

# **Does Participating in Global Value Chains Lead to Export Quality Upgrading?**

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# Summary

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- GVC participation has a positive effect on export quality upgrading;
- Heterogeneity:
  - “Forward” GVC participation stronger;
  - Predominantly driven by manufacturing sectors;
  - GVC participation in sectors with lower R&D intensities decreases export quality;

# Conceptual Issues: GVC Measure

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- Backward GVC Participation<sub>ci</sub> =  $\frac{FVA_{ci}}{\text{Gross Export}_c}$ ;
  - Closer to a measure of GVC participation;
- Forward GVC Participation<sub>ci</sub> =  $\frac{c\text{'s DVA embodied in foreign countries sector } i \text{ exports}}{\text{Gross Export}_c}$ ;
  - More like a measure of GVC upstreamness;
- ★ Unclear what the sum measures;
- ★ What are the first order story captured by these indices?  
E.g., How does different domestic sectoral productivity trend affect these measures?
- ★ Does the counterparty of GVC matter?

# Conceptual Issues: Export Quality Measure

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- Export Quality: unit value adjusted for differences in production costs and for the selection bias caused by the importer-exporter distance, normalized by “frontier” within a year;
- ★ Supply- or demand-driven?
- ★ Normalization means its relative quality, not the actual “quality upgrading”;
- ★ Quality is not the only relevant measure: vs. productivity.

# Others

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- Interaction terms to control variables?
- Sectoral level controls?
- External instruments: e.g., Altomonte, Bonacorsi and Colantone WP 2018.