Our analysis finds evidence of positve, negative and not significant effects of PTAs on both South-South and North-South trade relationships, on trade volumes and on the value per unit of manufacturing products exported.

The magnitudes of the findings are similar to the estimates in the empirical literature on the effects of PTAs on trade.

Our findings on the heterogeneous of effects of PTAs

South-South PTAs can have positive effects.

North-South PTAs can have negative effects.

Emerging South

What PTAs cover might matter?

“Several themes emerge from this newly bourgeoning literature. First, South–South trade and finance is now a significant economic and political force for South countries as well as for the global economy. There is a near consensus therefore that South–South economic relations do matter and that they have the potential to have a significant developmental impact. Moreover, this impact may be positive or negative, that is, that it may help or hinder the long-term developmental goals of exchanging parties. Second, much of South–South manufactures trade is concentrated in high-technology-and-skill content, opening the door for potential long-run dynamic gains from trade. However, these gains are being increasingly concentrated within a small number of South countries. The global South is, in fact, splitting into two groups, which we refer to as the Emerging South and the Rest of South with very different outcomes. While there is evidence for gains through South–South trade, there is also evidence that the Emerging South is rising at the expense of the Rest of South. Finally, the South–South exchanges have expanded significantly to cover issues including financial flows and technology transfer, among other topics. The overall conclusion of this diverse literature is that while it does matter who is exchanging what and with whom, South–South trade is not a panacea for the development challenges in Southern countries. On the contrary, South–South exchange themselves may become a potential threat for development for some of the Southern countries.” (Dahi & Demir, 2017)

Potential mechanisms

Policy recommendations?

Limitations

Although the predictive power of the Gravity Model of Trade is well established in the relevant literature, it is important to note that out empirical analysis does not claim to achieve an impenetrable causal inference on the effects of PTAs.

Estimates for other periods studied could change.

The findings of this paper could be constrained by measurement errors in trade flows especially in countries that do not have robust statistical infrastructure. Hence, the accuracy of results depends on the correctness of the available data.

It still provides useful insights on the hteterogeneous effects of PTAs, and their development potential and use by developing countries.

References

Dahi, O. S., & Demir, F. (2017). South-South and North-South Economic Exchanges: Does It Matter Who Is Exchanging What and with Whom? *Journal of Economic Surveys*, *31*(5), 1449–1486. https://doi.org/10.1111/joes.12225