



New aspects of the EU-ACP relations: The Aid for Trade initiative to serve the Economic Partnership Agreements

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Outline



- Research objective
- Cotonou Partnership Agreement
- Economic Partnership Agreements
- Aid for Trade in the EU
 - Methodology
 - Results
- Conclusions





Research objective



Analysing empirically how the Aid for Trade initiative can contribute to the trade expansion between the ACP countries and the EU

Aid for Trade as a tool for implementing EPAs?

Method: Gravity model





Cotonou Agreement



- History: the Lomé Conventions (1975-2000)
- Signed in 2000
- New elements:
 - Reciprocal trade preferences
 - Partnership, political conditionality, good performers
 - Political dialogue, NGOs
 - Poverty, sustainable development, integration into world trade
- Pillars of development cooperation: trade and aid
- Framework for Economic Partnership Agreements





Economic Partnership Agreements



SZÉCHENYI TERV

- Negotiations: 2002 – up to date
 - 6 ACP-regions → the Caribbean
- Objective: foster the developing countries' share of world trade
 - Reciprocal trade preferences!
- Risks for the ACP countries
 - Underdeveloped economic structure, decreasing income from tariffs, trade diversion effect
 - Slowing regional integration, sanitary regulation
- EPA: negative effects? (EU: winner)
- Aid for Trade as a solution?





Effects of Aid for Trade



Study	Object of the analysis (donor)	Results
Helble et al (2009)	Export (general)	++
Huchot-Bourdon et al (2009)	Classification of the developing countries	n.a.
Bearce et al (2010)	Export (USA)	++
Moreira (2010)	Export (general)	++
Naito (2010)	Costs (general)	++
Vijil és Wagner (2010)	Export (general)	++
Cali és te Velde (2011)	Trade costs, export (general)	++
Pettersson és Johansson (2011)	Export (general)	+
Udvari (2011)	Least developed countries (general)	+/-

Note: ++: positive results, +: positive, but not significant impact, +/-: mixed results, n.a.: not impact analysis was the aim of the study

Source: author's own



Empirical analysis



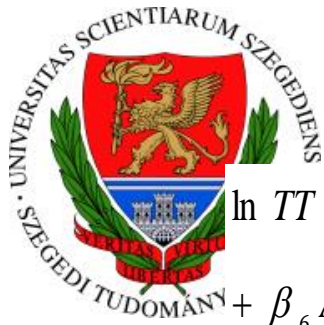
Donors and recipients

- EU: aggregating EU-15
- 85 developing countries – 43 ACP

Measuring AfT – OECD database

- Trade related infrastructure = economic infrastructure
- Building productive capacity + trade development = building productive capacity
- Trade policy and regulations





Total Aid for Trade



$$\ln TT_{i,eu} = \beta_0 + \beta_1 \ln(Y_i Y_{eu}) + \beta_2 \ln(Yc_i Yc_{eu}) + \beta_3 \ln Dist_{i,eu} + \beta_4 \ln AfT + \beta_5 Time + \beta_6 ACP + \beta_7 Oil + \beta_8 LDC + \varepsilon,$$

$$\ln TT_{i,eu} = \beta_0 + \beta_1 \ln(Y_i \times Y_{eu}) + \beta_2 \ln(Yc_i Yc_{eu}) + \beta_3 \ln Dist_{i,eu} + \beta_4 \ln Af\vec{T} \times ACP + \beta_6 \ln Af\vec{T} \times LDC + \beta_7 \ln AfT \times Oil + \beta_5 Time + \varepsilon,$$

TT: total trade, Y: GDP, Yc: GDP per capita, Dist: distance, AfT: Aid for Trade, Time: 2006-2010, ACP-LDC-OIL: dummies

Areas of Aid for Trade

$$\ln TT_{i,eu} = C + \beta_1 \ln Y_i Y_{eu} + \beta_2 \ln Yc_i Yc_{eu} + \beta_3 \ln Dist_{i,eu} + \beta_4 \ln ECI + \beta_5 \ln BPC + \beta_6 \ln TPR + \beta_7 Time + \beta_8 ACP + \beta_9 Oil + \beta_{10} LDC + \varepsilon,$$

ECI: economic infrastructure, BPC: building productive capacity,

TPR: trade policy and regulations



Results



Average Aid for Trade assistance (in thousands of dollars)

Variable	ACP-countries ($n_1 = 43$)	Non-ACP ($n_2 = 42$)	Total sample ($n_3 = 85$)
Economic infrastructure	14,852 (34,129)	44,858 (101,330)	29,678 (76,647)
Productive capacity	19,212 (27,352)	34,941 (57,229)	26,984 (45,320)
Trade policy and regulations	0,687 (2,379)	0,949 (5,460)	0,817 (4,191)
Total Aid for Trade	34,752 (51,793)	80,741 (135,638)	57,479 (104,655)

Source: author's own calculations



Coefficients (sig.) of the regression models



Variable	Model A	Model B	Model C	Model D
Constant	-33.626 (0.000)	-33.780 (0.000)	-33.348 (0.000)	-33.311 (0.000)
Paired GDP (ln)	0.897 (0.000)	0.832 (0.000)	0.838 (0.000)	0.837 (0.000)
Paired GDP per capita (ln)	0.088 (0.077)	0.184 (0.005)	0.154 (0.017)	0.165 (0.014)
Distance (ln)	-0.972 (0.000)	-0.903 (0.000)	-0.893 (0.000)	-0.907 (0.000)
2007 (0 if no, 1 if yes)	-0.034 (0.801)	-0.003 (0.979)	0.002 (0.989)	-0.003 (0.979)
2008 (0 if no, 1 if yes)	-0.163 (0.235)	-0.197 (0.130)	-0.182 (0.158)	-0.161 (0.218)
2009 (0 if no, 1 if yes)	-0.568 (0.000)	-0.632 (0.000)	-0.609 (0.000)	-0.619 (0.000)
2010 (0 if no, 1 if yes)	-0.322 (0.000)	-0.374 (0.005)	-0.359 (0.000)	-0.358 (0.007)
Total Aid for Trade (ln)		0.131 (0.000)	0.101 (0.000)	
ACP-country (0 if no, 1 if yes)		0.565 (0.000)		0.569 (0.000)
Oil-exporting country (0 if no, 1 if yes)		0.186 (0.111)		0.162 (0.167)
LDC (0 if no, 1 if yes)		-0.372 (0.004)		-0.398 (0.002)
AfT*ACP (ln)			0.061 (0.000)	
AfT*LDC (ln)			-0.049 (0.000)	
AfT*oil-exporting (ln)			0.011 (0.349)	
Economic infrastructure (ln)				0.053 (0.000)
Building productive capacity (ln)				0.060 (0.010)
Trade policy and regulations (ln)				-0.004 (0.790)
R²	0.823	0.847	0.850	0.846



Coefficients (sig.), ACP vs. non-ACP

Variable	ACP	non-ACP
Constant	-26.967 (0.000)	-35.186 (0.000)
Paired GDP (ln)	0.666 (0.000)	0.895 (0.000)
Paired GDP per capita (ln)	0.251 (0.007)	0.079 (0.406)
Distance (ln)	-0.865 (0.000)	-0.803 (0.000)
2006 (0 if no, 1 if yes)	0.496 (0.001)	
2007 (0 if no, 1 if yes)	0.540 (0.000)	-0.055 (0.750)
2008 (0 if no, 1 if yes)	0.371 (0.010)	-0.184 (0.298)
2009 (0 if no, 1 if yes)		-0.672 (0.000)
2010 (0 if no, 1 if yes)	0.300 (0.035)	-0.460 (0.011)
Economic infrastructure (ln)	0.043 (0.020)	0.079 (0.001)
Building productive capacity (ln)	0.141 (0.000)	-0.016 (0.652)
Trade policy and regulations (ln)	0.023 (0.261)	-0.025 (0.234)
Oil-exporting country (0 if no, 1 if yes)	0.844 (0.000)	-0.037 (0.783)
LDC (0 if no, 1 if yes)	-0.294 (0.092)	-0.707 (0.001)
R ²	0.796	0.855
Adj. R ²	0.783	0.846
N	215	210

WAL





Conclusions



- EU: accepts AfT as a tool for implementing EPAs
 - Their objective: fostering trade
- Gravity model results
 - AfT has significant impact on trade
 - EI, BPC are significant (but in non-ACP)
- That is: AfT may contribute to trade expansion
 - AfT as a bargaining power
 - EU may be a winner





Thank you for your attention!

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