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THE DETERMINANTS OF GLOBAL VALUE CHAINS PARTICIPATION: THE CASE OF DEVELOPING ECONOMIES

Abstract:

The expansion of the global value chains (GVCs) is the result of the economic globalization that has transformed the production process and made the economies more interdependent and integrated. Different studies were conducted to define a theoretical framework that explains the GVCs and to measure statistically the extent of this phenomenon. Today, researchers are investigating other appealing aspects of this phenomenon, in particular the way that countries could participate in GVCs, the gains and the risks related to their participation. The opportunities offered by the GVCs are underlined by researchers and international institutions since GVCs are conceived to be the new development strategies of economies. Therefore, GVCs has attracted the attention of policy makers in developing countries since these chains can procure new opportunities in terms of industrial, social and economic upgrading.

The objective of this paper is to identify empirically the factors that affect the participation of upper-middle-income economies in the GVCs in order to increase their gains from international trade. Our paper is one of the first to use the latest version of UNCTAD-EORA-GVC database and to investigate the determinants that affect this group of countries. Our results suggest that factors related to logistics, education and innovation increase the participation of developing countries in GVCs. In addition, policy factors such as taxes, control of corruption and other business environment related-factors are also key determinants of the integration into GVCs. Hence, this paper contributes to the literature by offering guidance to the policy makers of developing countries in order to integrate and to enhance their participation in GVCs by increasing their trade in value-added.

Keywords:

Global Value Chains, Policy factors, International trade, Developing economies

JEL Classification: F14, F15, E60