

New Aspects of Intra-Industry trade: Evidence from EU-15 countries

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ABSTRACT

This paper argues about some missing aspects of intra-industry trade (IIT) and proposes some alternative measures to better capture the nature of IIT. We show the over-time evolution of the number of IIT products, and propose an index which captures the share of the number of IIT products over the number of all traded goods. We also show how arbitrary the conventional classification into Horizontal and Vertical IIT indices are, and then propose a new measure using the unit value difference of IIT products. To discuss these issues we use trade data at HS 8 digit product level of EU 15 countries for the period 1988 – 2007, mainly within EU countries as well as with Eastern European countries, and with China as major EU trading partners. Our findings include the Eastern European countries' rise up the quality ladder, and the substantially lower prices of China's exports to EU 15 countries vis-à-vis China's imports from them, whose gap is not narrowing even in very recent years.

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Keywords: Intra-industry trade, Horizontal and Vertical Product Differentiation, Quality, unit price gap

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