Summary of key points

This paper analysed

Contributions to field

In this paper we have proposed several methodological innovations to advance the literature on the effects of PTAs. We use a modern data set, comprised of data between the years 1995 and 2015, with data on both international and domestic trade. We do not focus our sample on particular regions or groups of countries, nor on specific agreements. We try to cover as many countries and PTAs as possible, without over representation of developed or “North” countries or of the biggest agreements. We extend traditional gravity estimations to capture heterogenous effects of PTAs instead of the average “total” partial effect as is common in the literature, as well as heterogenous effects of PTAs on the different categories of bilateral trade relationships (North-North, North-South and South-South). Finally, we compliment our main estimations by replacing bilateral trade volume with the export product unit value of manufacturing products (HS codes 84 and 85).

Recommendations

Based on the findings and analysis covered, it is not entirely clear if “South” countries as a whole should have a preference towards North-South or South-South trade relations.

Future research directions

Future research on the heterogenous effects of PTAs using gravity models is promising.

Research on the dynamic effects of PTAs on the industrialization process and on technology absorption and upgrading.

Extending models to capture effects of country-pairs member to a PTA, and to capture effects on individual countries of a country-pair member to a PTA. (Baier et al., 2019)

Extending models to capture effects of different types of PTAs depending on their depth and content.

Different sub-classifications of “South” countries should be explored to further understand the limits to South-South cooperation in trade.

Beyond trade volume, the measure of export product unit value can be used to capture the increase or decrease of the value per unit commodities and goods in specific industries.

References

Baier, S. L., Yotov, Y. V., & Zylkin, T. (2019). On the widely differing effects of free trade agreements: Lessons from twenty years of trade integration. *Journal of International Economics*, *116*, 206–226. https://doi.org/10.1016/j.jinteco.2018.11.002