

Better all together? Exploring the effects of alternative scenarios for integration in the European Union

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The phenomenon of the emergence of groups of countries that share certain economic and political characteristics, has led to the generation of several economic areas in recent years that apparently seemed to work correctly, but that have finally had problems after the integration. This could be the case of the European Union, in which a group of countries decided to create an area in which they shared, not only certain political decisions, but economic ones. However, the arrival of the international financial crisis in 2007 caused imbalances in relations and collaborations between countries, both within the EU and worldwide. Several studies have focus on the analysis of the consequences of several recent economic phenomena some through econometric techniques, others with a multiregional perspective and others through building counterfactuals.

In this paper, the objective is to focus on the possibility of defining a type of synthetic indicators in an input-output framework, in a dynamic context, building "counterfactuals" and alternative scenarios to evaluate the impact of certain phenomenon in a European context, as well as in a global context. As a first example, and because of the problems that have arisen recently, the study of the "non-integration" of Eastern European countries could be an interesting scenario. We use the multisectorial and multiregional perspective provided by a MRIO model and the associated databases to study the evolution of EU countries in recent years, through the building of counterfactuals or parallel scenarios where the behavior of these countries is studied in the case that they had not participated in certain economic events.

More specifically, inspired by the synthetic indicators methodology and the hypothetical extraction methods we first study the trends in the intra-group, intra-EU and extra-EU trade relationships for these countries and in the technological and structural composition of the economies. Second, we design hypothetical scenarios on the trends in the evolution of these components based on the behavior observed in the pre-adhesion period and in different hypothesis of integration (this based on the trends observed in other world regional processes). These scenarios would help us to better analyze the contribution of the integration process on post-integration and current levels of economic growth and structural specialization of these countries.

In this regards, this paper attempts to shed light on the discussion about the consequences of certain areas of economic integration, and the effects of these phenomenon on bilateral trade flows between countries within the EU and worldwide. To do this, the information provided by the World Input-Output database (WIOD), as well as the information provided by EORA database are used.

In our view, the results could contribute to calculate the structural effect of the most recent integration and disintegration processes within the European Union and worldwide, that currently set as a new challenge that must be faced by several groups of countries, which today present certain structural differences.