Currency Wars in Retreat

How Global Value Chains Affect Exchange Rate Politics

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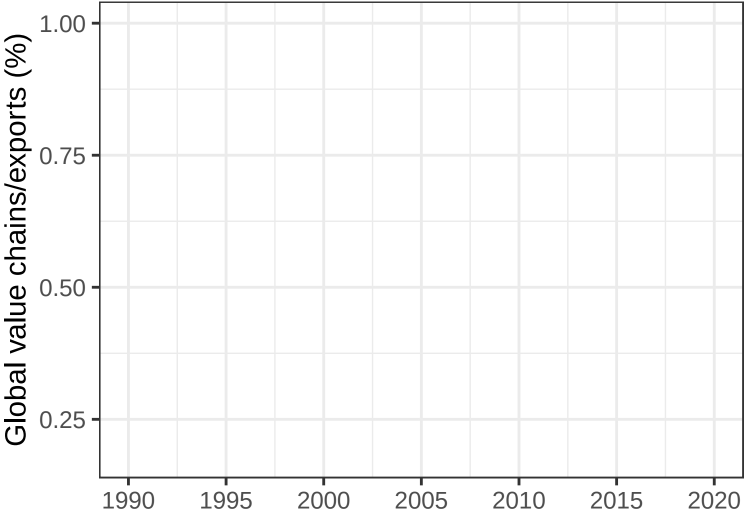
- By 2018, this practice has stopped; why?
- Argument: global value chains undercut the benefits of this strategy

Global Value Chains over time



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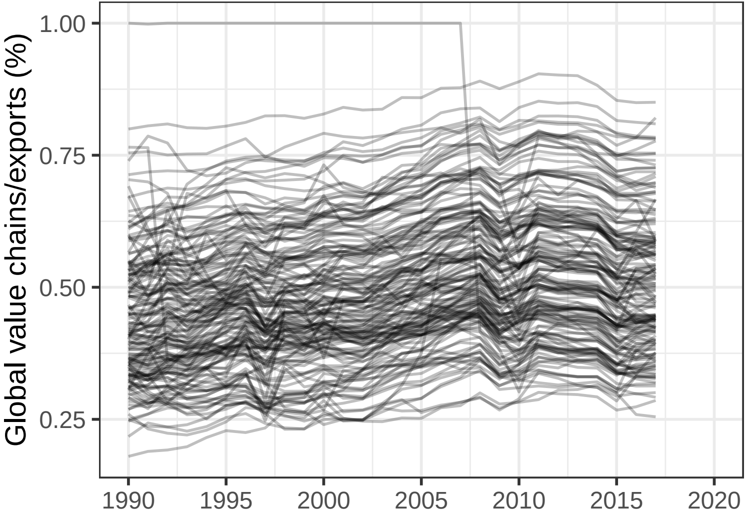

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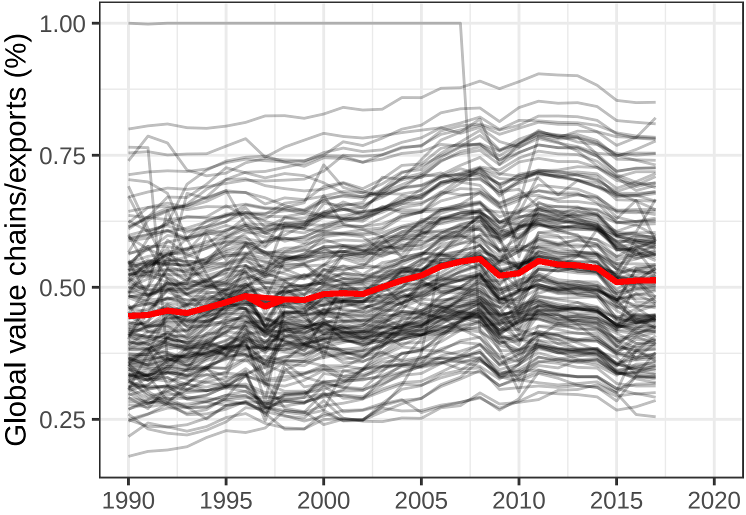

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$$\begin{aligned}\text{devaluation}_{it} = &\alpha_{it} + \beta_1(\text{export dependence})_{it} + \beta_2(\text{GVC dependence})_{it} + \\ &\beta_3(\text{export dependence})_{it} \times (\text{GVC dependence})_{it} + \epsilon_{it}\end{aligned}$$

- i indicates country
- t indicates year

Does GVC dependence impact exchange rate policy?

	Model 1	Model 2
Exports/GDP	0.264^{***}	-0.133
	(0.076)	(0.226)
GVC/Exports		-0.616
		(0.439)
(Exp/GDP)x(GVC/Exp)		-0.522^{**}
		(0.254)
Observations	3,742	3,244
Adjusted R^2	0.706	0.702
Note:	$^{*}p<0.1$; $^{**}p<0.05$; $^{***}p<0.01$	

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- Next steps:
  1. What control variables should I include?
  2. I used a linear model, but could there be a non-linear relationship?

Appendix 1