

ABSTRACT

This study examines the relationship between trade and long-run income convergence among trade groups of Asian Countries which are major trade partners. For the whole sample, majority of the trade groups does not provide evidence in favour of income convergence. Excluding Japan from each trade group (which is present almost in all trade groups) does not affect the results in any major way. To examine the trade relationships, base year of trade is changed from 1981 (the beginning year) to 2012 (the ending year). Changing base year of trade slightly weakens the results. When two mutually exclusive trade groups have been created, one for rich countries and other for poor countries, strong evidence of income convergence has been found in trade groups of rich countries but not among the trade groups of poor countries. Our results also indicate that trade among developed and developing countries does not contribute to income convergence.