

Global Agricultural Value Chains and Structural Transformation

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How does participation in global agricultural value chains affect the structural transformation of economies? The rise of global value chains, wherein the different stages of production processes locate across different countries, has changed the nature of agricultural production around the world. Little is known, however, about how participation in global value chains changes the structure of participating economies. We first develop a theoretical model that shows how the exports of intermediate inputs for agricultural production change the structure of the economy in the exporting country under an open-economy scenario. We then empirically study the effect of participation in global agricultural value chains on structural transformation by using multiregion, input-output data on 155 countries for the period 1991–2015. Counter to conventional wisdom, our results indicate that as participation in global agricultural value chains increases, the average economy leapfrogs the manufacturing sector by going from being primarily agriculture-based to being primarily service-based. Our findings thus show that trade liberalization through global agricultural value chains can help foster the structural transformation that has been considered a primary driver of economic development.