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Manufacturing Export Diversification and Regionalization of Trade: Which Destinations for Newly Exported Goods?*

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Abstract:
This paper studies the extent to which export diversification is related to the regionalization of trade by examining the destination pattern of newly exported goods. Using a panel database of bilateral trade between 116 countries of 1090 HS4 manufacturing goods over the period 2000-2010, I first show that for almost all countries in the sample, the average destination of goods not exported before 2000 and newly exported over the 2000-2010 period is more “accessible” in terms of distance, language or tariffs preferences compared to the average destination of traditionally exported goods. I find that this pattern of destinations is weakly dependent on the “age” of the exported goods but rather is explained by the fact that these newly exported goods have emerged in industries where the country has high production and export costs. It follows that export diversification is accompanied by trade regionalization, at least in the medium term.

Keywords: Export diversification, trade costs, newly exported goods, regional trade
JEL Classification: F1, 01

1. Introduction
There are two trends in the recent evolution of developing countries’ trade which are contradictory at first sight. First, the share of developing countries in world trade and the number of products exported by these countries has grown substantially during the last decade. Second, whereas trade growth should lead to greater market expansion, developing countries regionalize their trade, i.e. export increasingly to geographically close destinations (Carrere et al., 2013; Brun et al, 2005; Berthelon and Freund, 2008). In their paper on African exports, Easterly and Reshef (2016) comment “From 1994 to 2008 exports of goods per capita from Sub-Saharan Africa have increased more than fourfold, or 13% per year on average. Much of the African export growth is regional. The share of exports from the average Sub-Saharan country to destinations outside Sub-Saharan Africa has steadily declined from 71% in 1994 to 53% in 2008”. This growth of regional trade is higher than expected given the relative economic growth of these regions (see figure 1).

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1 The regionalization of trade is related to the increase of the distance-elasticity of bilateral trade over time, the so-called “distance puzzle” (Disdier and Head, 2008).
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