

Global Value Chains and Development

Topic: Global Value Chain Analysis

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Global Value Chains (GVCs) have become a central topic in trade and development policy but little is known about their actual impact because data availability has been limited so far. The recent release of the Trade in Value Added (TiVA) and the World Input Output (WIOD) databases has removed this issue and has made an empirical analysis of GVCs possible. In this paper I therefore look at the relationship between GVC activity and development at the industry level. I show that the relationship depends crucially on the type of GVC activity industries are engaged in. Backward linkages appear to affect development conversely to forward linkages. Across most specifications, GVC indicators measuring backward linkages exhibit a negative relationship with an industry's domestic value added while forward linkages are associated with higher value added. The effects are stable across indicators based on different novel databases, such as WIOD, TiVA, or STAN. In addition, they are mainly independent of measuring GVC activity in terms of value added or gross trade. However, the effect of overall GVC indicators, that combine both backward and forward linkages, is dependent on the terms of measurement. Finally, I show that while backward linkages are related to lower domestic value added, they are also connected to higher total output and productivity. The effect of forward linkages on these outcomes is not stable but they appear to have a positive effect on employment.