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Determinants of Export Competitiveness: Evidence from OECD Manufacturing

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ABSTRACT

International trade has been one of the most important drivers of economic growth in the global economy for the last few decades. Therefore it has been a major area of research to ascertain the determinants of a country's ability to export (both by means of volume and sophistication) as well as the determinants of export competitiveness i.e. a country's global export market share. In this context, it has been a question whether foreign direct investments contribute to export competitiveness of countries. Some studies in the literature suggest a positive link between exports and FDI inflows while others suggest a negative impact of FDI on exports competitiveness. In this study, export competitiveness of OECD countries are analyzed. Firstly a RCA index for manufactures exports is constructed and then panel data techniques are employed to test the effects of physical capital, labor cost, infrastructure, human capital and FDI inflows on export competitiveness of manufactures. The results of the study indicate that conventional variables determine the export competitiveness of manufactures in OECD countries. Furthermore, FDI to the manufacturing sector has not contributed positively to the export competitiveness of OECD countries for the last decade.

KEYWORDS Export Competitiveness; FDI; OECD

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