

Intranational and international trade flows: implication for economic growth in EU regions

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The role of trade openness in enhancing growth has always been one of the most important and debated economic issues. The last decades have undoubtedly seen a tendency towards open economies, resulting in any form of (even partial) autarchy becoming less and less prevalent in most of the world.

This paper uses the Territorial Data Analysis and Modelling (TEDAM) database to investigate how trade influences growth in 233 European regions from 2017 onwards. This database allows us to differentiate trade with other domestic regions from trade with other countries that belong to the European Union and the rest of the world. This distinction immediately appears necessary when one acknowledges that about 60% of out-of-region trade in Europe originates from or is directed to other regions that belong to the same country. Our results indicate that this type of trade is not as conducive to growth as trade with other countries but might even be detrimental to the region's economic performance. Even trading outside of one's own country is not homogeneous in its effects on growth, and trading with countries outside the European Union seems to have a much more substantial impact than trading with fellow members.