

## 1. Main Messages

**GVC participation varies across countries and sectors.** Developed nations tend to have higher engagement, while developing economies face structural barriers.

**Trade openness is a key driver of GVC participation.** Countries with more open trade policies are better integrated into global markets.

**Economic development, logistics, and ease of doing business impact participation.** High logistics performance and supportive regulatory environments foster deeper GVC integration.

**Market size alone does not determine GVC integration.** Smaller economies can still be key players in GVCs through targeted policies.

**Trade policy interventions have mixed effects.** Liberal interventions can enhance participation, but overall, market-related factors play a bigger role.

## 2. Research Scope & Methodology

**This taxonomy is based on quantitative analysis of agri-food GVCs, using:**

- OECD TiVA dataset for trade flows and GVC participation indicators.
- Econometric models assessing structural determinants of participation.
- Principal Component Analysis (PCA) to categorise countries based on GVC engagement.

## 3. Key Findings: Evidence Supporting Policy Discussions

### 3.1. The Role of Trade Openness in GVC Integration

- **Trade openness is a significant determinant** of GVC participation in all models.
- **Liberal trade policies encourage higher** backward and forward **linkages in production networks.**
- **Protectionist policies limit engagement,** particularly in developing economies.

**Implication:** Policymakers should focus on reducing trade barriers while ensuring sustainability safeguards.

# PROJECT BRIEF 3:

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## TAXONOMY OF GVCs



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### 3.2. Market-Related vs Trade Policy-Related Determinants

- **Market size, economic development, and logistics performance** are more influential than trade policy measures.
- **Eurozone membership facilitates backward GVC participation** but does not strongly impact forward linkages.
- **Ease of doing business and contract enforcement** positively correlate with GVC integration.

Figure 3.1. shows a biplot of main country-sector pairs.

**Figure 3.1: PCA biplot of the studied factors and countries**



Source: own composition based on OECD (2023) data.

**Implication:** Governments should focus on improving business environments and infrastructure to boost GVC participation.

### 3.3. Categorisation of GVC Participation

- **Countries were categorised based on GVC engagement levels:**
- **High-engagement countries:** Primarily developed economies with strong intra-regional trade (e.g., EU members).
- **Medium-engagement countries:** Emerging markets with growing participation but structural challenges.
- **Low-engagement countries:** Developing economies with minimal integration due to weak logistics, infrastructure, or restrictive trade policies.

**Implication:** Policies should be tailored to different country groups, ensuring inclusive trade integration.



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## 4. Implications for EU Policy & Trade Governance

- **Invest in logistics and infrastructure** to facilitate smoother trade flows.
- **Support business-friendly regulatory environments** to improve ease of doing business.
- **Encourage targeted policies for smaller economies** to integrate them effectively into GVCs.
- Ensure that EU trade agreements account for **structural barriers faced by developing countries**.
- **Promote fair and sustainable trade policies** that enhance participation without harming local industries.
- **Enhance monitoring mechanisms for sustainability provisions** within trade agreements.
- **Encourage sustainable sourcing practices** to minimise environmental impact.
- **Integrate labour and social protections** into trade policies to ensure fair participation.
- **Develop resilience strategies for supply chains to withstand economic shocks**.

## 5. Conclusion

This taxonomy provides a structured framework for understanding GVC participation in agri-food trade. The findings suggest that market conditions are more critical than trade policies alone in determining integration levels.

### Key takeaways:

- **Trade openness and business-friendly environments are essential for GVC participation.**
- **Tailored policies are needed for different country groups to address structural challenges.**
- **Sustainability considerations must be integrated into GVC strategies to align trade with development goals.**

This Project Brief is based on **Deliverable 1.5** of the TRADE4SD project.

Trade4SD is a 4-year project devoted to research on a topic which is high on the domestic as well as multilateral, EU and bilateral trade policy agenda. The ambition of the project is to explore and foster the positive linkages between trade and sustainable development is to provide policy recommendations for the creation of new opportunities for agents involved in the global, regional and national agri-food value chains, and to define conditions for sustainable livelihoods of farm producers in the EU and developing partner countries. Trade is a central factor in shaping global, regional and local development. Increased trade, empowered by the growth of Global Value Chains (GVCs), has boosted productivity and incomes in many countries.



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