

## **The Impact of Regional Trade Integration on Trade Complementarity**

**Adiba Shehraj**

In this article, I analyze whether regional trade integration results in improvement of trade complementarity between member countries. The analysis focuses on bilateral trade data between 61 countries to compute the trade complementarity between each pair during the years 1988-2015. To identify the impact of regional trade membership on trade complementarity index, I use a linear fixed-effect regression analysis to find the causal inference, by accounting for unobserved time-invariant and country-invariant confounders. My main empirical result suggests that membership in the European Union positively impacts the Trade Complementarity Indices between member economies, albeit at a decreasing rate. This result provides significant contribution to understanding the Trade Complementarity Index as a trade indicator, since this is the first empirical evidence using TCI that supports the hypothesis that membership in regional trade agreements makes two trading partners more compatible.