

Emphasis on domestic value added in the era of global value chains: evidence from Thailand

Topic: Input-output analysis for policy making (Chair: Jing Meng, University College London)

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This paper examines the appropriateness of using the share of domestic value added (value added ratio) of exports in assessing the effectiveness of trade and industrial policy in promoting a pro-poor gain from export. The formal empirical analysis adopts Thailand as a case study, and employs a mixture of input-output analysis and panel econometrics to model the relationship between value added ratio and export performances indicators. The paper utilises Thailand's input-output table covering 74 manufacturing sector for 1990, 1995, 2000, 2010, and 2015. The model is estimated using fixed effect estimator and system GMM. The findings fail to support the relationship between value added ratio and net-export earnings and export-induced income. The results also suggest that value added ratio is negatively related with the labor income share. The upshot is that emphasis on domestic value added runs counter developmental objectives of country's export-led industrialisation in the era of GVCs.