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An Empirical Application of the Gravity Model to Assess the Trade Potential of Comprehensive Economic Partnership Agreements between the European Union and Southern African Countries

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ABSTRACT The research sought to assess the determinants of trade flows between European Union and Southern African countries for the period 2001 to 2012, and to determine the trade potential of a Comprehensive Economic Partnership Agreement between the European Union and Southern African countries. Econometric modeling was done using the gravity model of trade. Estimation was done using the fixed effects model. The research concluded that the factors that had a positive relationship with trade flows between Southern African and European Union countries were population and GDP of Southern African countries. Interim EPAs were found to be reducing the trade flows, meaning that the impending comprehensive EPAs had the potential to reduce trade flows between the two groupings.