Comments on

_Determinants of Global Value Chain Participation: Cross-country Analysis_

by Biswajit Banerjee and Juraj Zeman

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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.
• **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

- 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.
Increased forward linkages variation might reveal nonlinearities to explore.