The Relationship between U.S. Trading Partners' Level of Per Capita Income and Their Intra-industry Index of Trade with the United States

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EXECUTIVE SUMMARY

This paper employs the Grubel-Lloyd model to estimate the Intra-Industry coefficients of U.S. trade with thirty two of its trading partners and to establish the patterns of the United States' trade with high-income and low-income nations. It concludes that there is a statistically significant direct relationship between the level of trade in the same industry categories and the per capita income of the countries with which the United States trades and closes with a strong argument in support of free trade.

Keywords: U.S Trade, Intra-Industry Index, Inter-Industry Index, Per Capita income, Grubel-Loyd Index.