

# Global Value Chains and the Determinants of Regional Trade Agreements (Preliminary results)

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## **Abstract**

The prevalence of regional trade agreements (RTAs) has become a ubiquitous feature of international trade in the past decades. This paper used survival analysis to examine the factors that affect the probability of joining RTAs for 64 countries from 1995 to 2018. Geographical and economic characteristics, including distance, GDP, national border, and common language, are often used to predict the formation of RTAs. However, the development of global value chains (GVCs) has promoted production fragmentation to become an important trend in international trade. This paper takes into consideration how GVC participation affects the probability of a country pair forming a trade agreement. To capture a country's involvement in GVCs, we estimated two GVC participation indexes (forward and backward participation) based on international input-output tables. The empirical results indicate that a country pair with a higher degree of forward participation is more likely to form an RTA, while a higher degree of backward participation tends to decrease the probability that the country pair joins an RTA.

JEL Category : F13, F14, F15

Key words: trade, regional trade agreements, global value chains, survival analysis