

The Degree of Openness to Intra-Regional Trade – Towards Value-Added Based Openness Measures

By Ansgar Belke and Lars Wang, Stuttgart-Hohenheim

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Degree of openness, openness to intra-regional trade, bilateral trade, value-added approach, input-output analysis.

Summary

This study develops innovative measures of openness towards bilateral trade. The most widely applied openness indices are not able to accurately calculate the degree of trade openness. For example, the intra-regional export ratio which relates the value of exports of an integration area to the gross domestic product, can exceed 100 percent because trade is stated in gross terms, while the gross domestic product is expressed in value-added terms. This implies a negative value of domestic non-tradeables. The actual openness concept corrects the traditional concept by expressing trade in value-added terms instead of gross terms.
