

Ex-Post Export Data for Differentiated Products Revealing the Existence of Productcycles

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Abstract : We estimate international product cycles as shifting product spaces by using 1976 to 2010 UN Comtrade data on all differentiated tradable products in all countries. We use a product space approach to identify the representative product baskets of high-, middle and low-income countries and then use these baskets to identify the patterns of change in comparative advantage of countries over time. We find evidence of a product cycle in two senses: First, high-, middle- and low-income countries differ in comparative advantage, and high-income products migrate to the middle-income basket. A similar pattern is observed for middle- and low-income countries. Our estimation of the lag shows that middle-income countries tend to quickly take up the products of high-income countries, but low-income countries take a longer time absorbing these products. Thus, the gap between low- and middle-income countries is considerably higher than that between middle- and high-income nations.

Keywords : product cycle, comparative advantage, representative product basket, ex-post data

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