E-ISSN: 2612-4793
Print-ISSN: 2612-4815

Journal of International Cooperation and Development
www.richtmann.org/journal

Vol 7 No 1
March 2024

Research Article

Received: 8 January 2024 / Accepted: 24 February 2024 / Published: xx March 2024

The Challenges of Free Trade with the European Union for Tunisia

Jihene Yemmen

Mohamed Miras Marzouki

Department of Economics and Management Sciences,
FESGT Campus Manar University,
Tunis, Tunisia

DOI: https://10.36941/jicd-2024-0002

Abstract

International economic integration is a complex process of cooperation and diffusion between the national economies of different countries, aimed at creating a unified economic entity. Like many developing countries, Tunisia has adopted unprecedented reforms to facilitate the integration of its economy into the world market. From 1986 to 1995, numerous economic measures involving trade liberalization were undertaken. Tunisia adopted the Structural Adjustment Program (SAP), it joined the General Agreement on Tariffs and Trade (GATT), and the World Trade Organization (WTO) in 1994. In 1995 the Association Agreement (AA) concluded between Tunisia and the European Union (EU), which launched and established a free trade zone (FTA) covering industrial products. the European Union has begun negotiations in Tunis on a Comprehensive and In-depth Free Trade Agreement (CAFTA). This project aims to broaden and consolidate their economic cooperation. The paper aims is to explore the advantages and disadvantages of integrating a small country into a large economic region. It attempts to analyze the gains and losses of the trade integration agreements established between Tunisia and the European Union. He also referred to the European Union (EU's) recent proposal to Tunisia for a deep and comprehensive free trade agreement (DCFTA). Although the impact of integration is uncertain, the risks are significant and can be avoided by adopting appropriate trade policies. This article contributes to the existing literature studying the impact of the Association Agreement between Tunisia and the European Union (EU).

Keywords: *Free trade area, Tunisia-EU integration, trade creation, trade diversion, Effects of Integration, Comprehensive and Deep Free Trade Agreement*

1. Introduction

The liberalization of trade between Tunisia and the EU is a process that has been over a long period of time, like many developing countries, Tunisia has adopted unprecedented reforms to facilitate the integration of its economy into the world market. From 1986 to 1995, a number of economic measures involving trade liberalization were undertaken.

In 1986, Tunisia adopted the Structural Adjustment Program (SAP), in 1989, it joined the General Agreement on Tariffs and Trade (GATT) and the World Trade Organization (WTO) in 1994. In 1994, the General Multilateral Agreement on Tariffs and Trade stipulated that bound duties imposed on agricultural imports and domestic agricultural subsidies were to be phased out. In 1995, the bilateral partnership agreement signed with the European Union provided for the complete removal of tariff barriers on industrial products from the EU over a twelve-year period. Negotiations also concerned agriculture, but this was not included in the free trade agreement between the EU and Tunisia. It benefited from tariff reductions, quotas and duty-free allowances during certain periods of the year. The elimination of customs duties provided for in the agreement was completed in 2008, leading to the creation of a free trade zone for industrial products.

In October 2015, the European Union began negotiations in Tunis on a Comprehensive and Deep Free Trade Agreement (CCFTA). This project aims to broaden and consolidate their economic cooperation. CAFTA covers a wide range of areas such as trade in services, investment, public procurement, technical standards, customs procedures, and trade facilitation.

2. Impact of Imports

The liberalization of Tunisian imports from Europe began with the 1995 Association Agreement. The impact of imports on Tunisia is more complex to determine than the impact of exports. Imports generate both profits and losses. Profits derive from the difference between the European import price and the taxable price of an equivalent good on the Tunisian market.

As the EU market prices of industrial goods imported by Tunisia from the EU are lower than the taxed prices of the same goods on the Tunisian market, the difference benefits Tunisian consumers and therefore constitutes a gain. This price difference is significant, due in particular to the differences between the protection rates applied by Tunisia and those of the EU. The average tax rate on industrial products in the EU is around 3-4%. In Tunisia, this rate is almost 10 times higher than in the rest of the world. Under the Association Agreement, tariffs on products imported from the EU are zero. Since the difference between EU prices and Tunisian market prices is significant, the profits from imports should also be substantial. Given that the difference between EU prices and Tunisian market prices is significant, profits from imports should also be high.

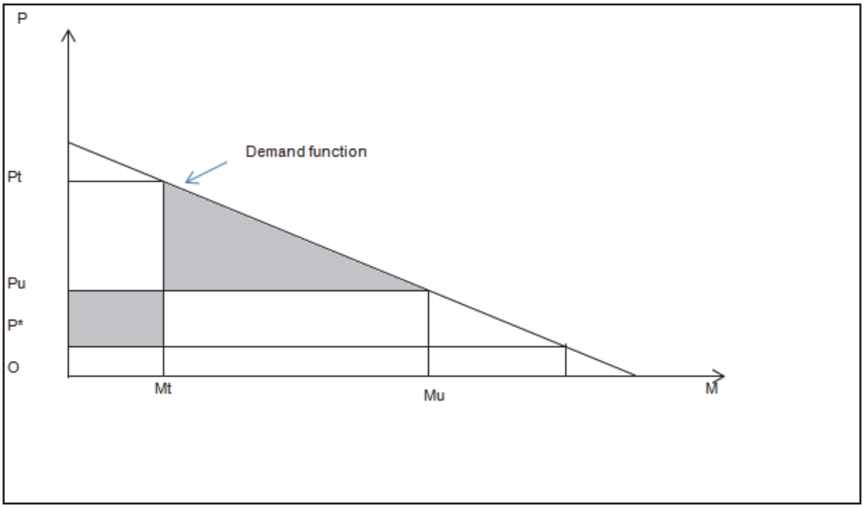
As for import losses, these stem from Tunisia's importing European products at EU prices instead of from the rest of the world at lower international prices from the rest of the world at lower international prices. European products enter the Tunisian market at the expense of cheaper products from the rest of the world the rest of the world thanks to the tariff exemptions from which they benefit.

These losses also apply products originally imported from the EU in a protected situation. In initial imports from the EU that pay customs duties in a protected situation no longer pay them in a free-trade zone, and thus receive the full price of their sales. receive the full price of their sales.

The amplitude of losses associated with Tunisian imports of European origin depends on the difference between the EU market price and the international price of the product concerned. This difference represents a cost for Tunisia, which imports the product at the EU price instead of importing it from the rest of the world at the international price.

In reality, the European market is immense and competitive, so its prices are close to international prices. The gap between European and international prices is limited, which means that losses due to imports are limited. However, these losses are also due to initial imports of European origin, which account for around two-thirds of Tunisian imports, thus contributing to the significant losses.

Import losses are represented by the rectangular area, on graph 1 above Gains linked to imports are a function of the difference between the taxed price of the equivalent product on the Tunisian market and the price on the EU market. They are also a function of the increase in European imports following their liberalization. They are represented by the triangular area in graph 1.



Graph 1: Impact of imports

With :

Pt : Tunisian market price,

Mt: corresponding import quantity,

Pu: EU market price ,

Mu: corresponding import quantity on the Tunisian market,

P*: International price.

It is worth mentioning that the assumption of a constant price for Pu imports in Figure 1 is truthful, insofar as Tunisia's import demand is negligible compared to the EU's supply and does not affect the price.

The area of the triangle represents the positive effect of creation, and the area of the rectangle represents the negative effect of distraction.

The Creation Effect (CE) and the Diversion Effect (DE) can be evaluated as follows:

Creation effect = Triangle area = 1/2(Pt - Pu) (Mu - Mt)

Knowing that (Mu - Mt), represents the increase in imports of a product due to integration compared to the non-integration situation in which we have assumed that Tunisia has maintained its tariff protection and which we have named ΔMi. and that Pt = P*(1 + t) and Pu = P*(1+ tu), "t" and "tu" refer respectively to the tariff rates applied in Tunisia and the EU. denote the tariff rates applied in Tunisia and the EU respectively.

By expanding the expression, the Creation Effect becomes:

Creation effect = 11/2[(P*(1 + t) - P*(1+tu)] (Mu - Mt) =1/2P*(t - tu) ΔMi =1/2(t - tu) P*ΔMi

Eventually, the creation effect is the difference in tariff rates (t- tu) applied between Tunisia and the EU for specific products and the increase in the value of imports P*ΔMi, due to liberalization with the EU. For industrial products, the value of imports in the liberalized liberalization situation is given in the foreign trade statistics. As for the value of imports in the fictitious non-liberalization situation, can be simulated using a gravity model.

Conversely for agricultural products and services that are not yet liberalized, the value of real imports is relative to the non-liberalized situation.

While the value of imports in the liberalized situation should be simulated. But for the simulated values to be comparable with the real data real data, it is necessary to estimate the real data. In this way, the Creation Effect can be evaluated.

The Diversion Effect is represented by the area of the rectangle.

It can be expressed as follows:

Detour effect = (Pu - P*) Mt = [P*(1 + tu) - P*] Mt = [P* + P* tu - P*] Mt = P*tu Mt

Detour effect = tu P* Mt

of the Creation Effects Creation Effects and Diversion Effects linked to imports.

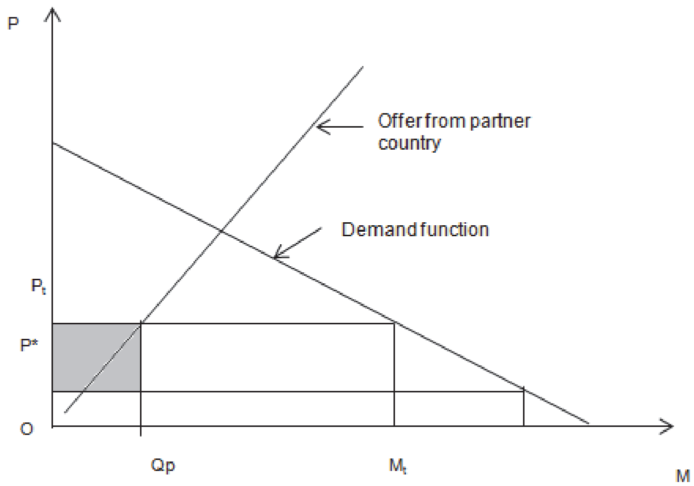
Consequently, the effect of detour is equal to the tariff rate applied by the EU multiplied by the value of the volume of initial imports shown in graph 1. Both quantities of statistical data are available to fully evaluate the detour effect.

Import impact = Creation effects - Diversion effects = 1/2(t - tu) Pi*ΔMi - tuPi*Mti

The previous expression relates to a product i , so to express the impact of all of all imported products, it is sufficient to sum i and to express. the impact of all foreign trade, we need to take into account the export-related impact previously identified.

3. Specific Cases of Imported Products

There is also a special case concerning imports that is worth noting reported, if the EU is unable to satisfy all Tunisian import demand for certain products because of their rising production costs, European products will sell at the same prices as those on the Tunisian market. In this way, they replace less expensive imports from the rest of the world without lowering the price on the Tunisian market. There is therefore an increase import price without any reduction in price for consumers on the Tunisian market. Tunisian market, resulting in dry losses. These losses are represented by the rectangular area in graph 2.

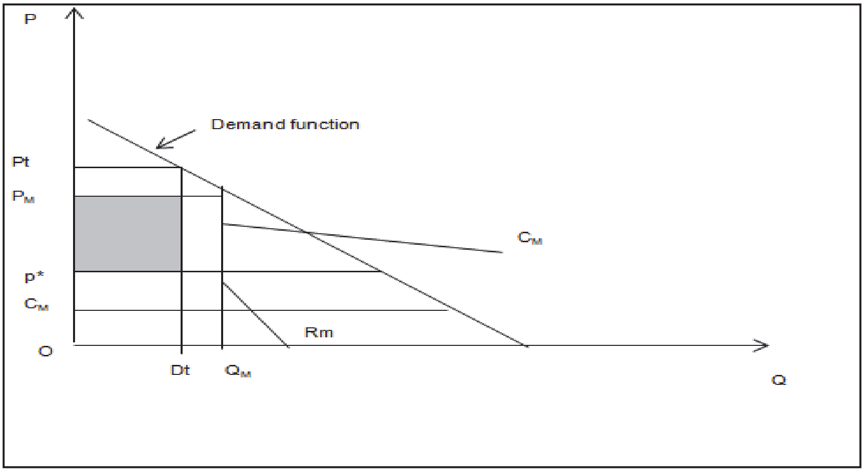


Graph 2: Impact of imports in a situation of rising costs and unsatisfied Tunisian demand

With :

M: imports;
Pt: taxed price on the Tunisian market and
Mt: total quantity
imported quantity;
P*: international price;
Qp: quantity imported from partner country
and (Mt - Qp): quantity imported from the rest of the world.

Indeed, this particular case is hardly admissible, The EU is a huge economic entity and can easily meet any import demand from Tunisia, whatever its size. There are additional risks associated with the exploitation of the Tunisian market by European monopolies of the Tunisian market, which is protected from the rest of the world. In fact , European firms the protection of the Tunisian market with the rest of the world, by the rest of the world, by raising their prices excessively. To maximize profit, a monopoly can charge a price close to the taxed price on the Tunisian market. The loss is represented by the rectangular area in graph 3. The gain due to the difference between the EU price and the Tunisian market price is likely to disappear completely. It is represented by the triangular area in graph 3 below.



Graph 3: Impact of imports in a monopoly situation

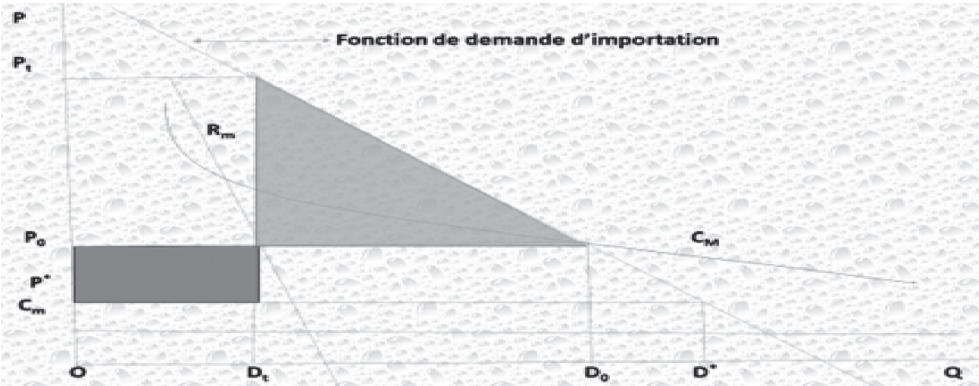
With :

QM: quantity that maximizes the monopoly's profit and
PM the corresponding price;
Pt: the taxed price on the Tunisian market and
Dt, the corresponding quantity demanded;
P*: the international price;
CM: average cost;
Cm: marginal cost and
Rm : marginal revenue

In reality, this particular case is unlikely. In fact, the EU represents a huge economy and can easily meet Tunisia's import demand, whatever its size.

Another risk, linked to the exploitation of the Tunisian market, protected from the rest of the world, by European monopolies, remains to be identified. European companies can take advantage of the Tunisian market's protection from the rest of the world by raising prices excessively. To maximize profits, the monopolist can apply prices close to the taxable price on the Tunisian market. The loss is represented by the rectangular area in graph 4 below.

The gain due to the difference between the EU price and the Tunisian market price is likely to disappear completely. It is represented by the small triangular area in graph 4 below.



Graph 4: Impact of monopolistic imports

With :

QM: quantity that maximizes monopoly profit and PM the corresponding price;

Pt: the taxed price on the Tunisian market and

Dt, the corresponding quantity demanded;

P*: the international price;

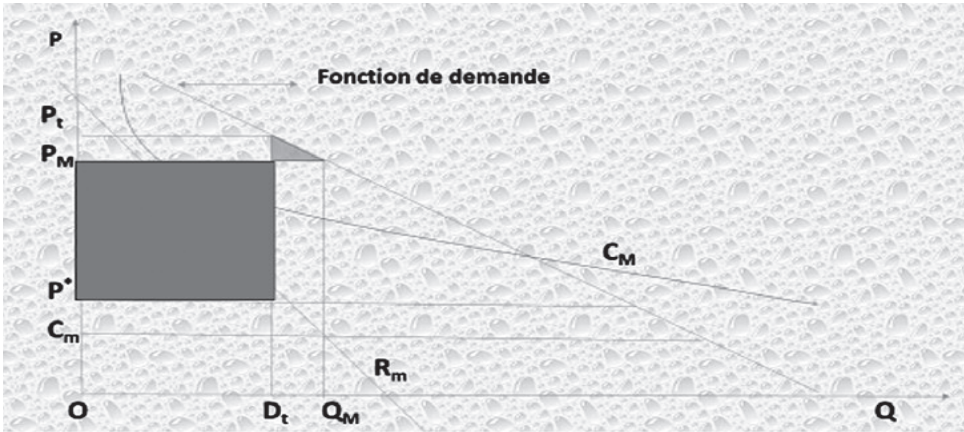
CM: average cost;

Cm: marginal cost and

Rm : marginal revenue

In fact, competition between monopolies is widespread in the European market. In the European market, monopolistic competition exists and prices are minimal. If price equals average cost, profit is zero. Even with EU integration, monopolies are unlikely to emerge.

The situation of monopolistic competition is illustrated in Graph 5 below.



Graph 5: Monopolistic competition situation

With :

Pt = : the taxed price on the Tunisian market and
Dt the corresponding quantity demanded;
P0 : the price that cancels out the monopolies' profit on the Tunisian market and
D0, the corresponding quantity demanded;
P*: the international price;
CM: average cost;
Cm: marginal cost and
Rm: marginal revenue

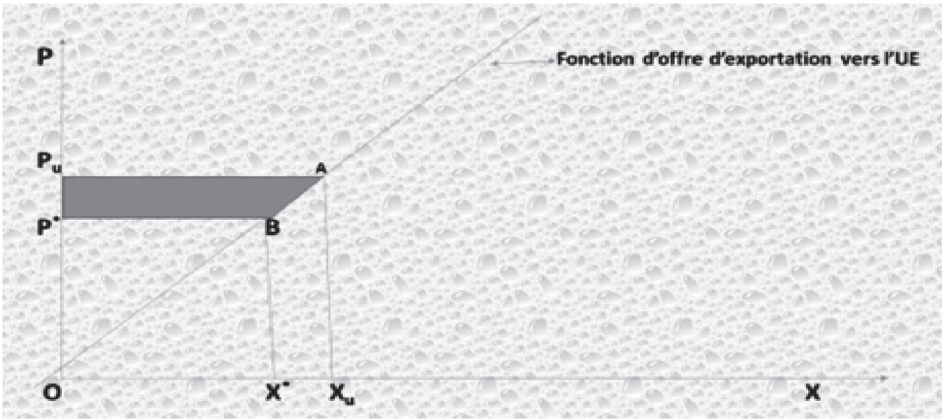
Tunisia also has trade policy instruments at its disposal to deal with the various risks identified above.

4. Impact of Exports

The vast and rich EU market offers Tunisian exports an unlimited and lucrative outlet without incurring customs duties. Tunisian industry has built up thanks in part to the tariff exemptions obtained on the EU market. The 1969 and 1976 trade agreements between Tunisia and the allowed Tunisian industrial products to enter the European market freely, without offering EU products the same advantages on the Tunisian market. It was only with the "Association Agreement" of 1995 that reciprocal in the granting of tariff exemptions was introduced in trade between Tunisia and the EU.

For a particular product, profits from Tunisian exports to the EU market are determined by the difference between the taxed European price and the international price. Without a free-trade agreement, exported goods would be sold on the European market at a taxed price, but exporters would pay customs duties and receive only the international price. With an agreement, exports are sold at the EU price, but exporters no longer pay customs duties, and thus receive the full price including tax. The net gain, due to the difference between the EU market price and the international price, is represented by the P_uABP* area, in graph 6 below.

As the EU market is large and competitive, its price does not deviate too much from that of the international market, which limits the gains from Tunisian exports. Tunisian. Although the gap between EU and international prices is not large international price, Tunisia can export any quantity to the EU market , which helps to increase earnings. The quantity exported is limited only by Tunisian production capacity.



Graph 6: Impact of the liberalization of Tunisian exports on the EU market

Situation with free-trade zone:

Pu: price received by the exporter on the EU market and Xu, the corresponding quantity exported to the EU market;

Situation without free-trade zone:

P*: price received by the exporter on the EU market, and X*, the corresponding quantity

exported to the EU market

The value of the impact of exports is equal to the area of the trapezoid shown in graph 5. The bases of the trapezoid represent the quantities exported under liberalization (XL) and export quantities under non-liberalization (XNL). In the Tunisian case, the liberalized quantities are the actual data available from foreign trade statistics. The quantities in a non-liberalized situation can be estimated using a gravitational model, for example

The height of the trapezoid is equal to:

the value of the customs tax per imported unit (TU) applied by the EU.

The impact of exports (IX) of a given product i is therefore equal to:

IX = TU (XL + XN)/2

If we call t the tariff rate applied by the EU on its imports

and P*, the EU import price, TU = t.P* and the impact of exports IX can be expressed as follows

can be expressed as follows:

IX = t.P*(XL + XN)/2 = t (P*XL + P*XN) = t. (VXL + VXN)

VXL and VXN stand for export values in liberalized and non-liberalized conditions respectively. liberalization and non-liberalization, respectively.

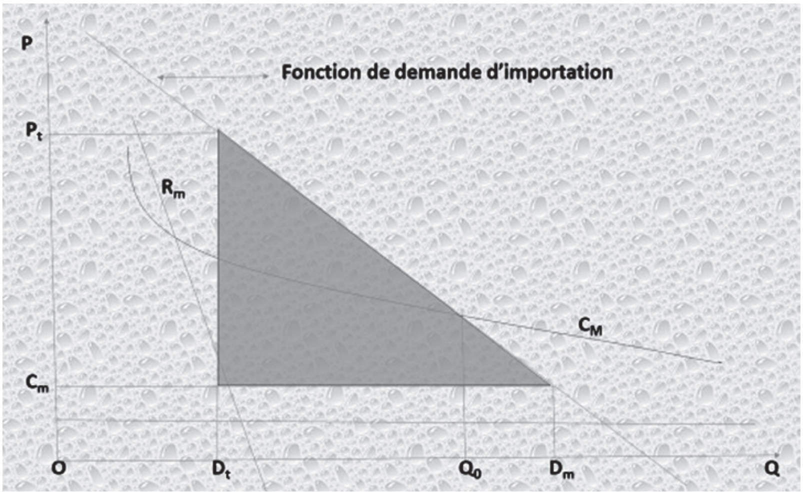
The impact of exports can be expressed in terms of tariff rates and export values. The statistical data on actual exports are available in the foreign trade statistics. As for the value of exports in the hypothetical situation (integration or non-integration, depending on whether integration is achieved or yet to be achieved), it can be determined by simulation. However, for the values to be values are comparable, we need to use the data estimated for the real situation. Since the previous expression is relative to a single product, for all exports the sum of the impacts of all exported products. Note that this valuation does not take into account the effects of economies of scale resulting from the expansion of the export market following the integration of the Tunisian economy into the European area. Increased production lower unit production costs, improve competitiveness and open up unlimited development opportunities for companies. development opportunities.

Tunisia also has trade policy instruments at its disposal to deal with the various risks identified above.

5. Trade Policy Instruments

Small countries are not deprived of the resources associated with integration into larger economies by reducing EU protection against competitors, Tunisia will be able to import goods at lower prices, this reduces losses and increases profits. Free trade agreements can also be concluded with countries competing with the EU. By introducing more competition into the Tunisian market, these agreements combat monopolistic practices. Competition can force monopolies to apply a price equal to marginal cost because they have recovered their fixed cost in their country of origin. These agreements also create new export outlets.

A free-trade zone is thus more flexible than a customs union, in which tariffs are unified for all member countries of the union. Graph 7 below illustrates this situation, where competition forces monopolies to sell at marginal cost.



Graph 7: Competitive situation

With :

Pt: the taxed price on the Tunisian marketand

Dt, the corresponding quantity demanded;

Cm: marginal cost;

Dm: demand in a competitive situation;

CM: average cost

and Rm: marginal revenue.

Competition can lead monopolies to apply a price equal to marginal cost outside their country of origin, where they have recovered their fixed cost. For a small country, therefore, there is no serious reason to be concerned about a free-trade zone agreement with a large economic area like the EU. For one thing, the risks of loss can be offset by the gains. On the other hand, a member country of a free-trade zone has at its disposal to reduce its losses and increase its gains.

6. Limiting the Impact of the 1995 Association Agreement

The liberalization of European imports began in 1995 with the Association Agreement. This highly controversial agreement is at the root of the stalemate in negotiations for the new agreement. However, the definition of a free trade area concerns the liberalization of all trade (imports and exports) between the partners, whereas the association agreement only concerns the liberalization of industrial imports. In reality, however only a part of Tunisian industrial imports from the EU. In fact, since the law of law of 1972, foreign trade has been governed by two different regimes; an offshore sector whose imports are exempt from customs duties, whatever their origin and a highly protected onshore sector.

Under this law, Tunisian offshore industrial imports of European origin were already entering the Tunisian market freely long before the Association Agreement was signed. The liberalization of imports of European origin covered by this agreement was in fact limited to those of the onshore sector, since inputs of European origin in the offshore sector had already benefited from tariff exemptions in Tunisia since 1972. It should also be noted imports from the onshore sector account for only a third of Tunisian imports. Under these conditions, the impact of imports from the Association Agreement could not therefore be significant. Remember that the Association Agreement came into force gradually, with full implementation twelve years, from 1995 to 2008. The association agreement is not a free trade zone. It is an agreement which completes the establishment of a free-trade zone between Tunisia and the EU, which began with the 1969 and 1976 agreements for industrial products. Its impact cannot be analyzed without taking into account the gains linked to exports. The impact of the Association Agreement is different from that of the entire industrial free-trade area, which covers all trade in industrial products with the EU, irrespective of the date of liberalization. It is limited to liberalization of onshore industrial imports from Europe. The gains of the agreement were also limited by measures taken by Tunisia by replacing lost customs revenues with consumption taxes. These taxes raised prices for consumers without protecting Tunisian production, since they apply uniformly to foreign and domestic foreign and domestic products

7. THE Deep and Comprehensive Free Trade Agreement

Previous analysis of the integration agreement between Tunisia and the EU also applies to the draft Deep and Comprehensive Free Trade Agreement (DCFTA) proposed by the EU to Tunisia as an alternative to the 1995 Association Agreement. The Deep and Comprehensive Free Trade Agreement (DCFTA) is an advanced form of trade agreement that goes beyond traditional free trade agreements, eliminating not only customs duties but also non-tariff barriers to trade and imposing regulations in various economic sectors.

As regards harmonization of legislation, current Tunisian exports to the to the EU are subject to European standards and regulations traceability. It is legitimate for the EU to demand that products entering its territory comply with its trade legislation respect its trade legislation, but the EU's insistence on harmonizing Tunisian trade legislation raises questions. Free trade agreements do not require partners to harmonize their laws or trade policies. In a free-trade zone, each partner is free to choose its own policies. This is the opportunity of a free-trade zone over a customs union or common market. Tunisia's adoption of European standards is probably to delay the entry into the Tunisian market of products competing with European products. This will stimulate Tunisian imports from the EU to the detriment of cheaper imports from other countries.

The draft agreement also proposes the possibility of liberalizing trade in agricultural goods and services between Tunisia and the EU, but services are specific, and their liberalization depends on the mobility of people. The EU's visa requirements for Tunisian nationals are a handicap to the export of Tunisian services to the EU, the exchange of services often requires the movement of the people who support these services; hence the question of the usefulness of including them in the free trade agreement, given that we are not in a position to export them. The integration of services into the new agreement remains conditional on the movement of people, and even, why not, on the abolition of visas. Also, for agricultural products, subsidies from the Common Agricultural Policy pose a serious problem. The integration of agricultural products is conditional on the harmonization of subsidy legislation between Tunisia and the EU. The title of the draft agreement (FTAA) is not in line with its content, but it can be modified by mutual agreement. It is a project for the establishment a free-trade zone between Tunisia and the EU. There is no justification for calling it as complete and thorough. The fact that the previous "association agreement" was a free-trade zone limited to industrial products does not justify the new title. The 1995 Association Agreement is not a reference point.

The name "Free Trade Agreement between the EU and Tunisia" amply reflects the content of the agreement. The terms "complete" and "thorough" are too many. The definition of a free-trade area encompasses the liberalization of all trade in goods and services between the partners.

The term Free Trade Agreement is widely adopted in international relations. In North America, the agreement is called the "North American Free Trade Agreement". In Europe, the free-trade zone between European countries is called the "European Free Trade Association". It is preferable that the title of the trade agreement between Tunisia and the EU be consistent with its content and with international trade practices. The aforementioned limits associated with the Comprehensive and Free Trade Agreement (CAFTA) are not insurmountable. They can be resolved through negotiation. The movement of persons can be made more flexible, legislation on agricultural subsidies can be harmonized and the rectification of the agreement's title is not a major issue. The gains and losses for Tunisia, linked to this draft agreement, can be analyzed in the same way as those of the industrial free trade zone. A free-trade zone with the EU offers significant advantages for Tunisia, and its risks are manageable. The limited impact of the Association Agreement is due to its to the specific nature of this agreement, which in fact only concerns the liberalization of Tunisian onshore sector. It does not exports of industrial products either. Its limited impact was mitigated by the replacement of customs tariffs by consumption taxes to maintain Tunisian government revenues.

At the Euro-Mediterranean regional level, the construction of the Euro-Mediterranean Free Trade Area is not in line with the definition of a free trade area where trade barriers are abolished between all member countries of the area. Euro-Mediterranean free trade is in fact limited to trade between the EU and each of the zone's member countries. The EU has free trade with all its member countries member countries of the zone, while the other countries trade freely only with the EU and not with each other. Trade barriers have not been abolished between southern Mediterranean countries.

This concept of the Euro-Mediterranean zone encourages the orientation of trade and investment towards the EU. The Euro-Mediterranean zone is incomplete, and needs to be supplemented by trade liberalization between all its partners. It's true that free trade between the southern Mediterranean countries is, first and foremost, a matter for those countries, but the EU nonetheless in this truncated free-trade zone. The EU's responsibility for in the design and construction of this free-trade zone is indisputable. On a regional scale, free trade between member countries in the southern Mediterranean can largely be achieved. If conflicts between certain countries prevent its realization, this will not absolve the vast majority of other countries from doing nothing. This situation does not prevent these countries from establishing but the role of the EU remains crucial. The EU cannot shirk its responsibility to build a genuine Euro-Mediterranean free-trade area. The creation of a Euro-Mediterranean common market encompassing the free movement of people and capital, as well as the harmonization of trade legislation, is a solution to many of the problems facing Euro-Mediterranean economic integration.

8. Conclusion

The process of liberalizing Tunisia's foreign trade with the European Union is spread over a long period. This makes it more difficult to analyze. It began with the signing of trade agreements between Tunisia and the EEC in 1969 and 1976. These two agreements gave Tunisian industrial products free access to the European market, without granting the same advantages to Community products on the Tunisian market. The Association Agreement introduced reciprocal benefits in 1995, and was implemented over a twelve-year period. Since 2012, negotiations have been underway for a deep and comprehensive free trade agreement. It proposes to liberalize trade in goods and services between Tunisia and the European Union.

Free trade with the EU brings gains and losses for Tunisia. The huge EU market offers significant opportunities for economies of scale and competitive import prices for Tunisian products. A highly competitive economic environment reduces the risk of monopolies or unsatisfied demand. Expressions that enable a clear assessment of the impact of liberalization have been identified and determined. Trade policy tools that help avoid risks, increase gains and reduce losses have been highlighted.

The 1995 Association Agreement is not a benchmark. If its effect has been very limited, it's not because of free trade. As for the project known as the Comprehensive and In-depth Free Trade Agreement, it remains controversial. This agreement proposes the liberalization of agricultural trade and services between Tunisia and the EU.

However, the Comprehensive and In-depth Free Trade Agreement has also raised concerns in Tunisia, particularly as regards the impact on certain local economic sectors, employment and national sovereignty. Some groups fear that increased competition with European products could harm the Tunisian economy. Over and above its evaluation in relation to an old, very partial agreement, some of the DCFTA proposals cannot be applied as they stand.

It is impossible to liberalize agricultural trade without harmonizing the agricultural policies of both partners. The Common Agricultural Policy provides substantial support for European agriculture, while the Tunisian government mainly subsidizes food consumption. Without the free movement of Tunisian nationals, services cannot be liberalized.

The conventional conception of a free-trade zone does not correspond to the proposed harmonization of trade laws between the two parties. Both parties can negotiate, resolve these points and reach a beneficial agreement.

References

Alimi, N. (2010), " Accord de Libre Echange et Synchronisation des Cycles Economiques: cas de la Tunisie et de l'union européenne**",** le Maghreb face aux défis de l'ouverture en méditerranée

Baier, S. L. and Bergstrand J. H. (2009),"Bonus Vetus OLS: A Simple Method for Approximating International Trade-Cost Effects Using the Gravity Equation", Journal of International Economics, Vol.77 No. 1, pp.77–85. the world economy.

Borchert,I.(2009),"Trade Diversion under Selective Preferential Market Access.", The Canadian Journal of Economics,Vol.42 No4, pp. 1390-1410.

Bernhard, T. and Jan G, (2018), " The EU-Tunisia Deep and Comprehensive Free Trade Area (DCFTA): macroeconomic impacts and pro-developmental policy responses", Austrian Research Foundation for International Development.

Caney T. (2013), "The gravity equation in international trade: an explanation, working paper 19285, NBER Working Paper Series.

Disdier, A.C. and HEAD, K. (2008),"The Puzzling Persistence of the Distance Effect on Bilateral Trade ", Review of Economics and Statistics, Vol. 90 No1, pp.37-41.

Doumbe, E. and Belinga, T. (2015)," A Gravity Model Analysis for Trade between Cameroon and Twenty-Eight European Union Countries", Open Journal of Social Sciences,Vol. 3No.8,pp.114-122.

George, K. Z. and Xiangnan ,T.(2002)," Southern Economic Journal",Vol.68 No.4,pp.859-874.

Kimura, F. and Lee, H. (2006)," The Gravity Equation in International Trade in Services ", Review of World Economies, Vol. 142, No 1, pp. 92-121.

Limao, N. and Venables, A.J. (2001)," Infrastructure, geographical disadvantage and transport costs", The World Bank Economic Review, Vol. 15, No.3, pp. 451–479.

Lennon,C. (2009), « Trade in Services and Trade in Goods: Differences and Complementarities », WIIW Working Paper No 53, The Vienna Institute for International Economic Studies, Vienne.

Nordås, H. (2006), "Les délais comme obstacle aux échanges commerciaux: conséquences pour les pays à faible revenu", Revue économique de l'OCDE, vol. 42 No. 1, pp. 155-189.

Shujiro, U. and Misa, O. (2014), "Trade Creation and Diversion Effects of Regional Trade Agreements: A Product-level Analysis", The World Economy Wiley Blackwell, vol. 37, No.2, pp 267-289

Santos Silva, J. M. C. and Tenreyro, S. (2006), "The Log of Gravity", Review of Economics and Statistics, vol. 88, No. pp.641–58.

Thomas, C. (2018)," The Gravity Equation in International Trade: An Explanation", Journal of Political Economy, vol. 126, No1, pp.150 - 177.

Tinbergen, J. (1962), 'Shaping the World Economy: Suggestion for an International Trade Policy", The Twentieth Centry Found, New York, pp.352.

Viner, J. (1950), "The Customs Union Issue, Carnegie Endowment for International Peace", New York, vol. 44, issue. 04, pp 1055