

## ABSTRACT

Economic and political determinants of trade agreements have received ample scrutiny in the economic literature. This study investigates the impact of economic policy uncertainty and geopolitical closeness on the formation of regional trade agreements (RTAs) using a panel probit model. The dataset includes a sample of pairwise countries that signed RTAs between 1952 and 2021. The main findings reveal that uncertainty has a significant and positive impact on the likelihood of forming RTAs, indicating that countries are more likely to form RTAs when they face higher levels of uncertainty. Additionally, the study finds that geopolitical closeness, measured by geographic proximity and shared religion, also has a positive impact on the formation of RTAs. These findings suggest that policymakers need to consider economic policy uncertainty and geopolitical closeness when designing trade policies and negotiating RTAs.

**Keywords:** Uncertainty, Geopolitical Closeness, Regional Trade Agreements, Panel Probit

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