World market share dynamics: Understanding cross country selection dynamics using product space metrics.

Andreas Reinstaller 1, Paul Windrum
1 : Austrian Institute of Economic Research (WIFO)
1030 Vienna, Arsenal, Object 20 - Autriche

The paper provides an empirical analysis of the changes in world market shares of internationally traded commodities. It is based on a simple evolutionary model of market selection that enables one to develop hypotheses and identify the econometric model. The empirical analysis employs product space metrics, such as the complexity scores of products, the density of a product or replacement indicators, to capture important aspects of traded products. Our data set comprises four-digit product level data drawn from the COMTRADE data base and World Bank Data. The empirical results show that the density of a product capturing the cross product factor substitutability and, hence, the embedding of a product in the current productive structure of an economy, is the principal determinant of world market share dynamics.