

Analysing the Impact of EBA Initiative Using a Gravity Model

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Abstract This paper assesses the effectiveness of the Everything But Arms (EBA) initiative launched by the EU in 2001. It evaluates whether EBA has been effective in increasing exports from LDCs to the EU. The study considers the period 1995-2006. After arguing that the impact of trade preferences should be estimated by using disaggregated trade flows rather than aggregated trade, the analysis is carried out by considering five products (cloves, coffee, crustaceans, molluscs and vanilla beans) which meet three criteria relating to the export intensity of LDCs, the actual preferences of EBA and the intra-year distribution of EU tariffs. Furthermore, the export share of the 5-selected goods with respect to national exports is never marginal and, in many cases, is higher than 60%. From an econometric perspective, we improve the reliability of results by giving great attention to the econometric setting and to measurement of the preferential treatment. The evidence differs from one product to another and this supports the decision to work using disaggregated data because it allows us to gauge the sector specificities which would be hidden when analysing total trade. Results show a positive impact on the exports of crustaceans and vanilla of the preferential treatment granted by the EU under EBA, whereas the evidence is un-conclusive when considering the other three products.

JEL codes: O50, O19; F13; C33

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