Implementing policies for global value chains

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Low-income countries can benefit from participating in global value chains, or GVCs, which account for the majority of world trade. Through cooperation with high-income economies, GVCs can provide local workers with better wages.

Deep trade agreements and bilateral investment treaties can stimulate this international economic cooperation. In a new study, these policies are compared to help policy makers select the optimal tool for implementing GVCs.

Deep trade agreements regulate border measures and domestic policies while bilateral investment treaties protect investments in developing economies. Both tools help forge backward linkages within GVCs. But countries hoping to increase forward linkages and diversify must seek deep trade agreements. The findings highlight that pro-trade and anti-trade stances can impact countries’ integration into GVCs.

Coordinating these production chains requires a nexus of trade, investment, and intellectual property. Further research is needed to understand the implications within economic sectors. Boffa et al. “Do we need deeper trade agreements for GVCS or just a BIT?” The World Economy (2018).

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