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Definition: In terms of our earlier notation, the double factorial terms of trade (TT,,) of country H are a product of its net barter terms of trade (TTC), index of productivity in its export sector (Zx), and reciprocal of the index of productivity in its “ import sector” (Zm) (that is, index of productivity in the export sectors of its trading partners, “ rest of the world”, or W). Limitations: This measure, being a derivative of a set of index numbers, suffers from all their drawbacks. This measure has no practical use. The purpose of a country in estimating TT should be to incorporate the changes in productivity of its exports and import-competing industries. Instead, it incorporates the productivity changes in the industries being operated by foreign economies.

In itself, the productive efficiency of foreign industries in irrelevant for the domestic economy. What is relevant is the price which it has to pay for its imports in the form of its exports. In practice, it is doubly difficult to estimate productivity changes in export sectors of foreign countries. The difficulty increases still further because, normally, a country imports from several countries and their data cannot be compared.