The Impact of Export Diversification on Economic Growth: A Comparative Study

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ABSTRACT

Gross Domestic Product (GDP) is an evident measurement of economic growth in any country because it represents its income. One major part of GDP is exports. Thereby, Exporting has been an important pillar through which the economic growth can be achieved. However, the kind of export growth plays an important role in accelerating the economic growth rate. The previous scholar long-argued each other on this kind of exports whether export diversification or export concentration. Export diversification was the key success of economic boom in Asian countries, where the export diversification policy has been adopted over the last five decades with fruitful economic returns. On the other hand, Central American countries applied different diversification programs such as, nontraditional farm-raised shrimp, textile and cut flowers in the early 1970s to the mid-1990s. However, they could not attain the stabilization in their export earnings. In Africa, natural resource-based products have dominated exports for the last five decades, but concentration on such products could not lead these African countries richer. Consequently, this paper tries to examine the real impact of export diversification policy on economic growth by testing the hypothesis of export diversification-led growth policy using the most common measurement of export concentration, Hirschmann-Herfindahl index, through the comparison between panel data of number of African, Central American, and Asian countries, through Generalized method of moments (GMM) based on Eviews package.

Keywords: Export Concentration and Diversification, Labor Productivity, Gross Domestic Product, Hirschmann-Herfindahl index

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