

Similarity in export composition and catching-up

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Abstract

In this paper we look at the role of export composition in the growth process, considering how increased similarity in trade structure among countries can induce catching-up in income levels.

We apply our analysis to the Central and Eastern European Countries (CEECs) using the EU as a benchmark. We explicitly consider the sectoral export patterns of the CEECs by comparing them to those of the current members of the EU, focusing on countries' specialization as suppliers for the EU market.

Our main result is that similarity in export composition has a positive, significant and nonlinear impact on catching-up, and seems to be driven by the growth of the main export market more than by other factors. Results are robust to controlling for openness and country-size and for investment, schooling, and the quality of institutions.

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