

Regionalisation of Trade and Development: A Study in the Input-Output Framework

Topic: International Trade 2

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Through regionalisation of international trade a group of countries come closer and closer in respect of volumes of trade, trade policies and above all development patterns. It is not a recent phenomenon. It gathered momentum in the 1960s and 1970s. A large number of trade blocks have so far been formed by countries on the basis of common interest.

Preferential trade, free trade, customs union, common market and monetary union are the successive stages of perfect trade block. Though a large number of trade blocks are, at present, functioning in the arena of World Trade, most of them have not yet passed those stages. The European Union (EU) formerly known as European Economic Community (EEC) formed in 1958 has passed all those stages of perfect trade block.

Obviously, trade blocks prevailing at present differ in the nature and the degree of trade integration among the member countries. Pal, Dietzenbacher, and Basu (Economic Systems Research, 2007) have formulated the index of trade integration (PDB index henceforth). The present paper attempts to measure and explain the degree of trade integration of the EU from the perspective of economic development using the PDB index. The time series of the PDB index for the EU since 1973 will be statistically analysed from the view point of economic development.