

Exports diversity, income and global value chains: whatâ€™s behind the current world performance?

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During the last two decades globalization has been one of the most important processes in the worldwide economy. This has made countries' trade profiles to be in the forefront of economic literature as important drivers of economic growth.

The effect of export variety on economic growth has been a recurrent topic in recent literature. Some papers have found a positive and linear relationship between exports diversity and GDP per capita (Freire (2017)). Other authors such as Cadot et al (2011) claim that this relation is not linear, achieving a U-shaped pattern. That means that exports diversity would be beneficial for those countries with low income levels but specialization would be preferred when a certain stage of development is already achieved.

Besides, nowadays, global value chains have been increasingly studied in economic literature, showing product fragmentation and international trade as sources of income growth. In this context, at the best of our knowledge, no other papers have analyzed how the participation in global value chains can affect exports diversity and to what extent can be identified regional and/or patterns in this relationship.

Our paper aims to address these questions within a multiregional input-output framework, using as a main empirical database EORA25 (Lenzen et al (2013)). We will use as a measure of diversity the one proposed by Hausman et al (2011) but applied to input-output model. We will run panel data regressions to study the relation between exports diversity and, both economic growth and participation in global value chains, distinguishing from different levels of income. Our preliminary results seem to support the existence of a non-linear relationship between VA and exports diversity as well as between it and participation in global value chains, suggesting that countries' development is a variable to take into account when trade policies refer.