Abstract
This paper surveys Vertical Specialization (VS) from different empirical approaches, including the various conceptualizations of VS, the problems with its quantification, and a case study. The empirical estimation of this paper refers to the Mexican manufacturing industry and the in-bond industry (also known as maquiladora). The purpose of this paper is to compare VS, through the application of the Vertical Intra-Industry Trade (VIIT) indexes, for maquiladora and non-maquiladora industries and to contrast the degree to which the maquiladora industry is integrated with the global value chain relative to the non-maquiladora activities for the 1994-2006 period. Furthermore, this paper quantifies VIIT for the post-maquiladora period (2007-2014) in order to discuss if there have been changes in the VIIT since the conclusion of the maquiladora program in 2006. In particular, this paper tests if the quality ladder hypothesis applies to Mexico for its bilateral trade with the United States and Canada. The empirical estimations show the remarkable differences between maquiladora and non-maquiladora VS and the impacts that changes in the NAFTA tariff schedule for the automotive industry have had on the bilateral trade pattern.