

Impact of Partner Similarity on GVC Participation: An Empirical Study for India

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Abstract: This paper examines how the depth and type of India's economic integration agreements shape its participation in global value chains (GVCs), distinguishing between backward and forward linkages during 2000–2018. Using a PPML gravity framework, the analysis incorporates interaction terms between agreement depth and bilateral dissimilarity in income, economic size and distance. The results show that deeper agreements significantly raise backward GVC participation, with Free Trade Agreements exerting a stronger effect than Two-Way Preferential Trade Agreements. Greater bilateral dissimilarity dampens both backward and forward participation, though the gains from deeper agreements are larger for backward linkages. Interaction effects indicate that deep agreements can offset trade costs for backward participation and partially mitigate them for forward participation. Lagged estimates confirm that these effects persist over time only for backward linkages, highlighting the durability of India's downstream GVC position. By accounting for partner dissimilarity, the study explains why similar agreement depth yields uneven GVC outcomes across countries, rather than uniform gains.

Keywords: Trade Agreements, GVC Participation, Gravity Model, Similarity

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