

Comments on

Determinants of Global Value Chain Participation: Cross-country Analysis

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EIB



Short summary

- *The paper looks at determinants for GVC participation – explanations for the cross-country variance*
- *Motivation: Evidence on determinants are often inconclusive, period and sample dependent*

Short summary

Analysis

Explaining the variation in 5 variables:

- ***VAX ratio, Backward and Forward linkages, GVC participation rate and GVC position index.***

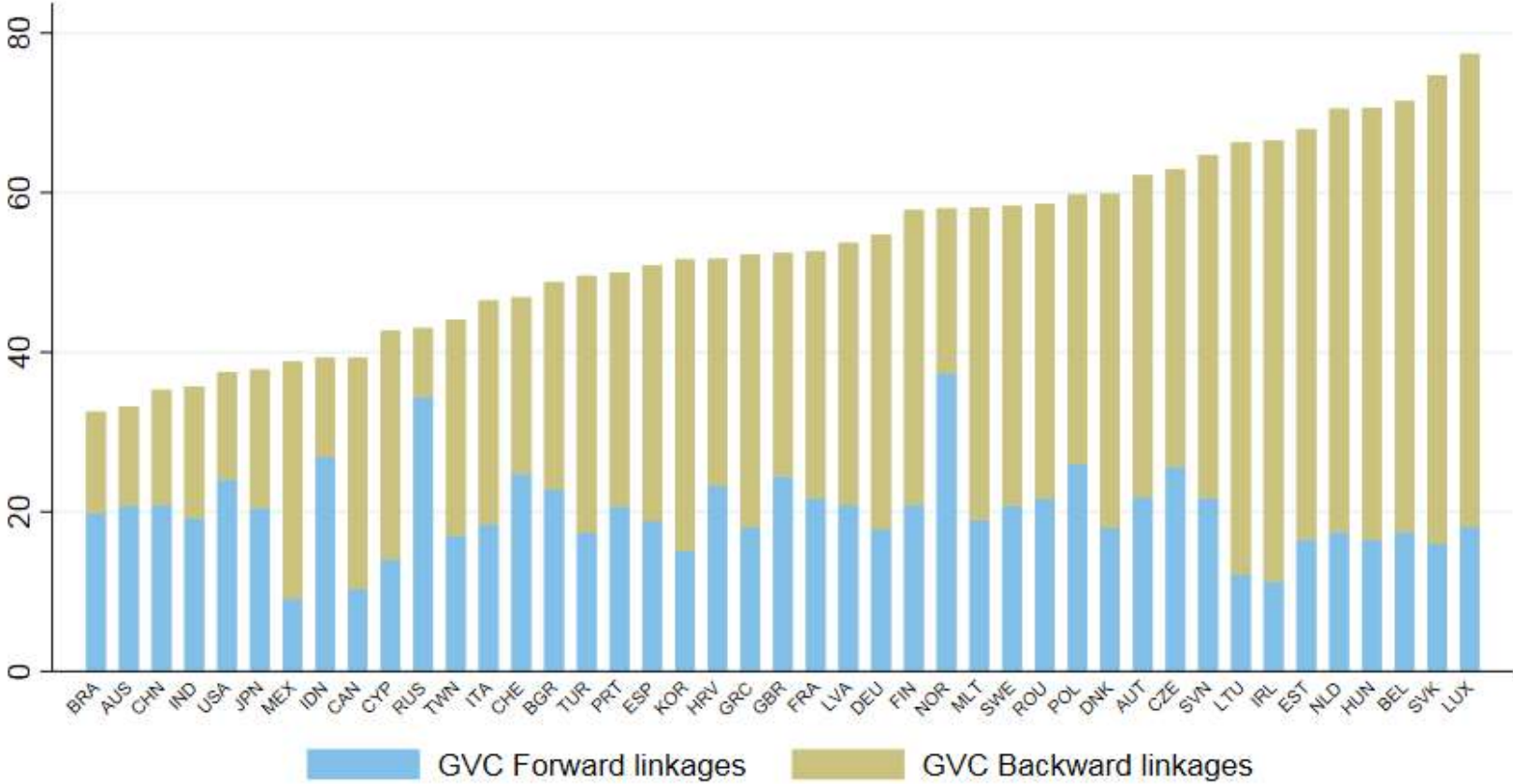
Explaining with:

- ***Economy size (GDP), Industry composition, Education, Capital endowment, FDI, REER, Institutional Quality***

Data used: WIOD 2016 release. 2000-2014 for 56 industries and 43 countries.

Method: Time fixed effects regression on country panel.

Figure 1: Gvc indicators



Short summary (cont)

Main findings:

- **GDP:** Larger economies have higher VAX ratios, smaller economies participate less and rank high in position.
- **Industry composition:** share of High tech manufacturing and service exports play key role. Suggesting effects from vertical integration.
- **Capital intensity:** Capital abundant countries are more able to source domestically.
- **FDI:** Driven by processing imported intermediate inputs for exports to final destinations.
- No significant findings for **education level or institutional quality**.
- **REER** - exchange rate elasticity of export value added is smaller than that of gross exports

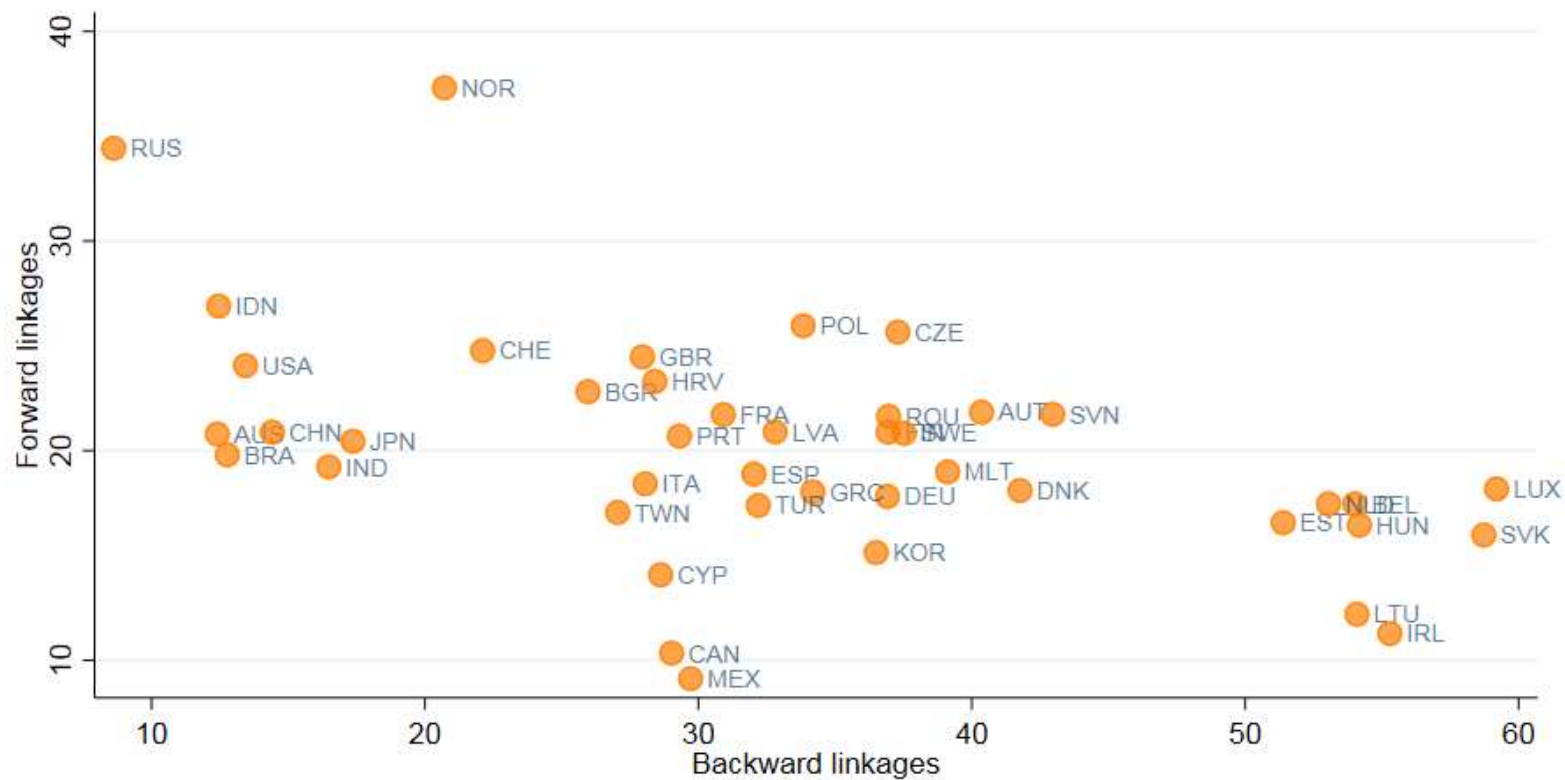
Comments

- *Very interesting analysis on an important and timely issue.*
- ***The five dependent variables are closely connected.***
Apart the correlation graphical representation (crossplots) would help the reader.
- ***Could outliers present problems?***
E.g. Highly integrated small countries with „large” economies?
- ***Is it worth introducing explanatory variables more gradually?***
E.g. How much of institutional quality variation is explained readily by GDP?

Comments

- **Literature suggests variation of results by country groups**
How robust are your results in this respect?
Have you tried using other datasets with different time and country coverage? E.g. EORA
- **Minor issues:**
You mention results on non-linearity when it comes to GDP investigations (p 5-6) results are not presented.

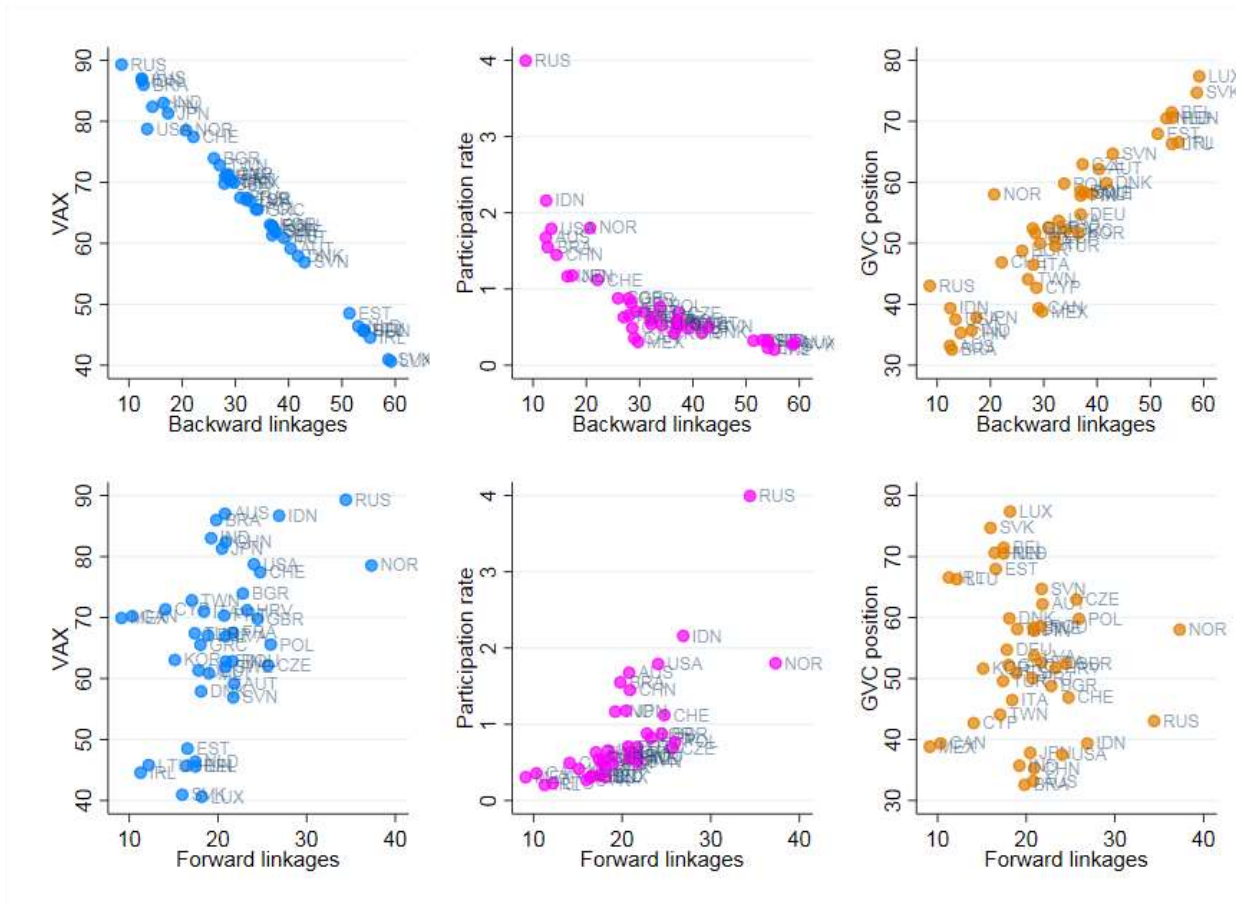
Figure 2a: Connection between dependent variables



Source: Wiod (2015)

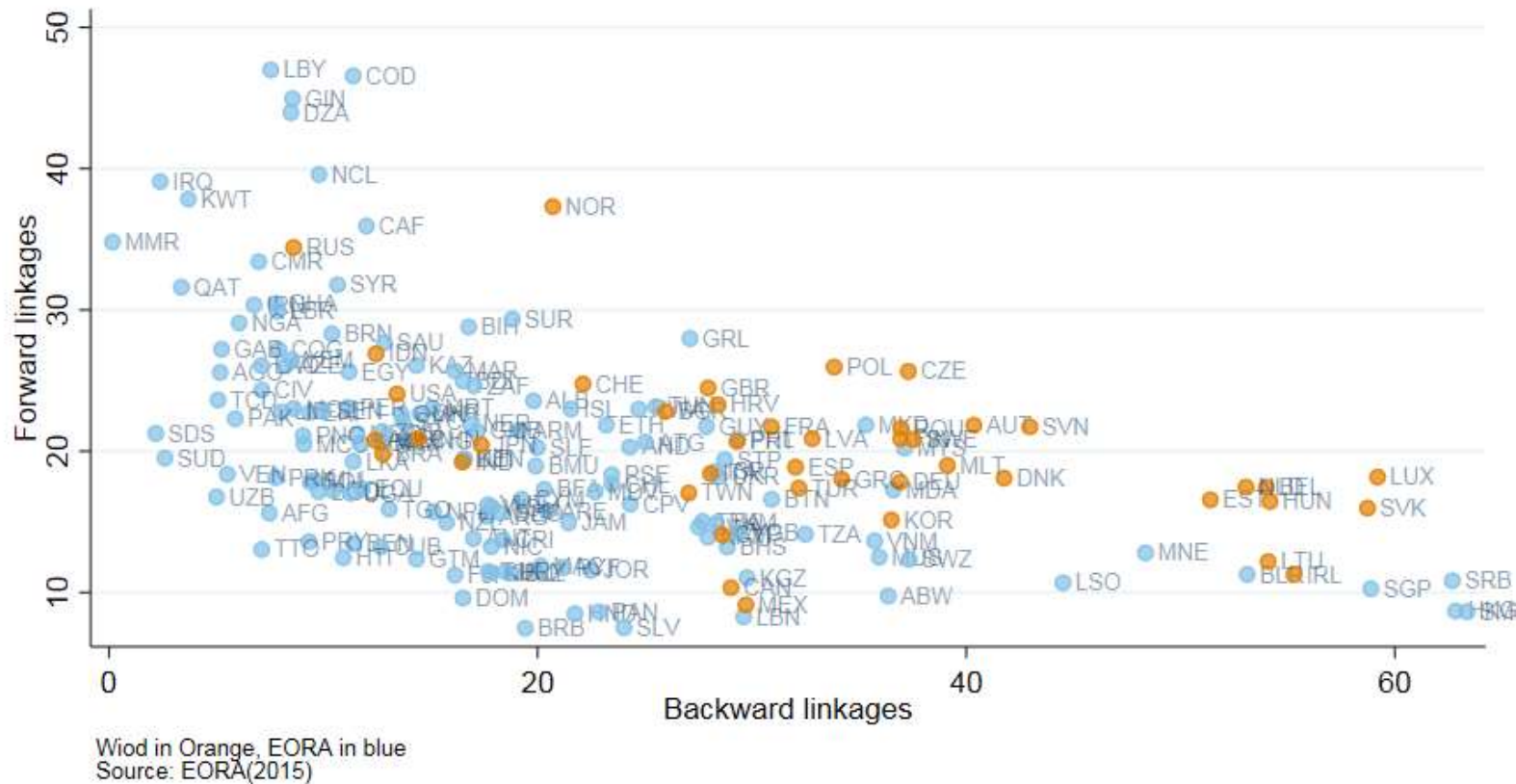
- Small and very open countries cluster at the top of BL.

Figure 2b: Connection between dependent variables



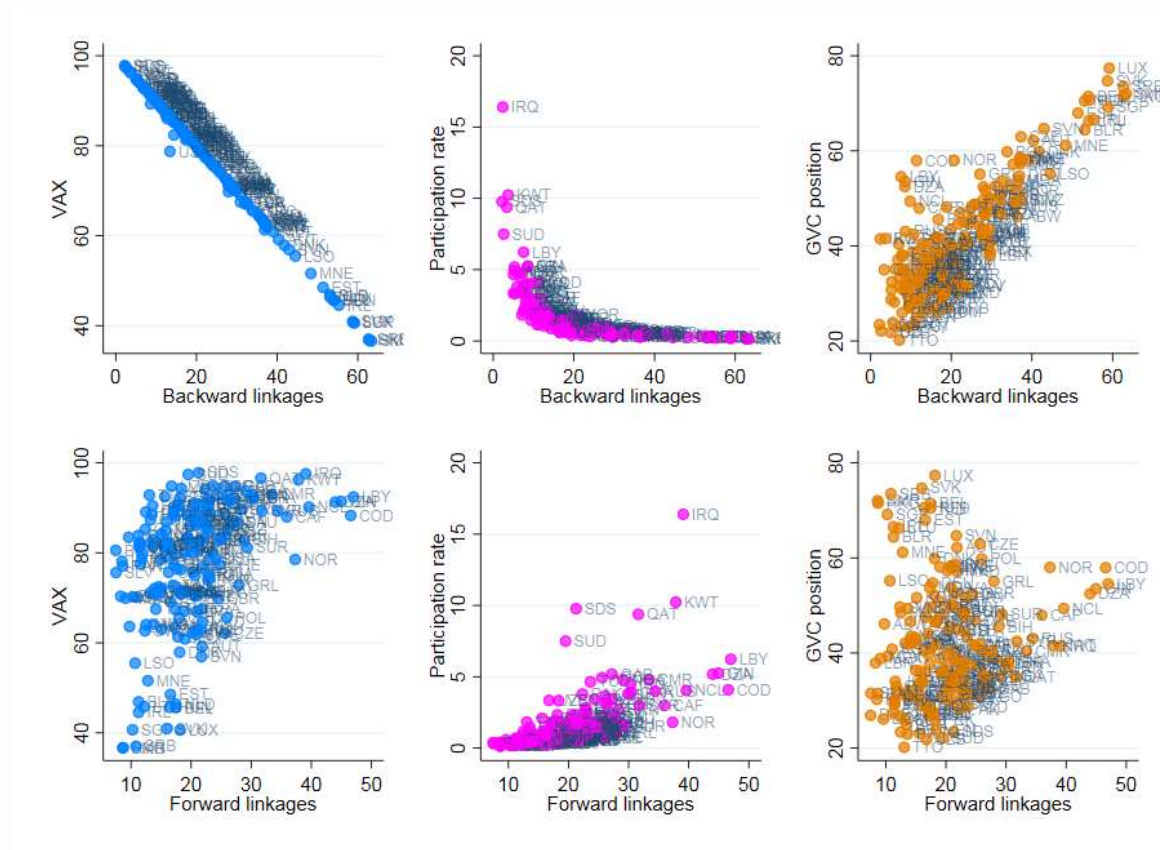
- As authors also write: VAX is flipside of BL, GVC position is determined more by backward than forward.

Figure 3a: Sampling choice:



- Including more countries increases standard deviation in forward linkages by 40%, leaves backward linkages unchanged

Figure 3b: Sampling choice:



- Increased forward linkages variation might reveal nonlinearities to explore