

Quantitative Analysis of the Trade Potential of the United States with Members of the European Union: A Gravity Model Approach

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Abstract : This study has estimated the trade between USA and individual members of European Union using Gravity Model of Trade as The USA has a complex trade relationship with the European countries consist of a large number of consumers, which make USA dependent on EU for major of its total world trade. However, among the member of EU, the trade potential of USA with individual members of EU is not known. Panel data techniques e.g. Random Effect, Fixed Effect and Pooled Panel have been applied to secondary quantitative data to analyze the Trade between USA and EU. Trade Potential of USA with individual members of EU has been obtained using the ratio of Actual trade of USA with EU members and the trade as predicted by Gravity Model. The Study concluded that the USA has greater trade potential with 16 members of EU, including Croatia, Portugal and United Kingdom on top. On the other hand, Finland, Ireland, and France are the top countries with which the USA has exhaustive trade potential.

Keywords : analytical technique, economic, gravity, international trade, significant

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