontagne, 2006; Behar and Manners, 2008).

• The Logistic Performance Index (LPI)

The LPI is built on the basis of a worldwide survey carried out on companies responsible for the transport of goods and for the facilitation of trade globally. Specifically, it was developed with the assistance of over 800 professionals involved across the different areas of the sector's lines of activity¹. Each respondent to the survey was asked for data pertaining to the eight countries they most traded with at international level, and over 5,000 assessments were obtained for each country.

The aggregate index is calculated by analysing six main components, being the indicators the following: customs, infrastructure, international shipments, competence, tracking and timeliness.². None of these independently guarantee a good level of logistics performance, and their inclusion is conditioned to empirical studies and extensive interviews carried out with specialists on international freight transport. Each component is defined as follows:

• Customs: measures the efficiency and effectiveness of the customs despatch procedure (speed, simplicity and predictability of customs agencies). All of this is configured through a series of administrative tasks that allow the existing Customs: measures the efficiency and effectiveness of the customs despatch procedure (speed, simplicity and predictability of customs agencies). All of this is configured through a series of administrative tasks that allow the existing legislation on international trade to be implemented and taxes on the import/export of goods and services to be collected.

• Infrastructure: measures the quality of the country's transport and telecommunications infrastructure. It is related to the procedure used for moving the goods to the final consumer, and is not totally controlled by companies due to external factors. However, it is important to measure how organizations cope with the available facilities, being either an advantage or an obstacle that prevents them from being competitive.

• International shipments: measures how easy it is to arrange shipments at competitive prices.

¹ The questionnaire is available at www.worldbank.org/lpi

² The LPI published in 2010 and 2012 only take six indicators into consideration (they exclude the domestic logistics costs included in 2007.)

• Logistics quality and competence: measures the competence and quality of logistics services. It shows how certain parties within the organizational structure behave, representing the quality of service to the customer and optimizing the relationship between organizations and consumers.

• Tracking and tracing: measures the tracking and tracing of shipments. It is important to identify the exact location and the route of each consignment up to its delivery to the end customer. All parties in the good's supply chain are involved in this component, and consequently traceability is the result of the activity of the sector as a whole.

• Timeliness: measures the punctuality of shipment delivery times. This is an important factor for consideration, because with the existing high level of competition, failure to comply with delivery schedules is unacceptable. This has influenced the need for increasingly sophisticated computerization processes.

These components cover the various areas that define LPI and it has been proved that they have a greater impact than distance and transport costs (Korinek and Sourdin, 2011). Specifically, they include elements of essential logistical value, such as the transparency of processes and their quality, as well as the predictability and reliability of services.

The indicators have been added and properly weighted, receiving a score of 1 to 5 where the higher value represents better logistics. In practice, the LPI usually sits between the maximum of 4.2 in Singapore to the low of 1.2 corresponding to Afghanistan in 2005. The countries that occupy the top positions have large distribution platforms and industries specialised in logistics services, which tend to benefit from economies of scale, and are the source of major technological innovations.

• Trading Across Border Indicator (TAB)

An alternative trade and transport facilitation index used was the Trading Across Borders (TAB) indicator, produced by the World Bank as part of its "Doing Business" project. This indicator records the time and cost associated with the logistical process of exporting and importinggoods and is based on the time and cost (excluding tariffs) associated with three sets of procedures—documentary compliance, border compliance and domestic transport—within the overall process of exporting or importing a shipment of goods.

Doing Business records the time and cost associated with the logistical process of exporting and importing goods. *Doing Business* measures the time and cost (excluding tariffs) associated with three sets of procedures— documentary compliance, border compliance and domestic transport—within the overall process of exporting or importing a shipment of goods. Figure 1, using the example of Brazil (as exporter) and China (as importer), shows the process of exporting a shipment from a warehouse in the origin economy to a warehouse in an overseas trading partner through a port. Figure 8, using the example of Kenya (as exporter) and Uganda (as importer), shows the process of exporting a shipment from a warehouse in the origin economy to a warehouse in a regional trading partner through a land border.





Source: Doing Business database

The ranking of economies on the ease of trading across borders is determined by sorting their scores for trading across borders. These scores are the simple average of the scores for the time and cost for documentary compliance and border compliance to export and import (Figure 9).

Although *Doing Business* collects and publishes data on the time and cost for domestic transport, it does not use these data in calculating the score for trading across borders or the ranking on the ease of trading across borders. The main reason for this is that the time and cost for domestic transport are affected by many external factors such as the geography and topography of the transit territory, road capacity and general infrastructure, proximity to the nearest port or border, and the location of warehouses where the traded goods are stored and so are not directly influenced by an economy's trade policies and reforms.

The data on trading across borders are gathered through a questionnaire administered to local freight forwarders, customs brokers, port authorities and traders.

If an economy has no formal, large-scale, private sector cross-border trade taking place as a result of government restrictions, armed conflict or a natural disaster, it is considered a "no practice" economy. A "no practice" economy receives a score of 0 for all the trading across borders indicators.

• Other indicators

The Organization for Economic Cooperation and Development (OECD) has developed Trade Facilitation Indicators (TFIs), which cover the full spectrum of Customs' and other border procedures that are addressed by the World Trade Organization (WTO)'s Agreement on Trade Facilitation (TFA). One of the objectives of the TFIs is to inform countries of 'the state of implementation of various policy areas and measures' included in the TFA, thereby allowing them 'to monitor their progress since 2012 and to make comparisons with other countries or groups of countries of interest'³. To date, 133 countries have been assessed across 11 procedural categories: information availability; consultations; advance rulings; appeal procedures; fees and charges;

³ http://www.oecd.org/tad/facilitation/TFIs-overview-available-tools-september-2015.pdf.

documentation requirements; automation of border procedures; streamlining of border processes; domestic border agency co-operation; cross-border agency co-operation; governance and impartiality⁴.

The World Economic Forum's Enabling Trade Index (ETI), the 2016 edition of which covers 136 economies collectively accounting for more than 98 percent of global trade, 'assesses the extent to which economies have in place institutions, policies, infrastructures and services facilitating the free flow of goods over borders and to their destination'. The ETI is made up of a substantial number of indicators measuring different trade-enabling factors, which are organized into 4 different sub-indexes: market access; border administration; infrastructure; and operating environment.⁵ For 'border administration' which is the most pertinent sub-index, the following indicators are provided (13 in total): Customs services index (1 indicator); efficiency of the clearancem process (1); border compliance: time and cost to export/import (4); documentary compliance: time and cost to export/import (4); irregular payments and bribes: imports/exports (1); time predictability of import procedures (1); and Customs transparency index (1)⁶.

As such, the ETI has incorporated the Trading across Borders indicators which were originally used for *Doing Business*, with a view to revealing the full extent of the trade facilitation efforts for each of the countries concerned.

5. Conclusion

Merchandise export is an activity in the distribution and circulation of goods in an extended process of remanufacturing of goods, the purpose of linking production with consumption of one country to another. This activity does not only take place between individual individuals, but also involves the whole economic system and the administration of the state. Commodity export is a trading activity on an international scale. Exports of goods play a huge role in the socio-economic development of each country. How the social production of a developed country depends greatly on its export. Exports can increase foreign exchange earnings, improve the balance of payments, increase budget revenues, stimulate technological innovation, change economic structures, create jobs and improve living standards. of people. For countries with low economic levels such as Vietnam, potential factors are natural resources and labor, while shortage factors such as capital, market and management capacity. The export-oriented strategy is essentially an open solution of the economy to take advantage of foreign capital and technology, combining them with the domestic potential of labor and natural resources to create strong growth. for the economy, contributing to closing the gap with rich countries. Exports play an important role.

In export activities, there will appear transaction costs, transaction costs are very important in export activities, which determine the quality of export activities. The paper analyzed the factors affecting the transaction costs in export activities, including two main factors: the influence of trade agreements and government policies. From there, we offer a method to measure transaction costs, measure transaction costs in export activities. From our research results, future studies can carry out empirical studies for more realistic results.

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⁵ WEF-GATF (2016), 13-15.

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