

Does Global Value Chain Participation Cause Industrial Upgrading?

Topic: GVC upgrading

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Participating in global value chains (GVCs) has become a central topic in trade and development policy since it has opened a new way to achieve industrial upgrading. However, some theoretical models suggest that not all countries can upgrade by participating in GVCs and there is little empirical evidence for the effects of GVC participation on industrial upgrading. This paper aims at filling this gap. We use panel data sets covering 40 countries, 34 industries, and 15 years (1995-2009). We examine the effects of two different types of GVC participation (namely backward and forward) on three dimensions of industrial upgrading (productivity, chain, and skill intensity upgrading). Each type of participation is further split into shallow and deep GVC participation. In addition, we examine whether the effects are dependent on the stage of development. We do this by splitting the set of 40 countries into two categories on the basis of their per capita GDPs. The study finds that GVC integration improves the performance in all three dimensions of upgrading (i.e. productivity, chain, and skill intensity upgrading). The results highlight the importance of policy to achieve industrial upgrading through GVC participation.