

Do trade preferential agreements enhance the exports of developing countries? Evidence from the EU GSP*

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Abstract The EU grants preferential access to its imports from developing countries under several trade agreements. The widest arrangement, in terms of country and product coverage, is the Generalised System of Preferences (GSP) through which, since 1971, virtually all developing countries have received preferential treatment when exporting to world markets. This paper evaluates the impact of GSP in enhancing developing countries' exports to EU markets. It is based on the estimation of a gravity model for a sample of 769 products exported from 169 countries to EU over the period 2001-2004. While, from an econometric point of view, the estimation methods take into account unobservable country heterogeneity as well as the potential selection bias which zero-trade values pose, the empirical setting considers an explicit measure of trade preferences, the margin of preferences. The analysis offers new empirical evidence that the impact of GSP on developing countries' agricultural exports to the EU is positive.

Keywords: Trade Preferences, Developing Countries, Agricultural Trade

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