

Unequal exchange in the European Union. The input-output analysis of trade between Spain and Germany

Topic: Classical IO applications: Trade and GVCs

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This paper is inspired by concerns over the regional trade imbalance in the European Union which is, currently, the largest example of a common market between different countries in the World. The study of trade within in the European Union is a field of interest because trade inequalities not only concern trade relationship between developed and underdeveloped countries but can be significant between developed countries.

The analysis is based on Marxist trade theory. From Arghiri's unequal exchange to Shaikh's theory of absolute cost advantage, Marxist trade literature has argued about how the value of the production is transferred between countries through trade exchange and how the international price formation defines the exchange's conditions. This work focuses on the role played by the organic composition of capital and the wage levels between the trade of developed countries in a common economic area. The challenge of this research is to test if there are transfers of labour values between European countries, particularly from Spain to Germany, considering any differences in both the organic composition of capital and wage levels. This test will be carried out using the available input-output data published by WIOD database during the period 1995-2011, identifying the differences in organic compositions of capital and wages levels for 34 industries in and between both countries.