

Reiner Horst, Le Dung Muu, M. Nast

A Branch-and-Bound Decomposition Approach for Solving Quasiconvex-Concave Programs

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Kurzfassung

Regional trade agreements (RTAs) are usually classified according to their form into four broad categories: preferential arrangements, free trade agreements, customs unions and common markets. This paper investigates whether the form/ depth of RTAs matters concerning their effect on trade. I use a proper specification of the gravity model with panel data on the 1960–2000 period, which specifically control for self-selection into agreements. Results show that creating any kind of RTAs providing trade preferences to their member countries significantly increases bilateral trade. Nevertheless, their average treatment effect on bilateral trade does not significantly differ according to the depth of agreements.