WORLD TRADE ORGANIZATION

MADE IN THE WORLD

IDE-JETRO

Trade patterns and global value chains in East Asia :

From Trade in Goods to Trade in Tasks

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Global production chains – Ins and outs

International consumer demand

Lower applied tariffs
and trade policy incentives

Development of infrastructure
and technological progress

Export processing zones

Outsourcing and offshoring strategies
and FDI

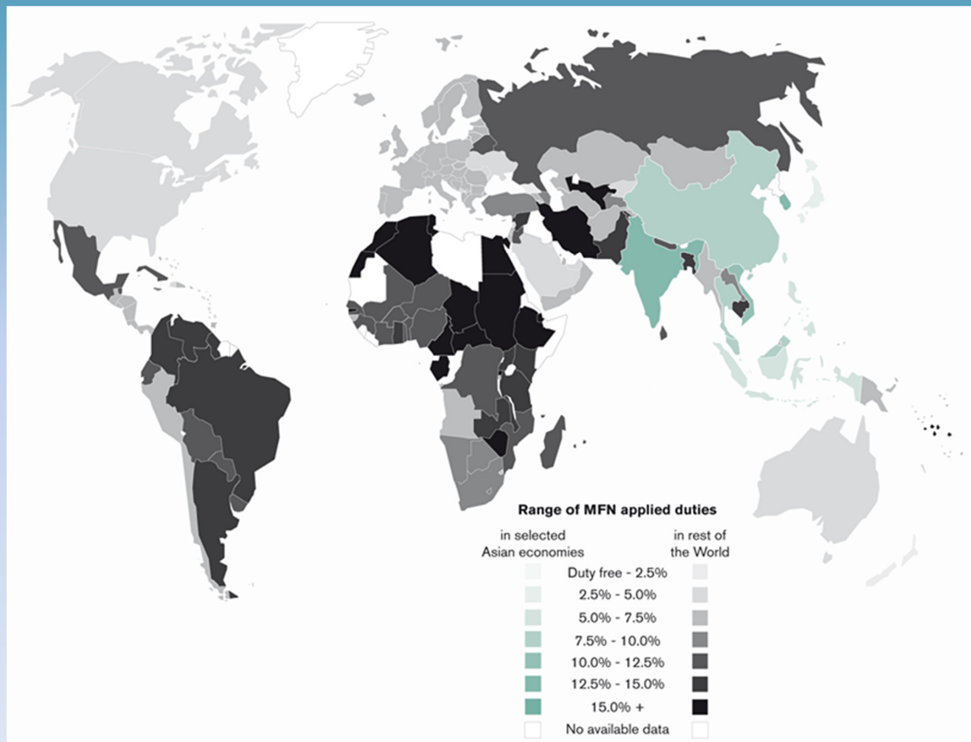
Global production chains
and world trade

Emergence of "Trade in tasks":

- Predominancy of trade in intermediate goods
- Development of intra-firm trade
- Increase of processing trade

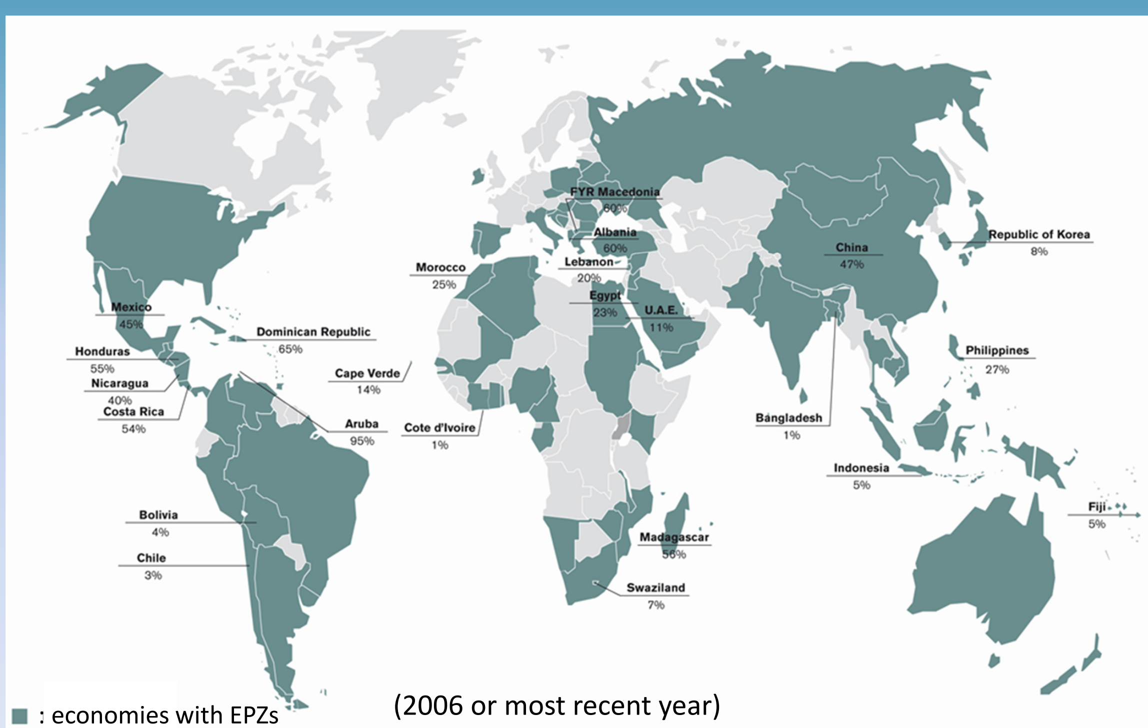
Need for new statistical measures of international trade

Asian economies have relatively low applied tariffs on imports (especially on semi-processed goods)



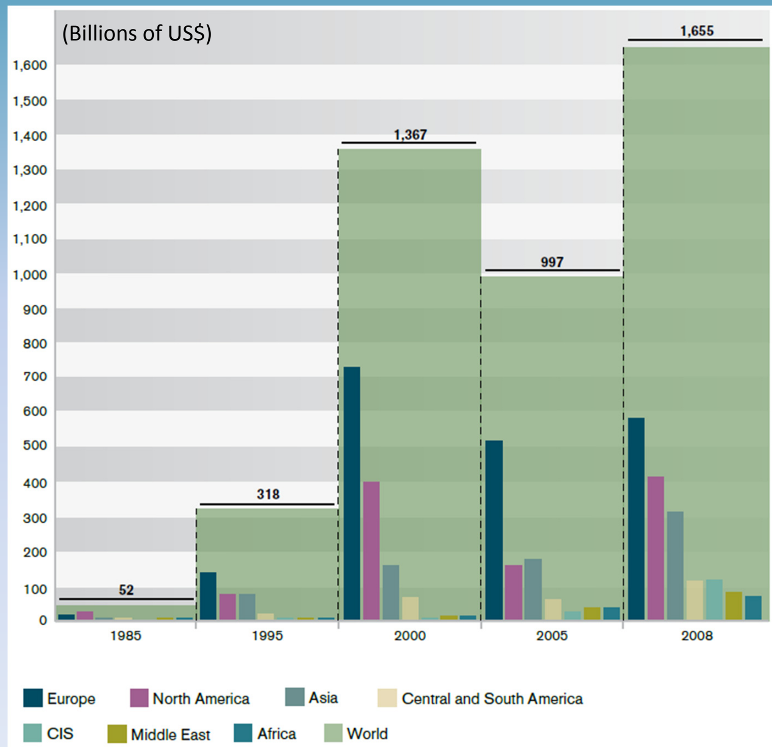
Source: WTO

Export processing zones account for about 20% of total merchandise exports of developing economies



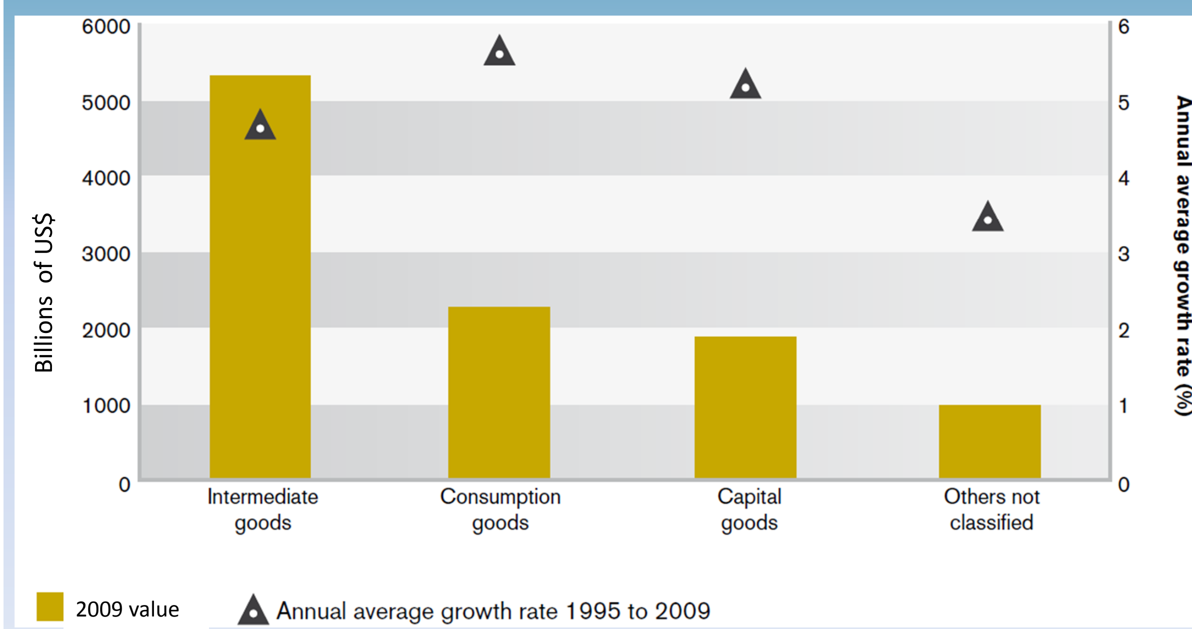
Sources: ILO & WTO

Asia is the most attractive FDI destination in the developing regions



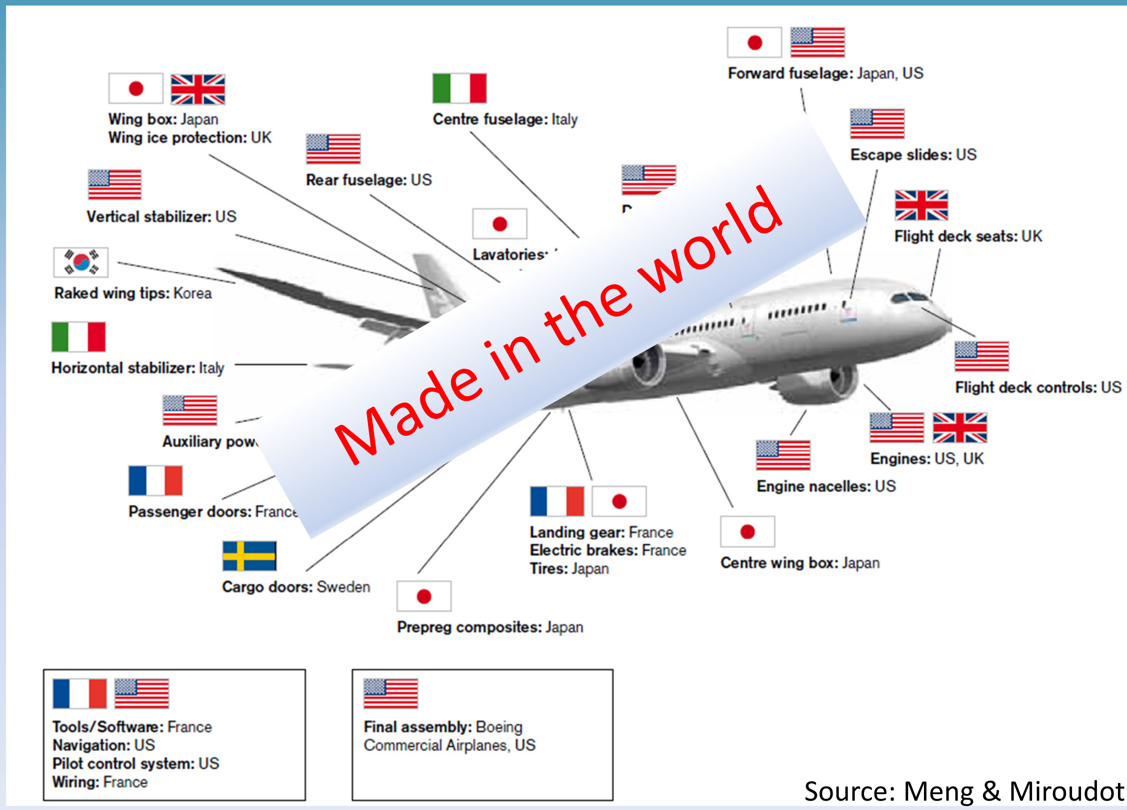
Source: UNCTAD

Intermediate goods dominate world non-fuel merchandise exports



Source: UNSD & WTO

Fragmentation of production: the example of the Boeing 787 Dreamliner



Source: Meng & Miroudot

Towards a new measure of international trade

- **Traditional statistics** present some biases:
  - Multi-counting of trade flows in intermediate goods
  - Difficult attribution of the country of origin of an imported product
- Measuring **trade in value added** terms allows:
  - To circumvent the biases observed with traditional statistics
  - To take into account the specificity of trade occurring between the different actors of a production chain

Some benefits of trade in value added

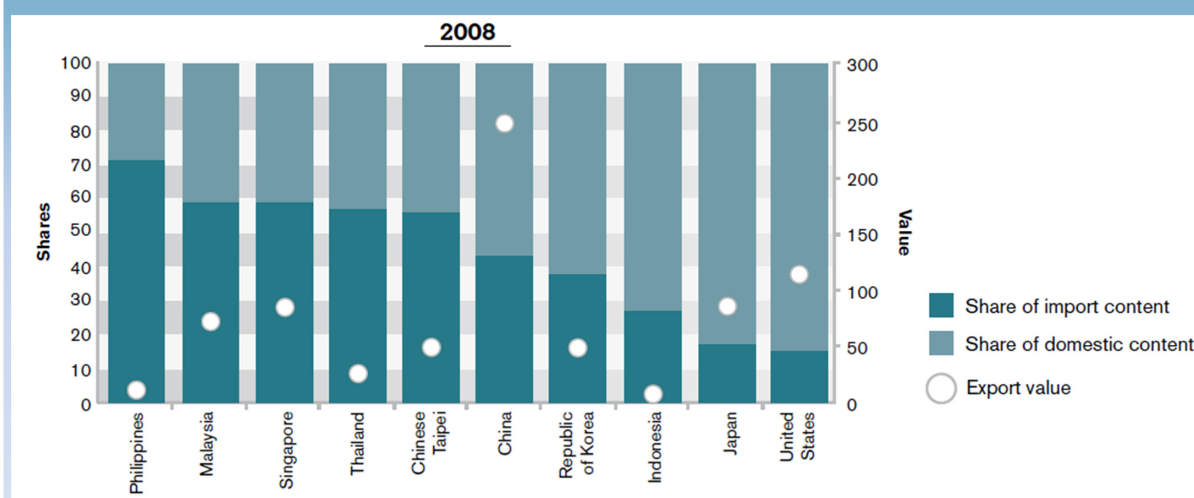
- **A better evaluation of the actual contribution of international trade to an economy**
  (incl. development, employment, environment)

- To highlight the **interdependency of economies**, and the **counter-productive effects of protectionist measures** on economies and enterprises they are supposed to protect

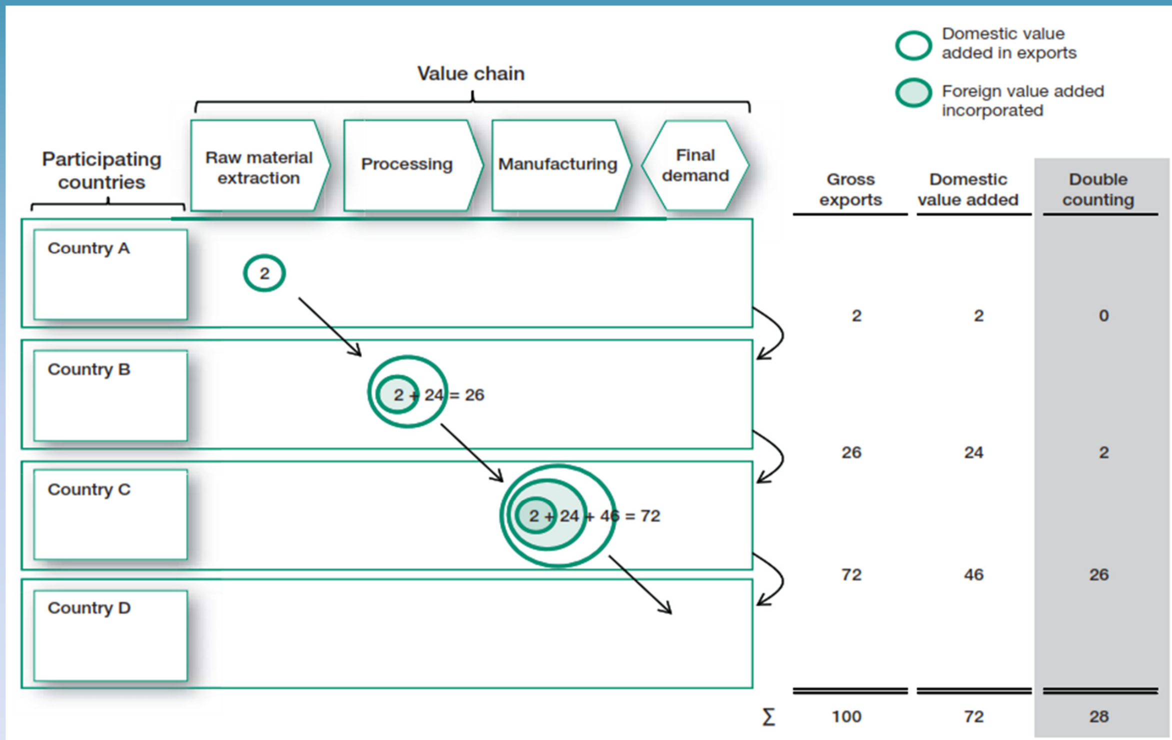
- **Better evaluation of the contribution of the services sector on trade**

- To provide a **more realistic evaluation of bilateral trade balances and regional trade**

Computers and electronic equipment exports and their domestic and imported contents (in billions of $ and percentage)



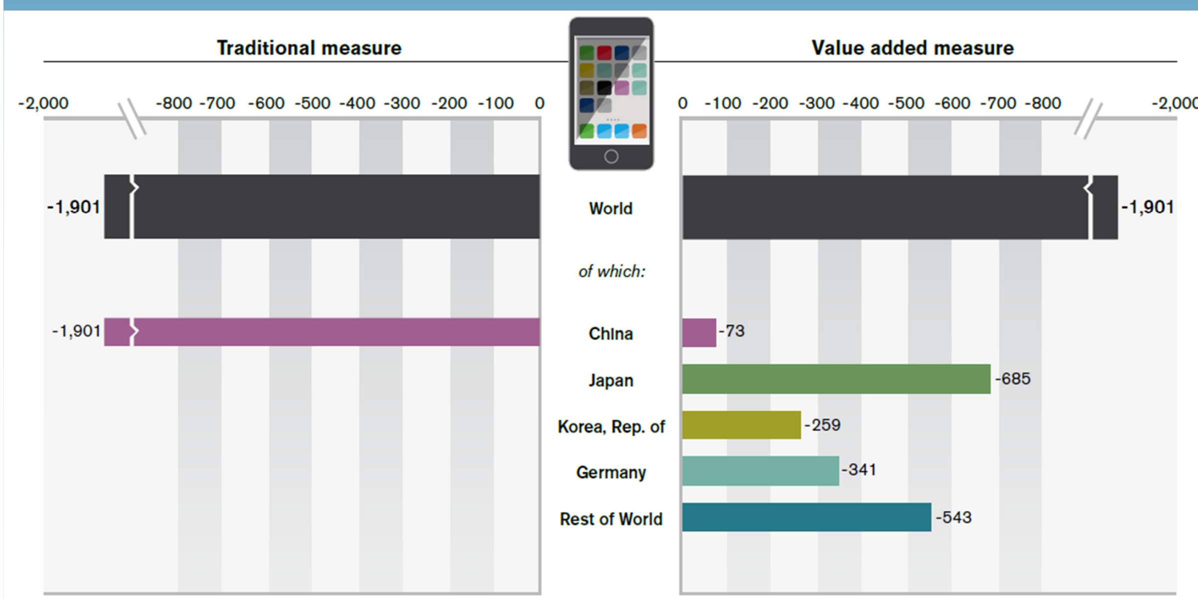
Source: WTO, based on IDE-JETRO Asian Input-Output tables



	Country 1				Country 2			
	Final Demand	Labor input	Imported input	Output	Imported input	Labor input	Output	Final Demand
Stage 1 in		$1						
Stage 1 out				$1				
Stage 2 in					$1	$1		
Stage 2 out							$2	
Stage 3 in		$1	$2					
Stage 3 out				$3				
Stage 4 in					$3	$1		
Stage 4 out							$4	
Stage 5 in		$1	$4					
Stage 5 out				$5				
	$2							$3
Total	$2	$3	$6	$9	$4	$2	$6	$3

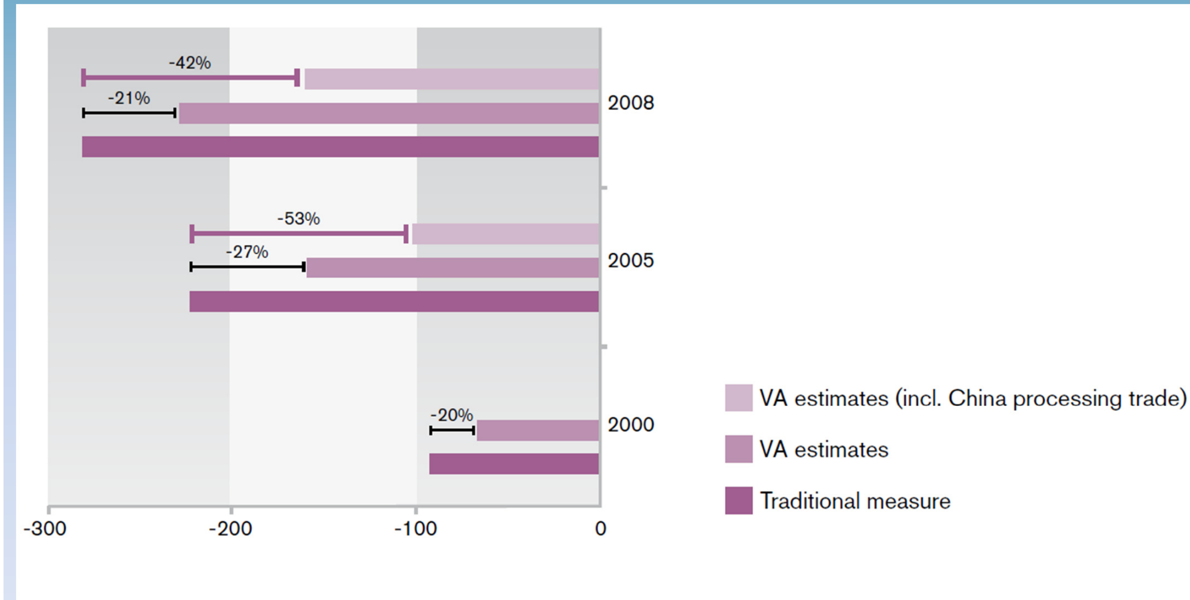
Input		Output	Intermediate use					Final use		Total output
			Country 1			Country 2		Country 1	Country 2	
			Sector 1	Sector 2	Sector 3	Sector 1	Sector 2			
Intermediate input	Country 1	Sector 1				1				1
		Sector 2					3			3
		Sector 3						2	3	5
	Country 2	Sector 1		2						2
		Sector 2			4					4
Value-added			1	1	1	1	1			
Total Input			1	3	5	2	4			

2009 US trade balance in iPhones (in millions of US$)



Source: Meng and Miroudot, based on Xing and Detert (2010)

United States-China trade balance
Traditional *vs* VA measure (in billions of US$)



Sources: UN Comtrade Database, IDE-JETRO AIO table and WTO estimates