

## PhD research project

### Supervisor: Maria Savona

## International fragmentation of production and trade in tasks. Implications for developing economies.

The economics of services has missed the opportunity to provide theoretical and empirical foundation to the shifting concerns that have characterised the history of sectoral structural transformations. These started in the 1960s, with the view of **de-industrialisation as a threat** for capital accumulation and productivity growth<sup>1</sup> and changed over the 1990s into the rosy picture around the emergence of the **knowledge economy**, associated to the growth of high-skilled services and the widespread diffusion of Information and Communication Technologies (ICTs)<sup>2</sup>. Recently, most likely due to the economic consequences of the financial crisis, a revamping debate on the role of industrial policy seems to be reverting to the benefits of industry<sup>3</sup>.

The project aims to reappraise and challenge the theoretical and empirical bases of analyses of long-term structural transformation, particularly those that have led to **de-industrialisation, tertiarisation and financialisation** of economies. These processes are now changing scale and geography, spreading globally and entailing an **increasing international fragmentation of production and value added**, which **unprecedentedly involves service sectors** and developing countries (**Global Sectoral Structural Change**).

The project aims to challenge the assumption of mainstream trade theory that technical change has mainly brought about falling transport and communication costs, thereby favouring **trade in tasks rather than products**<sup>4</sup>. It will look at how international fragmentation of production is increasingly involving service sectors and what are the implications in terms of economic development for low and middle income countries.

The **empirical grounding** of the project will **mainly** be based on the use of the recently released OECD-WTO Trade in Value Added (TiVA) data (May 2013), which covers 57 economies (including all OECD countries, Brazil, China, India, Indonesia, Russian Federation and South Africa) over about twenty years and broken down by 18 industries. This data source is the results of a joint effort carried out by the OECD and WTO, as well as the EC, through the EUROSTAT World Input Output Data (WIOD). TiVA and WIOD represent a radically new data source to measure the distribution of value added across industries and countries of the world, which substantially replaces any existing methodological standard to measure national specialisation and trade flows across countries. It allows application of panel and spatial econometric analysis of international fragmentation of production.

The PhD will also include qualitative evidence on a service global value chain in a developing country.

### Requirements

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<sup>1</sup> Kaldor, N. (1966) *Causes of the Slow Rate of Growth in the United Kingdom*. Cambridge University Press.

<sup>2</sup> Marrano, M. G., J. Haskel and G. Wallis (2009). What Happened to the Knowledge Economy? ICT, Intangible Investments and Britain's Productivity Record Revisited. *Review of Income and Wealth* 55, 686-716.

<sup>3</sup> Rodrik, D. (2004) Industrial Policy for the Twenty-First Century. *CEPR Discussion Papers 4767*; European Commission (2013) *Towards Knowledge-driven Re-industrialisation*. EC Competitiveness Report.

<sup>4</sup> Grossman, G. M. and E. Rossi-Hansberg (2008) Trading tasks: A simple theory of off-shoring. *American Economic Review* 98, 1978-1997

The ideal candidate will have a background in one or more of the following areas: Trade Economics/Economics of Innovation/Economic Development and an interest in the topics of structural change, international fragmentation of production and economic development.

Essential criteria: quantitative and econometric skills, preferably some experience of use of the TiVA and WIOD data.

Desirable criteria: skills to conduct qualitative analysis; some research experience is a desirable criterion of award.

If you wish to discuss the project and post, please contact Dr. Maria Savona by email ([M.Savona@sussex.ac.uk](mailto:M.Savona@sussex.ac.uk))