Despite their apparent importance for the government of developing countries, a common view in the academic literature is that South-South TAs are not as effective as North-South TAs, and that they do not achieve significant effects, making them largely symbolic (Gamso & Postnikov, 2022). North-South agreements, signed between developed and developing countries, are presented as a superior alternative, more effectively leading to increased trade for its members, and quality upgrading through learning-by-exporting dynamics and better access to intermediate goods for developing countries. At the same time, other strands of the international trade literature present South-South TAs as a more effective platform for developing countries to grow, at least to a level where they can take advantage of North-South cooperation without being undermined by more influential powers. This debate is often presented as a dichotomy, where South-South TAs are either building or stumbling blocks for developing countries. Solving it, will go a long way in better informing developing countries into which agreements they should enter, with what types of partners, and how should the agreement be designed.

In this paper, we venture to analyse this dichotomy empirically through the use of a gravity model of trade, and subsequent extensions, in order to get estimates for the effects of specific TAs, as well as estimates on the effects of TAs on South-South, North-South and North-North bilateral trade relationships, relative to non-TA-members. We also explore the use of the export product unit value (EPUV) as an alternative to trade volume, in order to capture the effects of TAs on the value per unit exported of manufacturing goods. As such, we explore two specific research questions: do South-South TAs act as building blocks or stumbling blocks to developing countries? Are they preferable to North-South agreements?

This research is related to literature from traditional trade theory on comparative advantage, to new trade theory and classical development theory on the potential dynamic and scale effects of TAs, and to more recent literature on the relevance of the structure of the product space exported and the extensive margin of trade.

The paper proceeds in section 2 with a review of the relevant theoretical and empirical literature on the effects of TAs on North-South and South-South trade and potential development implications. Section 3 introduces our empirical methodology and data. Section 4 presents and describes our main findings, and Section 5 analyses and discusses their potential implications and how they fit within the relevant literature. Finally, Section 6 concludes.

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