

Are there Shortfalls in Mena Trade? To What Extent are they do to the Rise in EU Trade and Investment and to other Factors?

Rania S. Miniesy, British University in Egypt.

Jeffrey B. Nugent, Department of Economics, University of Southern California.

ABSTRACT:

This paper uses gravity models to determine whether MENA countries trade less or more than would be expected based on the characteristics incorporated in the gravity models. Regardless of specification and estimation procedure, MENA countries are found to trade less than would be predicted both among themselves and with the ROW. Several sources of the trade shortfalls are identified, among them that MENA countries' policy and governance indicators are less pro-trade, their heavy dependence on natural resource exports, poor procedures and infrastructure at common borders, and the failure to implement strong and well-enforced regional trading arrangements. The paper also explores the relevance of EU-EE trade and investment on EU-MENA and other trade of the MENA region.

Keywords: MENA, trade, gravity model, policy, governance, regional trading arrangements.