Defining which countries belong to the “North” and “South” categories is a key step in order to properly analyse the impact of TAs on different bilateral export relationships. However, it is important to consider that any way in which we categorize countries can be criticised for not taking into consideration the diverse and heterogenous characteristics of individual countries within each group. Furthermore, especially since our focus is to analyse South-South relationships, it is possible to further disaggregate from the “South” group the emerging economies which are becoming more relevant at the political and economic world stage and are challenging the hegemony of traditional developed economies. The level of disaggregation, as well as the level of attention to heterogenous characteristics among and within groups, depends on the research question at hand. For the purposes of this paper, we will not consider such heterogeneity within groups, and just focus on categorising countries as “North” and “South”, but by no means does this assumes that countries are homogenous within groups. This is just a useful distinction to study heterogeneity across TA effects.

One intuitive approach could be to categorize countries based on their income level, but this approach would need to deal with a dynamic list of groups, as countries change their category through time. Also, high-income countries include non-industrialized small-nations which we do not expect to generate significant effects on the industrial development as well as technology- and skills-upgrading of trade-partner countries. For such reasons, we have decided to use the same categorization of countries as Dahi & Demir (Dahi and Demir 2017) which takes into consideration characteristics such as incomes, production and trade structures, factor endowments, and human and institutional development to construct a list of “North” and “South” countries, and also keeps the groups consistent over time. This results in 23 countries categorized as “North”, and the rest as “South”. A detailed list of the countries and their categories can be found in the Appendix.

References

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