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<p>Tiivistelmä-Referat-Abstract</p> <p>This thesis concentrates on a concept of convergence, and thus it examines whether reduction of disparities between poor and rich countries is taking place and what are the most important factors contributing to such process. The main focus is on a group of more homogenous countries, namely the countries of the European Union due to its ongoing process of convergence and enlargement. Besides the theoretical analysis on convergence, some empirical evidence and analysis of whether trade liberalization has enhanced the convergence process is presented. The thesis discusses the enlargement of the EU and its effects on convergence, but also the history of convergence within the European countries. Sigma-convergence within the enlarged EU area has taken place during the examination period of 1993-2004, and therefore income disparities between countries appear to be declining. When analysing beta-convergence during the period, a negative relationship between the initial level of GDP per capita and its average growth rate can be found. As predicted by the neoclassical theory of convergence, the EU-10 countries are among the initially poorest and fastest growing countries, and the EU-15 countries have a slower growth rate. According to the estimation, the countries of the European Union converge in an absolute sense at a speed of 2.1 % per year. The results indicate that the expected duration of the convergence process must be measured in decades.</p> <p>When examining the relationship between sigma-convergence and economic integration, the liberalisation of trade was found to have an impact on convergence within the EEC. Also among the EU-15 is found evidence for that mutual trade is rather good indicator of sigma-convergence. As for the new member states of the EU, there is a positive relationship between the volume of trade and the degree of openness. Trade between the EU-25 countries has accelerated, which exhibits a propensity towards convergence.</p> <p>The most important references used are Barro, Robert J. and Sala-I-Martin, Xavier (1995), Sala-I-Martin, Xavier (1996) and Kaitila, Ville (2004) for the concept of convergence, Economic and Social Data Service dataset for empirical evidence, and Ben-David, Dan and Kimhi, Ayal (2004) for the relationship between trade and convergence.</p>			
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