

Effects of free trade on export efficiency of COMESA member-states

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Abstract

Regional integration in Africa is deepening, and the existing regional groupings are making frantic efforts to remove barriers to trade. One way in which trade among countries can be promoted is through the establishment of free trade areas with member-states. However, regulatory quality that supports international trade in most African countries is exceptionally low. This study investigates the effect of the Common Market for Eastern and Southern Africa (COMESA) free trade area (FTA) on the bilateral export efficiency of member-states over the period 1997–2021. The results obtained using a stochastic frontier specification of the gravity model and panel data of 16 exporting COMESA member-states show a positive effect of the COMESA free trade area on export efficiency. In addition, the study finds regulatory quality to have a positive impact on export efficiency. Controlling for regulatory quality, the results also show that the FTA stimulates export efficiency. Hence, non-FTA COMESA members ought to contemplate joining the FTA in order to expand their respective exports with other member-states to their maximum potential.

Keywords: Export efficiency, COMESA, Regulatory quality, Stochastic frontier gravity model