



ABSTRACT WORKING PAPER 2.4

Relatedness and diversification in EU and ENP countries

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ABSTRACT

In this working paper we analyze the degree of relatedness between export products based on co-occurrence analysis (Hausmann & Klinger, 2007). We use the BACI Dataset (an elaboration from UN Comtrade Data), since it guarantees ample coverage of ENP countries over time, at the 4-digit classification level. Our results show that in both EU and ENP countries the evolution of the export mix is strongly path-dependent: countries tend to keep a comparative advantage in products that are strongly related to their current productive structure, and they also diversify in nearby products. However, this effect is much stronger for ENP countries, signalling their lower capabilities to diversify in products that are not very near to their productive structure. Moreover, we also show that the future exports structure of countries is affected by imports: both EU and ENP countries keep a comparative advantage in products that are strongly related to their imports, but only EU countries show also evidence of learning to diversify in new products from related import sectors.