

# Overall Specialization and Income: Countries Diversify

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## Abstract

This paper gives evidence to a stylized fact often disregarded in international trade empirics: countries' diversification. In the last fifteen years, the growth of world trade coexisted with the tendency of countries to reduce the specialization of their export composition along the development path. On average, countries do not specialize, they diversify. Our semiparametric empirical analysis shows how this result is robust to the use of different statistical indexes used to measure trade specialization to the level of sectoral aggregation and to the level of smoothing in the nonparametric term associated to income per capita. Using a General Additive Model (GAM) with country-specific fixed-effect, we show that, controlling for countries heterogeneity, sectoral export diversification increases with income.

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