

The Impact of Size of the Regional Economic Blocs to the Country's Flows of Trade: Evidence from COMESA, EAC and Tanzania

Authors : Mosses E. Lufuke, Lorna M. Kamau

Abstract : This paper attempted to assess whether the size of the regional economic bloc has an impact to the flow of trade to a particular country. Two different sized blocs (COMESA and EAC) and one country (Tanzania) have been used as the point of references. Using the results from of the analyses, the paper also was anticipated to establish whether it was rational for Tanzania to withdraw its membership from COMESA (the larger bloc) to join EAC (the small one). Gravity model has been used to estimate the relationship between the variables, from which the bilateral trade flows between Tanzania and the eighteen member countries of the two blocs (COMESA and EAC) was employed for the time between 2000 and 2013. In the model, the dummy variable for regional bloc (bloc) at which the Tanzania trade partner countries belong are also added to the model to understand which trade bloc exhibit higher trade flow with Tanzania. From the findings, it was noted that over the period of study (2000-2013) Tanzania acknowledged more than 257% of trade volume in EAC than in COMESA. Conclusively, it was noted that the flow of trade is explained by many other variables apart from the size of regional bloc; and that the size by itself offer insufficient evidence in causality relationship. The paper therefore remain neutral on such staggered switching decision since more analyses are required to establish the country's trade flow, especially when if it had been in multiple membership of COMESA and EAC.

Keywords : economic bloc, flow of trade, size of bloc, switching

Conference Title : ICTBEL 2015 : International Conference on Trade, Business and Economic Law

Conference Location : Paris, France

Conference Dates : August 27-28, 2015