

Does Greater Export Diversification Contribute to Increased Economic Stability?

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This paper examines the relationship between export diversification and economic volatility using the Gini coefficient as a measurement of export diversification. Panel data estimates are provided for the overall data set (54 countries for 20 years). I find that trade diversification facilitates economic stabilization. However, product diversification, rather than geographic diversification, seems to be more important. In addition, countries with fixed exchange rate regimes are even more sensitive to export diversification than countries with flexible exchange rate regime.