

A Critical Analysis of the Regional Trade Agreements Among One Belt One Road Nations

Hide affiliations

Manzoor, Hajra  (Islamic University of Science and Technology);

Mir, Parvez Ahmad (Islamic University of Science and Technology)

Using the structural gravity framework, this paper estimates the effect of three important concepts in the international trade flows between One Belt One Road (OBOR) countries. These facets have been previously discussed separately in the literature: the partial equilibrium effects on international trade flows of regional trade agreements, intranational trade, and international borders. The methodology used in this paper yields econometrically plausible and robust estimates of the impact of regional trade agreements (RTAs) on bilateral trade among the member countries by accounting for distance puzzle and several sensitivity analyses, such as endogeneity, phasing-ins of the RTAs, reverse causality, multilateral influences, and various estimation techniques. This study confirms that by taking globalization effects into account, the impact of RTAs on trade among OBOR countries becomes negligible. Also the declining effect of international borders on trade flow among OBOR countries suggests that the trade is facilitated more between the open economies.

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