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## ON THE POLITICAL ECONOMY OF TRADE AGREEMENTS: A DE JURE AND DE FACTO ANALYSIS OF INSTITUTIONS

ASMAA EZZAT AND CHAHIR ZAKI

## SUSTAINABLE DEVELOPMENT GOALS AND EXTERNAL SHOCKS IN THE MENA REGION:

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# On the Political Economy of Trade Agreements: A *De Jure* and *De Facto* Analysis of Institutions

Asmaa Ezzat<sup>1</sup>

Chahir Zaki<sup>2</sup>

*Preliminary draft*

Abstract

This paper examines the effect of the quality of institutions on the membership in trade agreements from a *de jure* and a *de facto* perspectives, with a special focus on the Middle East North Africa countries. First, for the *de jure* effect, we analyze how the quality of institutions affect the likelihood of joining a trade agreement. Moreover, at the *de facto* level, this paper examines how the difference in quality of institutions and enforceability degree affects the volume of trade among trade partners. Our main findings show the larger the difference in the quality of political institutions, the less likely the country signs a deeper trade agreement (compared to more shallow ones). Moreover, the more the agreement is enforced, the greater the positive effect on trade flows. This result holds for the enforcement of the aspects related to the World Trade Organization provisions and those not related to it. Yet, the larger the institutional difference, the lower the negative effect on trade flows. It is worthy to note also that our results hold even when we control for the selection bias related to joining a trade agreement.

**J.E.L. classification :** F10, F14.

**Keywords:** Trade Agreements, Institutions, Spaghetti Bowl, Compliance

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<sup>1</sup> Assistant Professor of Economics, Faculty of Economics and Political Science, Cairo University and EMNES. Email: [asmaaezzat@feps.edu.eg](mailto:asmaaezzat@feps.edu.eg)

<sup>2</sup> Associate Professor of Economics, Faculty of Economics and Political Science, Cairo University, ERF and EMNES. Email: [chahir.zaki@feps.edu.eg](mailto:chahir.zaki@feps.edu.eg)

## 1. Introduction

In general, policy choices are affected by the institutional environment in which they are made, and these choices may develop differently according to the quality of existing institutions and political regimes. As institutions are considered among the main determinants of economic performance, they are also argued to impact economic cooperation among countries. Although there is evidence that politics matter for international cooperation, the impact of the quality of institutions has not been studied extensively in the previous literature. Previous studies proved that democratic regimes are more likely to get involved in economic cooperation than autocratic ones<sup>3</sup>. The main causal link behind this result is related to electoral accountability. Studies showed that political leaders in democratic regimes tend to engage in international cooperation to give voters a signal concerning their eagerness to implement welfare-enhancing policies, in contrast to rent-seeking activities. In addition, democratic regimes have the advantage of being able to create credibility to their commitments compared to other regimes. Thus, using this tool of international cooperation increases the leaders' probability of remaining in office, as they can be sanctioned and voted out of office if they fail to keep their promise of cooperation (Mansfield et al., 2002; Baccini, 2014). However, one drawback for these studies is that they underestimated the impact of good institutional quality, as they relied in their argument on only one causal link which is the electoral device.

It is argued that countries would choose to engage in economic integration, as companies demand large markets to achieve economies of scale in production (Mattli, 1999). One form of this economic integration is trade agreements. It has been shown that countries with better institutional quality has a higher probability of forming trade agreements. For example, companies located in countries with high level of transparency may have a comparative advantage in market access over companies located in other countries with lower levels of transparency. Hence, institutional quality may have an indirect effect on economic competitiveness across countries. Moreover, other institutions or rules of the game may affect the likelihood of forming trade agreements, such as control of corruption, enforcement of the rule of law, government effectiveness, and regulatory quality. This can be explained by the main conclusion of New Institutional Economics (NIE) literature, which argues that institutions can reduce transaction costs that arise due to uncertainty and asymmetric information (North, 1990). Thus, high quality institutions are most likely to increase the quantity and quality of information available, and it would in turn reduce the transaction costs associated with forming, negotiating and enforcing trade agreements (Baccini, 2014).

There has been a recent large increase in the number of preferential trade agreements (PTAs) all over the world. Many of these PTAs are overlapping and have conflicting rules, which may be problematic for member countries. This phenomenon is known as the "*Spaghetti Bowl*". This concept was first introduced by Jadish Bhagwati in 1995, which discussed the negative impacts of joining several trade agreements including the increase in the number of tariffs and

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<sup>3</sup> Leeds (1999), Martin (2000), Mansfield et al. (2002), McGillivray and Smith (2008), Mansfield and Milner (2010).

rules of origin. Also, several PTAs may generate duty-free market access and zero-tariffs on imports with numerous trading partners and this could be an attractive alternative to national policy makers and could substitute free trade. Thus, the result of multiple memberships might instead be higher transaction costs due to a mass of overlapping rules (Schiff & Winters, 2003). High quality institutions can mitigate the negative effects of this spaghetti bowl phenomenon, by reducing uncertainty and transaction costs, and increasing the level of transparency (Brad, 2016).

On the other hand, institutional quality could impact compliance with international agreements in general, and trade agreements, in particular. A growing body of literature argues that democratic states are more likely to comply with international agreements compared to non-democratic ones (Smith, 1996; Mansfield et al., 2002). Again, this could be explained by the restraining effect of democratic elections. Yet, the compliance behavior varies among democracies themselves. This may be attributed to the fact that the nature of electoral competition differs across democracies, due to the differences in rules used to elect leaders. For example, Rickard (2010) showed that governments in countries with majoritarian electoral rules and/or single-member districts tend to violate GATT/WTO agreements more than those in countries with proportional electoral rules and/or multi-member districts.

It is worth mentioning that most of the previous literature has focused on the impact of institutions on volume of trade rather than the probability of joining trade agreements. Also, most of the studies either focus on the *de jure* effect of the institutions (forming or joining trade agreements), or the *de facto* effect (compliance with the agreements). None has studied both effects together. Hence, this study tries to fill the gap in literature. The contribution of this study to literature is twofold. First, it examines the effect of difference in institutional quality on the membership in different trade agreements (shallow and deep ones respectively) from both *de jure* and *de facto* perspectives. Second, we show how the enforcement of different provisions affect trade flows and how this impact is reduced by larger institutional differences. It is worthy to note that, to have a wide coverage, we include the countries of the Middle East and North Africa region as exporters and the importers at the world level.

Our main findings show the larger the difference in the quality of political institutions, the less likely the country signs a deeper trade agreement (compared to more shallow ones). Moreover, the more the agreement is enforced, the greater the positive effect on trade flows. This result holds for the enforcement of the aspects related to the World Trade Organization provisions and those not related to it. Yet, the larger the institutional difference, the lower the negative effect on trade flows. It is worthy to note also that our results hold even when we control for the selection bias related to joining a trade agreement.

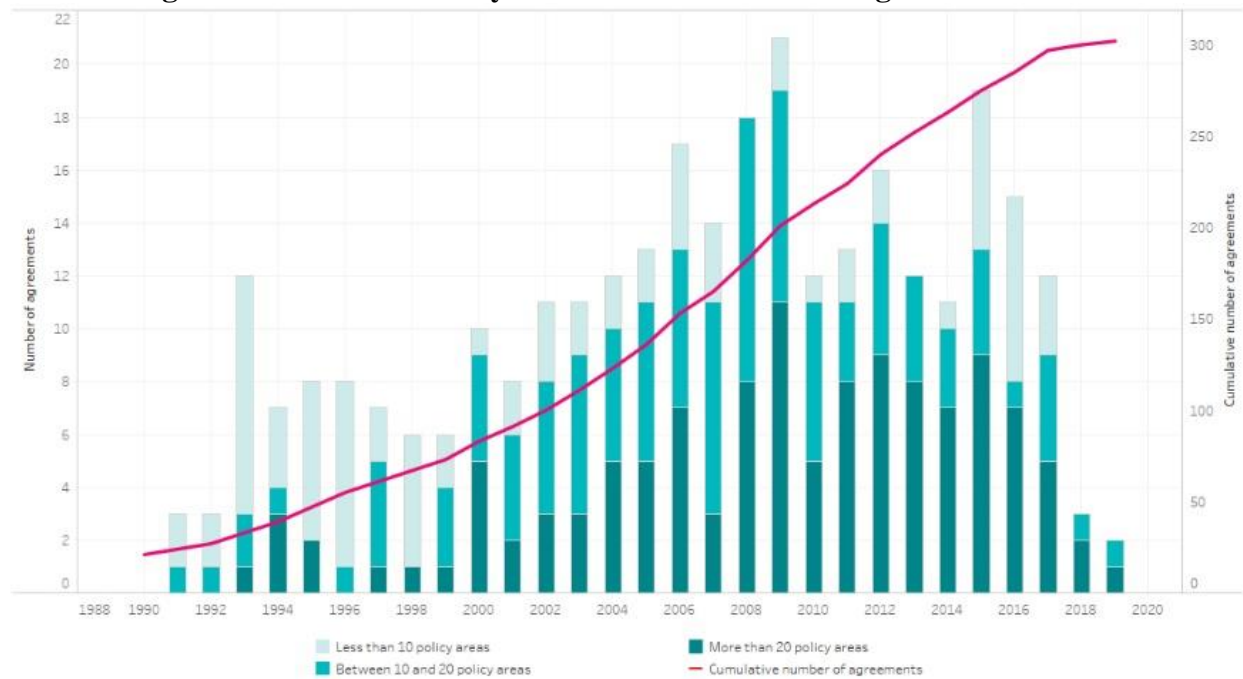
The remainder of the paper is organized as follows. Section 2 presents some stylized facts. Section 3 is dedicated to the methodology. Section 4 presents the empirical findings and section 5 concludes.

## 2. Stylized Facts

In this section, we try to shed some light on some stylized facts concerning the development of trade agreements and number of policy areas included, as well as the level of institutional quality in the MENA countries included in our sample.

Figure 1 shows that the cumulative number of trade agreements has an increasing trend over time, while the total number of agreements in each year shows some fluctuations, reaching the largest number of trade agreements in 2009 and it fluctuated again until 2015, where it started to decline afterwards. Among all these trade agreements, those including more than 20 policy areas are dominating, followed by agreements with 10 to 20 policy areas, although this latter type of agreements witnessed some decline over time.

**Figure 1: Number of Policy Areas Covered in Trade Agreements**

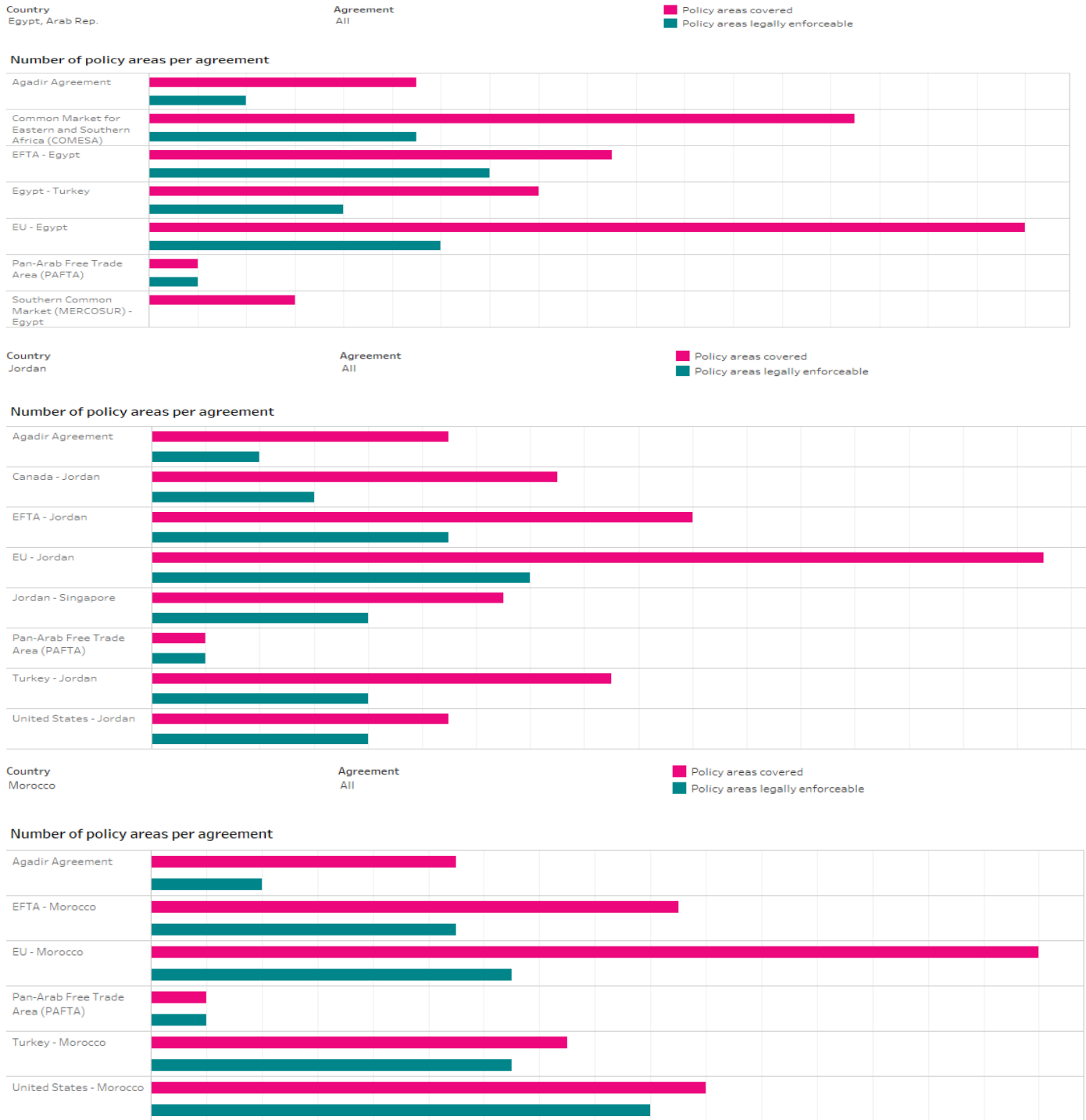


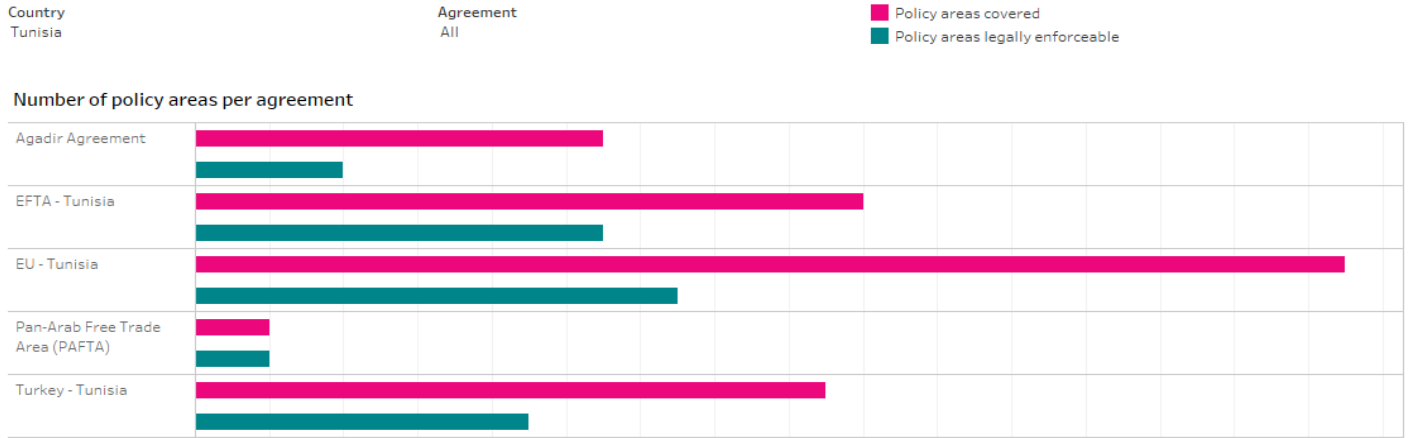
Source: Deep Trade Agreements Database 1.0.

As for the policy areas covered in trade agreements, Figure 2 shows that in all four selected MENA countries (Egypt, Jordan, Morocco and Tunisia), the number of legally enforceable policy areas are always lower than the number of policy areas covered in each agreement, except for the Pan-Arab free trade area (PAFTA), where both numbers are equal. The largest number of policy areas covered and the largest difference between this number and that of those legally enforceable are witnessed in the agreements between those MENA countries and the European Union (EU). Indeed, while this agreement covered several dimensions, it chiefly focused on tariff reductions only. This is why several elements are not legally enforced despite their inclusion in the agreement,

pointing out to what extent there are significant differences between the *de jure* and *de facto* agreement and how institutional differences matter.

**Figure 2: Number of Policy Areas Covered and Legally Enforced in Trade Agreements for Egypt, Jordan, Morocco and Tunisia**





Source: Deep Trade Agreements Database 1.0.

Table 1 shows the average performance of MENA countries - according to the definition of the World Bank – in different institutional variables during the period of (1995 – 2019). The democracy polity IV index ranges from 0-10, where 0 is least democratic and 10 most democratic. The figures in the table show that Malta has the highest democracy score followed by Israel, Tunisia and Djibouti. On the other hand, Saudi Arabia has the lowest score, followed by Syria and Qatar. In addition, we used data for three of the World Governance Indicators (WGI) published by the World Bank, namely control of corruption, government effectiveness and rule of law, where all scores lie between -2.5 and 2.5, with higher scores corresponding to better outcomes. Data shows that the average performance of MENA countries is consistent all over the three indicators, with Israel recording the highest scores in all the three variables, followed by Malta, United Arab of Emirates and Qatar. While, countries that witnessed severe political instability has shown very weak performance in the governance indicators. Iraq has the lowest score in all the three governance indicators among the MENA countries, followed by Libya, Yemen and Syria.

As it mentioned in the introduction, this shows how institutional differences can affect the enforcement of any agreement. Indeed, the larger the differences in the quality of institutions, the less the country will join a deep trade agreement and the less likely it will enforce the agreement.

**Table 1: Averages of Institutional Variables for MENA Countries (1995 – 2019)**

Country	Democracy - Polity Index	Control of Corruption	Government Effectiveness	Rule of Law
Algeria	3.67	-0.66	-0.66	-0.88
Bahrain	1.40	0.28	0.50	0.42
Djibouti	4.14	-0.65	-0.90	-0.86
Iran	2.35	-0.60	-0.49	-0.82
Iraq	2.46	-1.39	-1.55	-1.58
Israel	8.38	1.00	1.19	1.01
Jordan	3.67	0.14	0.09	0.31
Kuwait	2.76	0.30	0.02	0.45
Lebanon	4.70	-0.77	-0.32	-0.54
Libya	1.58	-1.17	-1.25	-1.22
Malta	9.98	0.78	1.04	1.32
Morocco	3.10	-0.22	-0.12	-0.07
Oman	1.64	0.47	0.33	0.48
Qatar	1.09	0.76	0.65	0.59
Saudi Arabia	0.12	-0.03	-0.08	0.08
Syria	0.59	-1.10	-1.09	-0.95
United Arab of Emirates	1.54	0.83	1.00	0.60
Tunisia	4.40	-0.13	0.26	-0.07
Egypt	2.48	-0.59	-0.47	-0.23
Yemen	3.27	-1.13	-1.13	-1.34

Source: calculated by the authors using data from Freedom house Polity IV, and World Governance Indicators.

### 3. Methodology

In order to examine the impact of institutions on the membership in trade agreements and on trade flows, we follow Mansfield (2002) and Baier et al. (2014). We proceed in three stages.

First, in order to examine how institutional differences affect the likelihood of joining a trade agreement, we run a multinomial logit model as follows:

$$Agreement_{ijt} = \beta_0 + \beta_1 Pol.Diff_{ijt} + \beta_2 EcoDiff_{ijt} + \varepsilon_{ijt} \quad (1)$$

*Agreement* is a categorical variable that takes four values: whether the countries *i* and *j* are members of a free trade agreement (FTA), a customs union (CU), a free trade agreement and an economic integration agreement (FTA+EIA) and finally a customs union and an economic integration agreement (CU+EIA). Since FTA and CU focus primarily on tariff reduction/harmonization vis-à-vis other trade partners, we consider them as shallow agreements. By contrast, CU+EIA and FTAS+EIA are considered as deep agreement as they include other provisions related to trade policy in general. Our independent variables include the absolute difference in political differences *Pol.Diff* (measured by the Polity IV index, the government effectiveness, control of corruption and rule of law from the World Governance Indicators).



*EcoDiff* is measured by the absolute difference in the Gross Domestic Product (GDP) between the exporter and importer. Indeed, according to the new trade theory, the more similar the countries, the more they are likely to integrate.  $\varepsilon_{ijt}$  is the discrepancy term.

Second, in order to examine the effect of joining and enforcing an agreement, we adopt a variant of the gravity mode as follows:

$$Y_{ijt} = \beta_0 + \beta_1 GDP_{it} + \beta_2 GDP_{jt} + \beta_3 Ln(Dist_{ij}) + \beta_4 Com. Lang_{ij} + \beta_5 Com. Colonizer_{ij} + \beta_6 Colonial_{ij} + \beta_7 Enfo_{ijt} + \beta_8 Agreement_{ijt} + \beta_9 Pol.Diff_{ijt} + \varepsilon_{ijt}$$

We introduce several control variables from the gravity literature such the GDP of exporter ( $GDP_{it}$ ), the GDP of importer ( $GDP_{jt}$ ), bilateral distance ( $Ln(Dist_{ij})$ ), whether the two countries share a common language ( $Com. Lang_{ij}$ ), they have been colonized by the same colonizer ( $Com. Colonizer_{ij}$ ) or they have any colonial links ( $Colonial_{ij}$ ). We control also for the fact that the two countries are signatories of any trade agreement ( $Agreement_{ijt}$ ), the absolute institutional differences ( $Pol.Diff_{ijt}$ ) and an index of enforceability ( $Enfo_{ijt}$ ). The latter is measured by three variables. The first one  $WTOP_{ijt}$  is measured by adding the dummy variables related to the Provisions falling under the current mandate of the WTO and already subject to some form of commitment in WTO agreements - when legally enforceable. It can take three values: 0 if the provision is not mentioned in the agreement or not legally enforceable; 1 if the provision is mentioned, legally enforceable but explicitly excluded by dispute settlement provision; and 2 if the provision is mentioned and legally enforceable. The same ranking holds for  $WTOX_{ijt}$  but for Obligations that are outside the current mandate of the WTO - when legally enforceable (see Appendix 3 for a complete list of provisions). Finally, we created a third variable  $Enfo_{ijt}$  being the sum of  $WTOP_{ijt}$  and  $WTOX_{ijt}$ .

In a third stage, we run a Heckman Selection Model. Indeed, since trade agreements will not be enforced unless they are signed, we run a Heckman Model where in the first stage we examine how political differences affect the likelihood of signing a trade agreement (any agreement or specifically shallow ones) and second, once this agreement is signed, how its enforcement affects trade flows. Our inverse Mills ratio confirms the selection bias that we can if we do not control for this two-stage analysis.

Two empirical remarks are worthy to be noted. First, two interactive terms have been introduced: the first between the absolute differences in political institutions with *Agreement* variable in order to see whether the larger the institutional differences, the lower the positive effect of an agreement on trade flows. The second term interacts the enforceability variables with the absolute difference in political institutions. This help us identify the *de facto* impact of trade agreements modulated by the institutional differences. Second, as it was mentioned before, to measure how the quality of institutions affects the quality of the agreement, we distinguish between shallow and deep agreements. In fact, when an agreement is limited only to simple tariff reductions, it can be qualified as a shallow agreement. By contrast, deep agreements include commitments in services, investments, non-tariff measures, etc.

Our data come from several sources. First, for gravity variables, we use the dataset compiled by CEPII. Second, GDP comes from the World Development Indicators. Third,

institutions come from the World Governance Indicators, Polity IV and Database of Political Institutions. Fourth, our dependent variable comes from the COMTRADE dataset. Finally, our agreements variables come from the newly developed dataset of the World Bank. This dataset on the content of preferential trade agreements (PTAs) maps 52 provisions in 279 PTAs notified at WTO signed between 1958 and 2015. It also includes information about legal enforceability of each provision. To have a wide coverage, we include as exporters countries from the MENA region and as importers all countries. For data constraints, our period of analysis is 1995-2015.

#### **4. Empirical Results**

Table 2 displays results for our empirical model designed to test our first hypothesis, which argues that the quality of institutions affect the likelihood of joining a trade agreement. In this table, multinomial logit models are estimated using different variables of institutional quality to compare the likelihood for MENA countries to sign different types of agreements with other trade partners with that of signing a free trade area agreement. The results in all models estimated indicate a significant negative impact of difference in institutional quality (using different proxies) on the likelihood of signing a trade agreement. This implies that as the difference in institutional quality among MENA countries and other trade partners increases, the probability of signing any trade agreement (customs union CU, customs union and economic integration agreement CU+EIA, or free trade area and economic integration agreement FTA+EIA) would be lower than the probability of signing only a free trade area FTA agreement. This result goes in line with the theory and the literature arguing that institutional quality affects transaction costs and quality and quantity of information available to trade partners, which would increase the likelihood of signing a trade agreement. In addition, it is worth mentioning that the impact of institutional difference is stronger in most cases on the likelihood of signing CU+EIA agreements, compared to other types of agreements.

On the other hand, the results shows that economic difference among MENA countries and other trade partners – measured by the absolute difference in GDP– has a positive significant effect on the on the likelihood of signing a trade agreement. As the economic difference increases, the probability of signing a stronger agreement is higher than that of signing a free trade area agreement. Furthermore, the magnitude of this effect is the strongest in case of CU+EIA agreements, followed by FTA+EIA, then CU agreements. These results also go in line with theory and empirical work, that countries could enter a trade agreement with partners with different economic levels to benefit from the agreement in increasing the goods and services that it will have access to.

Table 3 shows the results for gravity models estimated using ordinary least squares to test our second hypothesis related to the interrelation between institutional quality and the type of trade agreements (whether shallow or deep), and the institutional quality and enforcement of trade agreements on the other, and whether these interactions would affect the volume of trade. The results show that all controls of the gravity models are significant and have the expected sign. Furthermore, the results show that trade volume is significantly higher in shallow agreements among MENA countries and other trade partners compared to deep ones. On the other hand, the difference in institutional quality between MENA countries and other trade partners has a negative significant effect on volume of trade, and this effect is larger in magnitude in case of a shallow

agreement compared to deep agreements, as the interaction term between institutional difference and shallow agreements has a negative significant coefficient.

Concerning enforcement of trade agreements, degree of enforceability, whether measured by provisions of WTO (WTOP) or those provided outside the WTO (WTOX) or both (Enforce), has a positive significant impact on volume of trade, but this effect also depends on the difference in institutional quality between MENA countries and trade partners. As the difference in institutional quality increases, the impact of enforcement would be negative rather than positive, as the interaction term between enforcement and institutional difference has always a significant negative coefficient.

Tables 4 to 9 show the results for Heckman two-step selection models that are used to correct for the bias from using nonrandom selected samples. In the first step, we assess the impact of difference of institutional quality, between MENA countries and other trade partners, on the probability of signing a (shallow) trade agreement. In the second step, we assess if the (shallow) trade agreement is signed whether the enforcement (measured by WTOP, WTOX or both) will affect the volume of trade between the MENA countries and trade partners.

The results show that in general, the increase in institutional difference between the MENA countries and other trade partners has significant negative impact on the probability of signing a trade agreement. This applies for all measures of institutional quality except for the case of using control of corruption, where the increase in the difference between the score of the MENA countries and other trade partners would increase the probability of signing a trade agreement. On the other hand, the increase in institutional quality difference (using any measure for institutional quality) would increase the probability of MENA countries signing a shallow trade agreement. This confirms the results obtained earlier that as the institutional quality difference gets larger, the likelihood of MENA countries to join deep trade agreement would be much lower than that of shallow ones. Moreover, if the countries signed the agreement, the results show that enforcement whether measured by WTO provisions, or provisions provided out of the WTO, or both has a significant positive impact on the volume of trade between the trade partners in the agreement whether it is a shallow agreement or not.

To conclude, the empirical results of this study indicate that institutional quality difference among trade partners do affect significantly the probability of signing a trade agreement, and as this difference increases the probability of signing a deep agreement would be much lower compared to that of signing a shallow agreement. In addition, when the agreements are signed, the degree of enforceability of the agreement affect positively the trade volume among partners, while this positive effect would turn to be negative if the difference in institutional quality increases.

**Table 2: Determinants of Joining a Trade Agreement**

	Polity			Control of Corruption			Gov. Effectiveness			Rule of Law		
	CU	CU+EIA	FTA+EIA	CU	CU+EIA	FTA+EIA	CU	CU+EIA	FTA+EIA	CU	CU+EIA	FTA+EIA
Pol. Diff.	-0.399*** (0.0175)	-3.514*** (0.142)	-0.409*** (0.0471)	-2.061*** (0.0867)	-1.578*** (0.0780)	-0.520*** (0.142)	-2.075*** (0.0917)	-2.443*** (0.104)	-0.134 (0.152)	-2.133*** (0.0919)	-2.122*** (0.0948)	0.391*** (0.135)
Eco. Diff.	0.718*** (0.0288)	1.407*** (0.0512)	1.059*** (0.0652)	0.721*** (0.0326)	1.251*** (0.0348)	0.997*** (0.0670)	0.692*** (0.0319)	1.267*** (0.0356)	0.978*** (0.0668)	0.663*** (0.0315)	1.210*** (0.0344)	0.980*** (0.0683)
Constant	-0.0488 (0.186)	-21.19 (2,573)	-24.97 (15,395)	0.515** (0.209)	-22.45 (3,251)	-25.49 (12,164)	0.634*** (0.211)	-21.74 (3,092)	-25.89 (11,508)	0.676*** (0.208)	-23.13 (5,807)	-27.65 (17,602)
Year dum.	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Observations	9,041	9,041	9,041	7,788	7,788	7,788	7,788	7,788	7,788	7,796	7,796	7,796

Notes: (i) Standard errors in parentheses.

(ii) \*\*\* p<0.01, \*\* p<0.05, \* p<0.1

(iii) CU stands for Customs Union, EIA Economic Integration Agreements and FTA Free Trade Area.

(iv) Reference category is the Free Trade Area.

**Table 3: Trade Agreements, Institutions and Enforcement**

	Ln(Trade)	Ln(Trade)	Ln(Trade)	Ln(Trade)	Ln(Trade)	Ln(Trade)	Ln(Trade)	Ln(Trade)	Ln(Trade)
Ln(GDP exp.)	0.559*** (0.0118)	0.570*** (0.0119)	0.568*** (0.0119)	0.616*** (0.0123)	0.619*** (0.0124)	0.856*** (0.0260)	0.864*** (0.0260)	0.847*** (0.0261)	0.853*** (0.0261)
Ln(GDP imp.)	0.900*** (0.00705)	0.906*** (0.00709)	0.904*** (0.00709)	0.891*** (0.00714)	0.890*** (0.00715)	1.127*** (0.0155)	1.123*** (0.0154)	1.120*** (0.0156)	1.119*** (0.0155)
Ln(Dist.)	-1.028*** (0.0207)	-1.003*** (0.0210)	-1.011*** (0.0210)	-0.942*** (0.0215)	-0.938*** (0.0215)	-1.242*** (0.0343)	-1.251*** (0.0343)	-1.245*** (0.0336)	-1.252*** (0.0335)
Contig.	0.647*** (0.0988)	0.653*** (0.0987)	0.594*** (0.0989)	0.689*** (0.0989)	0.686*** (0.0989)	0.504*** (0.101)	0.461*** (0.101)	0.516*** (0.101)	0.455*** (0.101)
Com. Lang.	1.407*** (0.0379)	1.319*** (0.0395)	1.250*** (0.0406)	1.345*** (0.0410)	1.339*** (0.0411)	1.117*** (0.0698)	1.048*** (0.0704)	1.269*** (0.0846)	1.343*** (0.0850)
Colony	0.863*** (0.143)	0.911*** (0.143)	1.000*** (0.143)	0.887*** (0.143)	0.877*** (0.143)	0.472*** (0.153)	0.503*** (0.152)	0.381** (0.155)	0.344** (0.155)
Shallow Agr.	0.643*** (0.0423)	0.667*** (0.0423)	1.038*** (0.0655)	1.043*** (0.0653)	1.039*** (0.0653)	0.237 (0.168)	0.689*** (0.182)	0.327** (0.132)	0.912*** (0.155)
Pol. Diff.		-0.0428*** (0.00539)	-0.0274*** (0.00577)	-0.00315 (0.00602)	-0.00181 (0.00604)	-0.0255 (0.0524)	0.172*** (0.0607)	-0.0207 (0.0496)	0.276*** (0.0647)
Shallow Agr.* Pol. Diff.			-0.0976*** (0.0132)	-0.126*** (0.0133)	-0.100*** (0.0163)	-0.134** (0.0532)	-0.270*** (0.0572)	-0.141*** (0.0509)	-0.278*** (0.0543)
Enfo.				0.0155*** (0.00112)	0.0167*** (0.00120)				
Enfo. * Pol. Diff.					-0.00181*** (0.000652)				
WTOX Enfo						0.00543 (0.00406)	0.0185*** (0.00454)		
WTOX Enfo * Pol. Diff.							-0.0120*** (0.00188)		
WTOP Enfo								0.0200*** (0.00583)	0.0571*** (0.00782)
WTOP Enfo * Pol. Diff.									-0.0124*** (0.00175)
Constant	6.545*** (0.221)	6.322*** (0.222)	6.389*** (0.222)	5.243*** (0.237)	5.183*** (0.238)	3.327*** (0.432)	2.882*** (0.436)	3.164*** (0.399)	2.174*** (0.421)
Observations	31,635	31,635	31,635	31,635	31,635	6,508	6,508	6,508	6,508
R-squared	0.464	0.465	0.466	0.469	0.470	0.597	0.599	0.597	0.600

**Table 4: Heckman Results - Trade Agreements, Institutions and WTOP Enforcement**

	Polity		Control of Corruption		Gov. Effectiveness		Rule of Law	
	Ln(Trade)	Agreement	Ln(Trade)	Agreement	Ln(Trade)	Agreement	Ln(Trade)	Agreement
Ln(GDP exp.)	0.881*** (0.0218)		0.825*** (0.0224)		0.840*** (0.0225)		0.845*** (0.0225)	
Ln(GDP imp.)	1.115*** (0.0144)		1.089*** (0.0165)		1.077*** (0.0159)		1.079*** (0.0158)	
Ln(Dist.)	0.150 (0.133)	-0.668*** (0.00909)	-1.690*** (0.119)	-0.768*** (0.01000)	-0.393** (0.181)	-0.746*** (0.00986)	-0.357* (0.189)	-0.749*** (0.00983)
Contig.	1.536*** (0.172)	-0.483*** (0.0451)	0.236* (0.142)	-0.564*** (0.0499)	1.214*** (0.182)	-0.555*** (0.0497)	1.238*** (0.187)	-0.557*** (0.0497)
Com. Lang.	-0.454** (0.213)	0.794*** (0.0178)	2.451*** (0.161)	0.934*** (0.0186)	0.689*** (0.255)	0.906*** (0.0185)	0.680*** (0.262)	0.910*** (0.0184)
Colony	-1.524*** (0.258)	0.882*** (0.0708)	0.494** (0.206)	0.752*** (0.0755)	-0.889*** (0.260)	0.817*** (0.0756)	-0.952*** (0.268)	0.814*** (0.0755)
WTOP Enfo.	0.0142*** (0.00482)		0.0372*** (0.00466)		0.0366*** (0.00469)		0.0387*** (0.00466)	
Pol. Diff.		-0.0496*** (0.00296)		0.155*** (0.0108)		-0.0446*** (0.0113)		-0.0267** (0.0112)
Lambda		-3.064*** (0.262)		0.946*** (0.232)		-1.729*** (0.354)		-1.789*** (0.368)
Constant	-2.850*** (0.720)	4.097*** (0.0723)	4.998*** (0.644)	4.633*** (0.0799)	-0.633 (0.916)	4.668*** (0.0793)	-0.933 (0.946)	4.664*** (0.0791)
Observations	74,227	74,227	59,383	59,383	59,323	59,323	60,199	60,199

Notes: (i) Standard errors in parentheses.

(ii) \*\*\* p<0.01, \*\* p<0.05, \* p<0.1

**Table 5: Heckman Results - Shallow Agreements, Institutions and WTOP Enforcement**

	Polity		Control of Corruption		Gov. Effectiveness		Rule of Law	
	Ln(Trade)	Shallow	Ln(Trade)	Shallow	Ln(Trade)	Shallow	Ln(Trade)	Shallow
Ln(GDP exp.)	0.848*** (0.0276)		0.903*** (0.0291)		0.905*** (0.0292)		0.904*** (0.0290)	
Ln(GDP imp.)	1.057*** (0.0185)		1.028*** (0.0204)		1.016*** (0.0202)		1.032*** (0.0197)	
Ln(Dist.)	-2.053*** (0.138)	-0.622*** (0.00978)	-1.536*** (0.0812)	-0.656*** (0.0107)	-1.523*** (0.155)	-0.635*** (0.0105)	-1.898*** (0.145)	-0.639*** (0.0105)
Contig.	0.116 (0.139)	-0.267*** (0.0456)	0.393*** (0.119)	-0.215*** (0.0506)	0.405*** (0.129)	-0.220*** (0.0503)	0.269** (0.137)	-0.206*** (0.0503)
Com. Lang.	3.447*** (0.256)	1.189*** (0.0195)	2.440*** (0.159)	1.171*** (0.0195)	2.441*** (0.302)	1.114*** (0.0191)	3.193*** (0.279)	1.128*** (0.0191)
Colony	0.959*** (0.235)	0.347*** (0.0708)	0.581*** (0.206)	0.264*** (0.0751)	0.592*** (0.223)	0.320*** (0.0744)	0.830*** (0.234)	0.331*** (0.0745)
WTOP Enfo.	0.0327*** (0.00678)		0.0319*** (0.00700)		0.0333*** (0.00701)		0.0324*** (0.00704)	
Pol. Diff.		0.0455*** (0.00326)		0.285*** (0.0117)		0.115*** (0.0119)		0.141*** (0.0119)
Lambda		1.821*** (0.300)		0.639*** (0.169)		0.606* (0.357)		1.514*** (0.326)
Constant	5.846*** (0.647)	3.080*** (0.0767)	3.962*** (0.541)	3.304*** (0.0848)	3.995*** (0.691)	3.341*** (0.0837)	5.002*** (0.679)	3.335*** (0.0835)
Observations	75,213	75,213	60,369	60,369	60,309	60,309	61,185	61,185

Notes: (i) Standard errors in parentheses.

(ii) \*\*\* p<0.01, \*\* p<0.05, \* p<0.1

**Table 6: Heckman Results - Trade Agreements, Institutions and WTOX Enforcement**

	Polity		Control of Corruption		Gov. Effectiveness		Rule of Law	
	Ln(Trade)	Agreement	Ln(Trade)	Agreement	Ln(Trade)	Agreement	Ln(Trade)	Agreement
Ln(GDP exp.)	0.870*** (0.0242)		0.890*** (0.0254)		0.896*** (0.0255)		0.902*** (0.0254)	
Ln(GDP imp.)	1.120*** (0.0142)		1.099*** (0.0164)		1.087*** (0.0160)		1.090*** (0.0159)	
Ln(Dist.)	0.199 (0.142)	-0.668*** (0.00909)	-1.644*** (0.119)	-0.768*** (0.01000)	-0.514*** (0.176)	-0.746*** (0.00986)	-0.491*** (0.182)	-0.749*** (0.00983)
Contig.	1.564*** (0.179)	-0.483*** (0.0451)	0.223 (0.141)	-0.564*** (0.0499)	1.079*** (0.176)	-0.555*** (0.0497)	1.093*** (0.180)	-0.557*** (0.0497)
Com. Lang.	-0.668*** (0.219)	0.794*** (0.0178)	2.234*** (0.157)	0.934*** (0.0186)	0.692*** (0.245)	0.906*** (0.0185)	0.686*** (0.252)	0.910*** (0.0184)
Colony	-1.495*** (0.268)	0.882*** (0.0708)	0.585*** (0.201)	0.752*** (0.0755)	-0.615** (0.250)	0.817*** (0.0756)	-0.655** (0.257)	0.814*** (0.0755)
WTOX Enfo.	0.00255 (0.00265)		0.0213*** (0.00227)		0.0203*** (0.00232)		0.0212*** (0.00231)	
Pol. Diff.		-0.0496*** (0.00296)		0.155*** (0.0108)		-0.0446*** (0.0113)		-0.0267** (0.0112)
Lambda		-3.171*** (0.284)		0.910*** (0.231)		-1.426*** (0.348)		-1.460*** (0.360)
Constant	-2.760*** (0.730)	4.097*** (0.0723)	4.257*** (0.660)	4.633*** (0.0799)	-0.544 (0.880)	4.668*** (0.0793)	-0.793 (0.903)	4.664*** (0.0791)
Observations	74,227	74,227	59,383	59,383	59,323	59,323	60,199	60,199

Notes: (i) Standard errors in parentheses.

(ii) \*\*\* p<0.01, \*\* p<0.05, \* p<0.1



**Table 7: Heckman Results - Shallow Agreements, Institutions and WTOX Enforcement**

	Polity		Control of Corruption		Gov. Effectiveness		Rule of Law	
	Ln(Trade)	Shallow	Ln(Trade)	Shallow	Ln(Trade)	Shallow	Ln(Trade)	Shallow
Ln(GDP exp.)	0.863*** (0.0275)		0.916*** (0.0291)		0.918*** (0.0291)		0.918*** (0.0290)	
Ln(GDP imp.)	1.073*** (0.0182)		1.042*** (0.0202)		1.031*** (0.0200)		1.046*** (0.0195)	
Ln(Dist.)	-2.069*** (0.140)	-0.622*** (0.00978)	-1.542*** (0.0825)	-0.656*** (0.0107)	-1.546*** (0.157)	-0.635*** (0.0105)	-1.905*** (0.147)	-0.639*** (0.0105)
Contig.	0.0860 (0.140)	-0.267*** (0.0456)	0.365*** (0.119)	-0.215*** (0.0506)	0.370*** (0.129)	-0.220*** (0.0503)	0.242* (0.137)	-0.206*** (0.0503)
Com. Lang.	3.195*** (0.252)	1.189*** (0.0195)	2.208*** (0.149)	1.171*** (0.0195)	2.239*** (0.301)	1.114*** (0.0191)	2.952*** (0.276)	1.128*** (0.0191)
Colony	1.083*** (0.235)	0.347*** (0.0708)	0.693*** (0.204)	0.264*** (0.0751)	0.719*** (0.222)	0.320*** (0.0744)	0.945*** (0.233)	0.331*** (0.0745)
WTOX Enfo.	0.00992* (0.00551)		0.0139** (0.00551)		0.0155*** (0.00551)		0.0133** (0.00562)	
Pol. Diff.		0.0455*** (0.00326)		0.285*** (0.0117)		0.115*** (0.0119)		0.141*** (0.0119)
Lambda		1.850*** (0.303)		0.659*** (0.170)		0.670* (0.359)		1.534*** (0.330)
Constant	6.032*** (0.662)	3.080*** (0.0767)	4.089*** (0.549)	3.304*** (0.0848)	4.165*** (0.701)	3.341*** (0.0837)	5.138*** (0.695)	3.335*** (0.0835)
Observations	75,213	75,213	60,369	60,369	60,309	60,309	61,185	61,185

Notes: (i) Standard errors in parentheses.

(ii) \*\*\* p<0.01, \*\* p<0.05, \* p<0.1

**Table 8: Heckman Results - Trade Agreements, Institutions and General Enforcement**

	Polity		Control of Corruption		Gov. Effectiveness		Rule of Law	
	Ln(Trade)	Agreement	Ln(Trade)	Agreement	Ln(Trade)	Agreement	Ln(Trade)	Agreement
Ln(GDP exp.)	0.876*** (0.0229)		0.851*** (0.0229)		0.857*** (0.0230)		0.862*** (0.0230)	
Ln(GDP imp.)	1.134*** (0.0151)		1.118*** (0.0161)		1.095*** (0.0160)		1.100*** (0.0159)	
Ln(Dist.)	0.578*** (0.195)	-0.701*** (0.00884)	-1.890*** (0.108)	-0.787*** (0.00988)	-0.814*** (0.171)	-0.766*** (0.00973)	-0.825*** (0.171)	-0.766*** (0.00969)
Contig.	1.913*** (0.228)	-0.553*** (0.0443)	0.0161 (0.143)	-0.603*** (0.0496)	0.873*** (0.172)	-0.598*** (0.0494)	0.862*** (0.171)	-0.595*** (0.0494)
Com. Lang.	-0.781*** (0.249)	0.751*** (0.0175)	2.505*** (0.131)	0.901*** (0.0185)	1.214*** (0.219)	0.866*** (0.0183)	1.244*** (0.219)	0.871*** (0.0182)
Colony	-2.217*** (0.321)	0.953*** (0.0652)	0.767*** (0.195)	0.788*** (0.0726)	-0.409* (0.239)	0.855*** (0.0724)	-0.412* (0.239)	0.860*** (0.0724)
Gen. Enfo.	0.00477*** (0.00146)		0.0122*** (0.00139)		0.0138*** (0.00137)		0.0141*** (0.00137)	
Pol. Diff.		-0.0336*** (0.00278)		0.191*** (0.0105)		0.000458 (0.0108)		-1.04e-06 (0.0108)
Lambda		-3.886*** (0.374)		1.348*** (0.202)		-0.836** (0.336)		-0.805** (0.335)
Constant	-5.141*** (1.012)	4.400*** (0.0703)	5.610*** (0.623)	4.793*** (0.0789)	0.918 (0.872)	4.832*** (0.0783)	0.827 (0.870)	4.828*** (0.0780)
Observations	75,076	75,076	59,801	59,801	59,741	59,741	60,617	60,617

Notes: (i) Standard errors in parentheses.

(ii) \*\*\* p<0.01, \*\* p<0.05, \* p<0.1

**Table 9: Heckman Results - Shallow Agreements, Institutions and General Enforcement**

	Polity		Control of Corruption		Gov. Effectiveness		Rule of Law	
	Ln(Trade)	Shallow	Ln(Trade)	Shallow	Ln(Trade)	Shallow	Ln(Trade)	Shallow
Ln(GDP exp.)	0.846*** (0.0236)		0.876*** (0.0270)		0.875*** (0.0270)		0.880*** (0.0267)	
Ln(GDP imp.)	1.118*** (0.0169)		1.072*** (0.0196)		1.061*** (0.0193)		1.071*** (0.0187)	
Ln(Dist.)	-2.472*** (0.129)	-0.656*** (0.00937)	-1.720*** (0.0761)	-0.678*** (0.0105)	-1.961*** (0.137)	-0.658*** (0.0103)	-2.222*** (0.140)	-0.659*** (0.0102)
Contig.	-0.259* (0.154)	-0.347*** (0.0447)	0.259** (0.123)	-0.265*** (0.0502)	0.161 (0.140)	-0.273*** (0.0498)	0.0558 (0.151)	-0.256*** (0.0499)
Com. Lang.	3.574*** (0.200)	1.097*** (0.0187)	2.473*** (0.126)	1.121*** (0.0192)	2.907*** (0.231)	1.058*** (0.0187)	3.409*** (0.238)	1.069*** (0.0188)
Colony	1.327*** (0.228)	0.492*** (0.0634)	0.689*** (0.192)	0.336*** (0.0708)	0.902*** (0.219)	0.398*** (0.0700)	1.103*** (0.235)	0.417*** (0.0701)
Gen. Enfo.	0.00692*** (0.00234)		0.00844*** (0.00270)		0.00863*** (0.00273)		0.00876*** (0.00271)	
Pol. Diff.		0.0511*** (0.00302)		0.319*** (0.0112)		0.157*** (0.0113)		0.160*** (0.0113)
Lambda		2.594*** (0.263)		1.022*** (0.149)		1.570*** (0.297)		2.196*** (0.300)
Constant	7.592*** (0.636)	3.452*** (0.0736)	4.874*** (0.528)	3.511*** (0.0831)	5.830*** (0.672)	3.553*** (0.0820)	6.533*** (0.689)	3.544*** (0.0817)
Observations	76,059	76,059	60,784	60,784	60,724	60,724	61,600	61,600

Notes: (i) Standard errors in parentheses.

(ii) \*\*\* p&lt;0.01, \*\* p&lt;0.05, \* p&lt;0.1

## 5. Conclusion

This paper examines the effect of the quality of institutions on the membership in trade agreements from a *de jure* and a *de facto* perspectives, with a special focus on the Middle East North Africa countries. First, for the *de jure* effect, we analyze how the quality of institutions affect the likelihood of joining a trade agreement. Moreover, at the *de facto* level, this paper examines how the difference in quality of institutions and enforceability degree affects the volume of trade among trade partners.

Our main findings show the larger the difference in the quality of political institutions, the less likely the country signs a deeper trade agreement (compared to more shallow ones). Moreover, the more the agreement is enforced, the greater the positive effect on trade flows. This result holds for the enforcement of the aspects related to the World Trade Organization provisions and those not related to it. Yet, the larger the institutional difference, the lower the negative effect on trade flows. It is worthy to note also that our results hold even when we control for the selection bias related to joining a trade agreement.

From a policy standpoint, our results highlight two important implications. First, in order to make trade agreements more effective, institutional reforms are required. Indeed, this will guarantee that any agreement will be enforced since the government will be more accountable. Second, since this result holds for both provisions related to the WTO agreement or outside the WTO agreement, it is important to negotiate trade agreements that go beyond tariff agreements, notably those related to non-tariff measures, industrial policies, property rights, etc.

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## Appendices

### Appendix 1: List of agreements

African Common Market	EU - Faroe Islands
Agadir Agreement	EU - Georgia
Arab Common Market	EU - Iceland
Bulgaria - Israel	EU - Israel
Canada - Israel	EU - Jordan
Canada - Jordan	EU - Korea, Republic of
Common Market for Eastern and Souther..	EU - Lebanon
Czech Republic - Israel	EU - Mexico
EC (25) Enlargement	EU - Moldova, Republic of
EC (27) Enlargement	EU - Morocco
EC - Algeria	EU - North Macedonia
EC - Bulgaria Europe Agreement	EU - Norway
EC - Egypt Cooperation Agreement	EU - Papua New Guinea / Fiji
EC - Israel Agreement of 1975	EU - San Marino
EC - Jordan Cooperation Agreement	EU - South Africa
EC - Lebanon Cooperation Agreement	EU - Switzerland - Liechtenstein
EC - Malta Association Agreement	EU - Syria
EC - Morocco Cooperation Agreement	EU - Tunisia
EC - Tunisia Cooperation Agreement	EU - Turkey
EFTA - Egypt	EU Overseas Countries and Territori..
EFTA - Israel	Egypt - Turkey
EFTA - Jordan	Gulf Cooperation Council (GCC) - Sing..
EFTA - Lebanon	Hungary - Israel
EFTA - Morocco	Israel - Mexico
EFTA - Tunisia	Jordan - Singapore
EU (28) Enlargement	Pan-Arab Free Trade Area (PAFTA)
EU - Albania	Poland - Israel
EU - Algeria	Slovak Republic - Israel
EU - Andorra	Slovenia - Israel
EU - Bosnia and Herzegovina	Turkey - Israel
EU - CARIFORUM States EPA	Turkey - Jordan
EU - Cameroon	Turkey - Morocco
EU - Central America	Turkey - Syria
EU - Chile	Turkey - Tunisia
EU - Colombia and Peru	United States - Bahrain
EU - Croatia	United States - Israel
EU - Cd'Ivoire	United States - Jordan
EU - Eastern and Southern Africa Stat..	United States - Morocco
EU - Egypt	United States - Oman

## **Appendix 2: List of countries**

### *List of exporting countries*

Algeria  
Bahrain  
Djibouti  
Egypt  
Iran  
Iraq  
Israel  
Jordan  
Kuwait  
Lebanon  
Libya  
Malta  
Morocco  
Oman  
Qatar  
Saudi Arabia  
Syria  
Tunisia  
United Arab Emirates  
Yemen



*List of importing countries*

Afghanistan	China	Guinea	Malaysia	Portugal	Togo
Albania	Colombia	Guinea-Bissau	Maldives	Qatar	Tonga
Algeria	Comoros	Guyana	Mali	Romania	Trinidad Tobago
Andorra	Congo	Haiti	Malta	Russia	Tunisia
Angola	Congo, Dem.	Honduras	Marshall Isl.	Rwanda	Turkey
Antigua and Barb	Costa Rica	Hungary	Mauritania	Samoa	Turkmenistan
Argentina	Cote d'Ivoire	Iceland	Mauritius	San Marino	Tuvalu
Armenia	Croatia	India	Mexico	Sao Tome Principe	Uganda
Australia	Cuba	Indonesia	Micronesia	Saudi Arabia	Ukraine
Austria	Cyprus	Iran	Moldova	Senegal	United Arab Emir.
Azerbaijan	Czech Republic	Iraq	Monaco	Serbia	United Kingdom
Bahamas	Denmark	Ireland	Mongolia	Seychelles	United States
Bahrain	Djibouti	Israel	Montenegro	Sierra Leone	Uruguay
Bangladesh	Dominica	Italy	Morocco	Singapore	Uzbekistan
Barbados	Dominican Republic	Jamaica	Mozambique	Slovakia	Vanuatu
Belarus	Ecuador	Japan	Myanmar	Slovenia	Venezuela
Belgium	Egypt	Jordan	Namibia	Solomon Islands	Vietnam
Belize	El Salvador	Kazakhstan	Nauru	Somalia	Yemen
Benin	Equatorial Guinea	Kenya	Nepal	South Africa	Zambia
Bhutan	Eritrea	Kiribati	Netherlands	Spain	Zimbabwe
Bolivia	Estonia	Korea, North	New Zealand	Sri Lanka	
Bosnia and Herzeg.	Eswatini	Korea, South	Nicaragua	St Kitts and Nevis	
Botswana	Ethiopia	Kuwait	Niger	St Lucia	
Brazil	Fiji	Kyrgyzstan	Nigeria	St Vincent and the Grenadines	
Brunei	Finland	Laos	North Maced.	Sudan	
Bulgaria		Latvia	Norway		

### Appendix 3: List of Provisions

<i>WTO-plus areas</i>	
FTA Industrial	Tariff liberalization on industrial goods; elimination of non-tariff measures
FTA Agriculture	Tariff liberalization on agriculture goods; elimination of non-tariff measures
Customs	Provision of information; publication on the Internet of new laws and regulations; training
Export Taxes	Elimination of export taxes
SPS	Affirmation of rights and obligations under the WTO Agreement on SPS; harmonization of SPS measures
TBT	Affirmation of rights and obligations under WTO Agreement on TBT; provision of information; harmonization of regulations; mutual recognition agreements
STE	Establishment or maintenance of an independent competition authority; nondiscrimination regarding production and marketing condition; provision of information; affirmation of Art XVII GATT provision
AD	Retention of Antidumping rights and obligations under the WTO Agreement (Art. VI GATT).
CVM	Retention of Countervailing measures rights and obligations under the WTO Agreement (Art VI GATT)
State Aid	Assessment of anticompetitive behavior; annual reporting on the value and distribution of state aid given; provision of information
Public Procurement	Progressive liberalization; national treatment and/or non-discrimination principle; publication of laws and regulations on the Internet; specification of public procurement regime
TRIMs	Provisions concerning requirements for local content and export performance of FDI
GATS	Liberalization of trade in services
TRIPs	Harmonization of standards; enforcement; national treatment, most-favored nation treatment
<i>WTO-X areas</i>	
Anti-Corruption	Regulations concerning criminal offence measures in matters affecting international trade and investment
Competition Policy	Maintenance of measures to proscribe anticompetitive business conduct; harmonization of competition laws; establishment or maintenance of an independent competition authority
Environmental Laws	Development of environmental standards; enforcement of national environmental laws; establishment of sanctions for violation of environmental laws; publications of laws and regulation
IPR	Accession to international treaties not referenced in the TRIPs Agreement
Investment	Information exchange; Development of legal frameworks; Harmonization and simplification of procedures; National treatment; establishment of mechanism for the settlement of disputes
Labour Market Regulation	Regulation of the national Labour market; affirmation of International Labour Organization (ILO) commitments; enforcement
Movement of Capital	Liberalization of capital movement; prohibition of new restrictions
Consumer Protection	Harmonization of consumer protection laws; exchange of information and experts; training
Data Protection	Exchange of information and experts; joint projects
Agriculture	Technical assistance to conduct modernization projects; exchange of information
Approximation of Legislation	Application of EC legislation in national legislation
Audio Visual	Promotion of the industry; encouragement of co-production
Civil Protection	Implementation of harmonized rules
Innovation Policies	Participation in framework programmes; promotion of technology transfers
Cultural Cooperation	Promotion of joint initiatives and local culture
Economic Policy Dialogue	Exchange of ideas and opinions; joint studies
Education and Training	Measures to improve the general level of education
Energy	Exchange of information; technology transfer; joint studies
Financial Assistance	Set of rules guiding the granting and administration of financial assistance
Health	Monitoring of diseases; development of health information systems; exchange of information
Human Rights	Respect for human rights

Illegal Immigration	Conclusion of re-admission agreements; prevention and control of illegal immigration
Illicit Drugs	Treatment and rehabilitation of drug addicts; joint projects on prevention of consumption; reduction of drug supply; information exchange
Industrial Cooperation	Assistance in conducting modernization projects; facilitation and access to credit to finance
Information Society	Exchange of information; dissemination of new technologies; training
Mining	Exchange of information and experience; development of joint initiatives
Money Laundering	Harmonization of standards; technical and administrative assistance
Nuclear Safety	Development of laws and regulations; supervision of the transportation of radioactive materials
Political Dialogue	Convergence of the parties' positions on international issues
Public Administration	Technical assistance; exchange of information; joint projects; Training
Regional Cooperation	Promotion of regional cooperation; technical assistance programmes
Research and Technology	Joint research projects; exchange of researchers; development of public-private partnership
SME	Technical assistance; facilitation of the access to finance
Social Matters	Coordination of social security systems; non-discrimination regarding working conditions
Statistics	Harmonization and/or development of statistical methods; training
Taxation	Assistance in conducting fiscal system reforms
Terrorism	Exchange of information and experience; joint research and studies
Visa and Asylum	Exchange of information; drafting legislation; training