



ABSTRACT WORKING PAPER 2.8

The determinants of trade activity among the EU and the ENP countries

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Within the framework of the European Neighborhood Policy (ENP), the EU neighboring countries (the ENP countries) operate under “neighborhood Europeanization” conditions, tantamount to economic integration. Within this framework, the objective of the paper is to detect the determinants of exports flows from the ENP countries to the EU countries, and, moreover, to indicate whether significant irregularities in the geographical direction of exports flows from the ENP to the EU countries, if they exist, have any implications for the economic performance of the ENP countries. On the basis of the results derived from a gravity model, the paper estimates a Coefficient of Irregularity in the Geographical Direction of Exports Flows (CIGDEF) in order to measure the degree to which the direction of exports flows from the ENP to the EU countries is diverging or is different from that predicted by the gravity model equation. Plotting the figures of the CIGDEF against the figures of the ENP countries’ per capita GDP, the paper detects the possible implications of geographical irregularity for the economic performance of the ENP countries. The findings of the paper indicate that high levels of GDP and population, in the ENP and the EU countries, low distance, low income differences, common land borders and colonial relations in the past are among the factors favoring the increase of exports from the ENP to the EU countries. The latter, however, exhibit, in many cases, significant geographical irregularities in the sense that there significant differences between the actual and the expected (fitted) exports flows. By and large, such irregularities have a negative, though not strong, impact on the ENP countries’ economic performance.