

ON THE DETERMINANTS OF EXPORT DIVERSIFICATION

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Abstract

Empirical findings confirm that relatively high specialisation of economic structures tends to be associated with low levels of income *per capita* but countries tend to diversify their export structures along the path of growth. However, usually only *per capita* income and, eventually, country specific fixed effects are the sole explanatory variables taken into consideration in the estimation of specialisation curves. We extend the analysis of specialisation – economic development nexus and search for the determinants of trade diversification process. Using a panel data-set for 60 countries and twenty years (1985-2004) we combine synthetic specialization measures obtained with manufacturing exports data (SITC Rev.2, 3 digit) with a wide range of country specific variables characterising their size, geographical conditions, endowments, human capital or institutional setting. It turns out that the distance from the major markets and the country size are the most relevant and robust determinants of export diversification process, explaining together around half of between country variability in specialisation patterns. The results are robust to changes in the disaggregation scheme and in the estimation procedure.

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