

Participation in global value chains and regional institutional quality: Evidence from Enterprise Survey data

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This study aims to investigate the relationship between GVC firms' participation and regional institutional quality using data drawn from the Enterprise Survey (ES), conducted over the period 2018-2022 on a large cross-section of firms operating in European Union countries. Integrating regional-level indicators (based on some ES questions) with the Worldwide Governance Indicators (WGI), we measure regional institutional quality by building four indexes of institutional quality for the selected countries capturing the regional endowment of rule of law, control of corruption, government effectiveness, and regulatory quality. Applying multiple regression analyses, the results indicate that the regional level of institutional quality positively affects the propensity of firms to participate to GVC. However, according to our evidence, the impact of regional institutions on GVC firms' participation is heterogeneous, depending on both firms' characteristics and the economic development of the country where firms operate.