

Causality Relationship Between Generalized Economic Complexity Index and Growth for Fragile Five Countries

Nuran Coşkun

Mersin University, Turkey

nuran_coskun@windowslive.com

Abstract

Economic Complexity approach is based on a bipartite network between exporters and products. Most of the study in the literature assumes that Comparative Advantage (RCA) is capable of determine the relevant exporters in the network. Therefore, if the RCA is bigger than one, it means that exporter is specialized at this product and furthermore, it has productive knowledge/skill at this product. As a result, it is expected that high correlation between Economic Complexity and growth rates of a country. Due to domestic political conditions, difficulties in meeting the financing needs, high current account deficit and low growth rate are observed in the country group called the fragile five (Brazil, Indonesia, South Africa, India, Turkey). Therefore, the need for external financing is high in these countries. These binding constraints also affect their structural transformation speed of production. Hence, the aim of this study is to investigate the causality relationship between the generalized economic complexity index and growth in Turkey using panel time series methods for the period 1995-2017.

Keywords: Growth; Economic Complexity; Fragile Five Countries

JEL Codes: 010; 018; 040