

METHODOLOGY

Potential (or standard) export value of product k supplied by country i to market j , in dollars, is calculated as $\text{supply} \times \text{demand (corrected for market access)} \times \text{bilateral ease of trade}$. The export potential value is projected by an economic model based on the characteristics of the exporter, target market, and the strength of the relationship between them. The estimated dollar value serves as a benchmark for comparison with actual export performance and should not be interpreted as a ceiling value. In reality, the actual trade value may be below or above the potential value.

The supply side in the export potential indicator is based on the projected market share. As a result, the share of country i 's exports of product k in total exports of product k , multiplied by the exporter's expected GDP growth rate (relative to expected GDP growth of other exporters of the same product) capture the relative increase in overall supply performance. This indicator is corrected for possible re-exports whenever imports of the product exceed exports. It is also corrected for market access: the supply indicator is meant to capture projected market share in the absence of re-exports and tariffs (the impact of tariffs on exports to a particular market will be taken into account in the demand component).

The demand component is based on projected imports, thus market j 's demand for product k , augmented by expected population growth (with a unitary elasticity) and expected growth of GDP per capita (subject to estimated revenue elasticities of import demand per capita at sector level). The indicator also considers the tariff advantage in the target market and the bilateral distance as compared to the average distance over which the target market usually imports the product.

Ease of trade is based on a ratio of actual trade between exporter i and market j for products with potential relative to their hypothetical trade if exporter i had the same share in market j as it has in world markets. The numerator captures the actual trade between the exporter i and market j and the denominator captures trade complementarities between the exporter i and market j . If $\text{Ease} > 1$, country i finds it easier to trade with market j than with world markets on average. This can reflect in a high numerator, resulting for instance from the two countries being located in proximity, sharing the same language or culture or having established commercial links in the past. It can also reflect in a low denominator due to a limited complementarity of the countries' export and import

baskets. An Ease > 1 will augment country i 's potential to trade any type of product with market j . By contrast, if Ease < 1 , country i finds it relatively more difficult to trade with market j , lowering its potential to trade with that market across all products.

DATA

The following measures have been taken to ensure that unreliable data reports have not distorted the results:

First, five-year averages are used to moderate the impact of outliers. Furthermore, all products must be exported at least in the three most recent years and imported in all five years to ensure that only products that have been continuously supplied and demanded are included in the export potential analysis.

Second, taking the geometric average of the direct (reported by the exporting country) and the mirror (reported by the country's trade partners) trade flows helps obtaining a cautious estimate of the 'true' export and import values.

Third, a rigorous reliability assessment identifies and filters out unreliable reporters whose reported trade flows significantly deviate from those of their trade partners.

Variable	Source	Further information
Export and import values	ITC Trade Map	2015–2019
Ad-valorem tariffs	ITC Market Access Map	Latest year available as of Dec. 2019
Price elasticities	GTAP (Hertel et al., 2004)	Hertel, Hummels, Ivanic and Keeney (2004)
Distances	CEPII GeoDist (Mayer and Zignago, 2011)	CEPII GeoDist (Mayer and Zignago, 2011), based on geodesic distances between main cities (with population figures from 2004). Geodesic distance

		between capital cities is used for missing countries.
GDP growth projections	IMF World Economic Outlook database	2016–2021 (as of April 2020)
Population projections	ILO Stat database	2016–2021 (UN estimates and projections, July 2015)
GDP (current US\$) and population data	World Bank WDI database	2015–2019