Leeds University Business School (LUBS) Laidlaw Undergraduate Research Scholarship (LUGRLS)

Project 3: Understanding the impact of Global Value Chain (GVC) participation on economic activity between economies |Ref. LUBS LUGRLS Project 3 2017: LUBS Global Value Chain and Economic Activity

The Research Team and Lead Supervisors:

Supervision will be provided by:
- Professor Jeremy Clegg
- Dr Hinrich Voss

Additional supervision and project guidance will be provided by Mr. Miguel Dindial, a postgraduate doctoral researcher who is managing a significant piece of research within this subject area. The scholar will therefore have the opportunity to work closely not only with the supervisors but also with a researcher currently investigating a subject of great topicality and importance.

The activity will be supplemented by regular (at least weekly) one-to-one (or one-to-three) face-to-face instructions with the supervisors in aspects of the empirical research and in the theory of International Business. Miguel will act as a main point of contact throughout the duration of the scholarship. His intimate knowledge of both the theoretical framework and OECD’s Trade in Value Added (TiVA) dataset will ensure that the scholar is well guided throughout the entire data collection process.

Background:

Issues around Global Value Chains (GVCs) have been the focus of International Business research for the better part of two decades. Embedded in many of these studies is an implicit assumption that both developed, but also especially developing, economies should always endeavour to insert themselves more into global chains. This study looks closer at this “more is better” assumption by using a theoretical framework developed by the supervisors and Miguel. The theoretical framework which will be applied is highly original – having been produced at Leeds, drawing on the primary research of Miguel. Derived from months of field work within a developing country context, the theoretical framework has been abstracted from extensive case study data.

The objective of this project is to utilize these theoretical argument as the foundation for more extensive theory testing, employing data at both the industry and country level. The findings of this project, are expected to be innovative in revealing not only changes in the returns to capital and labour (within the local economy embedding itself in the GVC), but also the reasons for these changes. In other words there will be a dimension that offers a critique of the conventional wisdom that global value chains (GVCs) are universally beneficial to world income and welfare. Beyond this, the project also develops, and tests, new theory that may explain the reasons why GVC participation may not always yield the local benefits that are widely assumed. Progressively, from Year 1 to Year 2, the focus will shift from investigating an association between the local impact of GVC participation and foreign direct investment (FDI) – primarily inward FDI – towards an association with inward non-equity participation (via non-equity modes of international business, such as non-affiliate franchising, and also outward foreign direct investment by firms locally owned within the economy in question (i.e., the local economy embedded in the GVC).

Timelines: The work is split into two 6-week phases across the scholar’s first and second years.

Year 1: Six-week Summer Research Period 2017: Scoping data sources and initial data collection

The scholar will interrogate and organise data drawn from the Trade in Value Added (TiVA) project – a project of the Organisation for Economic Cooperation and Development (OECD) and the World Trade Organisation (WTO). This TiVA project is one of the first large-scale projects in the world to bring together national input output data to produce an estimate of global value chains. This will be combined with the theoretical framework produced within Leeds, to generate a sophisticated description of global value chains as they are developing today, in the context of international business. The research activity of the scholar will therefore be quantitative, but strongly theoretically-driven.
Outcomes of initial 6 week phase:

- Interrogating the two data sources provided by the project leaders, with emphasis on applicability. Focus will be placed on determining the scope, limitations and overall applicability to the project’s goals.
- Data collected from specific industries across a pre-determined sample of developing countries. The scholar will also propose a coding strategy based on his/her familiarity with the data set.
- The scholar will be given autonomy regarding the data collection process. It is expected that he/she will be able to offer feedback and ideas on what additional variables may be useful to testing the theoretical framework.

In Year 1: The scholar will be expected to engage in a varied range of activities as detailed below.

| Week 1 | Induction into the research project’s objectives, theoretical framework and target data sources. The scholar will be given time to understand the intricacies of the project so as to ensure that he/she understands and is fully engaged with the process |
| Weeks 2/3/4/5/6 | The empirical part of the scholarship, the scholar will collect public domain information from the Trade in Value Added (TiVA) project and data on multinational firms with globally dispersed activities. Specific data will be collected on (1) the nature and extent of the global fragmentation (and length) of key value chains, with focus on multinational enterprises that are deeply involved in its organisation of such value chains (2) the evolution of these value chains over time – in terms of domestic embeddedness, chain length and activity scope. |

Year 2: Six-week Summer Research Period: Empirical analysis, interpretation and supplementary data collection

The data collected by the Scholar during phase one of the scholarship will be analysed during gap between year one and two. The project’s theoretical framework will be tested and initial analysis/interpretations will be advanced. The scope and detail of the Scholarship’s second phase will be dictated by these initial empirical insights. In any event, the Scholar will have the opportunity to be involved in both analysing and interpreting empirically results, as it relates to deductive theory testing.

| Week 1 | Induction into the research project’s objectives for Year 2. This will cover the new theoretical framework on non-equity modes of participation within the local economy. These modes of participation in GVCs may also be associated with the changes in the returns to capital and labour, according to the new theoretical framework produced at Leeds. |
| Weeks 2/3/4/5/6 | In the empirical part of this scholarship, the scholar will use data on equity modes collected by the United Nations Conference on Trade and Development (UNCTAD), specifically, by the Division on Investment and Enterprise (DIAE). The scholar will be afforded time to understand the new theory, how it works, and how it can be applied to these secondary data, specifically to test whether there is any evidence to support the theory, whether the effects are important, and when they might be important. For example, and by analogy with the work done in Year 1, (1) any association between the nature and extent of the global fragmentation (and length) of key value chains and (2) the evolution of these value chains over time – in terms of domestic embeddedness, chain length and activity scope, will be investigated. |