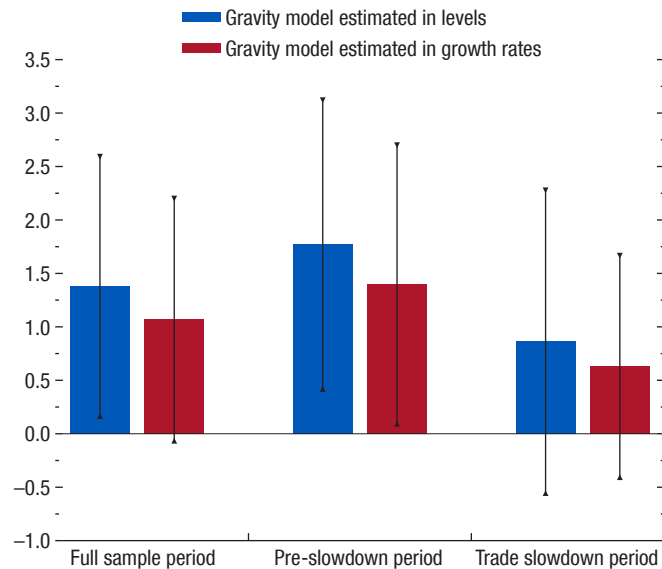


Figure 2.14. Gravity Model: Global Value Chain Participation and Bilateral Sectoral Trade Growth
(Percentage points)

A high degree of production linkages through global value chains between countries in a particular sector was positively associated with trade growth between them in that sector in the period prior to the global financial crisis. However, there is little evidence that high participation in global value chains has provided a boost to trade growth after 2012.



Source: IMF staff calculations.

Note: Bars depict the average difference in bilateral sectoral trade growth residuals between country-sector-pairs in the top quartile in terms of global value chain integration and the rest in 2003–13, 2003–07, and 2012–13. The vertical lines are the 90 percentile confidence intervals. Residuals are obtained from gravity models of trade estimated separately for each sector and year, controlling for all standard gravity variables, as well as importer and exporter fixed effects. See Annex 2.6 for a detailed description of country coverage, data sources, and methodology.