Asia-LAC integration through GVCs: Preliminary results based on MRIO data of Asia-Brazil and Mexico

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Key trends found from the data

• Global sourcing remain a key even if the policy focus on RVCs
• Asia-LAC GVC relations tend to be commodity for manufacturing, driven by trade with China
• Potential for new links seems to be in services
Looking from
LAC’s exports to Asia
LAC’s participation in GVCs grew over time, but the pace is quite slow when it comes to the participation with Asia GVCs

- LAC is linking more with GVCs in Europe and North America (NA)
- 30% of exports to Asia is related to GVCs, increased from 27% in 2000.
- The GVC linkages increased fastest within LAC.
1) The growth of GVC participation was not driven by biregional relationships.
2) LAC’s links with NAFTA GVCs have specific characteristics.

- Participating in GVCs requires global sourcing.
- Biregional linkages were either decrease or stable.
- How LAC integrate with NA-GVCs differ from the integration with others.
LAC sources of export to Asia GVCs

LAC country-wise GVC exports to Asia (measured over total LAC exports to Asia)

2000

- Brazil: 12%
- Mexico: 4%

2017

- Brazil: 14%
- Mexico: 2%

Forward participation and Backward participation.
LAC destination of exports from Asia GVCs

LAC receivers of GVC participation from Asia (measured over Asia’s total exports to LAC)

### 2000

- **Brazil**: Forward participation: 0%, Backward participation: 0%
- **Mexico**: Forward participation: 20%, Backward participation: 0%

### 2017

- **Brazil**: Forward participation: 0%, Backward participation: 0%
- **Mexico**: Forward participation: 15%, Backward participation: 0%
What did LAC export to Asia GVCs?

LAC sectoral exports to Asia (measured over total LAC exports to Asia)

- Mining and agriculture commodity exports to Asia were the main driver.
- Opportunities in services sectors
Looking from Asia’s exports to LAC
Asia’s participation with GVCs in each region.

• In terms of share, Asia’s participation in GVCs in each region seems to be stable.
• About 25-40% of exports to each regions are serving GVCs in those regions.
When focusing on interregional relations only....

- Backward participation is marginal. This means integration in interregional GVCs still needs global sourcing.
- The significant share of forward participation reflects the integration of Asia with GVCs in those regions through exporting parts and components.
- Forward participation took significant shares in exports to LAC (2nd after exports to EU).
- Small forward participation with NA to which Asia exports final products mainly.

![Bar chart showing Asia's GVC participation with regions, MVA in 2017](chart.png)
Sources of Asia GVC-related exports to LAC

Asia country-wise GVC exports to LAC (measured considering total Asia exports to LAC)

- The increasing role of China with the decreasing role of Japan.
- Manufacturing-for-mining trend
Destinations of GVC-related exports from LAC

Asia receivers of GVC participation from LAC (measured over total LAC exports to Asia)

- The increasing role of China with the decreasing role of Japan.
- Manufacturing-for-mining trend
Asia sectoral exports to LAC (measured over total Asian exports to LAC)

2000

2017

Forward participation  Backward participation

Forward participation  Backward participation
Services: the potential new linkages
LAC broad sectoral exports to Asia, MVA

2000

Agriculture  Manufacturing  Mining  Services

2017

Agriculture  Manufacturing  Mining  Services

Forward participation  Backward participation

Forward participation  Backward participation
The dominant and increasing roles of business services

LAC sectoral GVC participation with Asia in services (measured over total LAC service exports to Asia)

- **2000**
  - Renting, Eq and Business Activities
  - Water Transport
  - Transport Activities
  - Financial Intermediation
  - Wholesale Trade
  - Trade
  - Education
  - Retail Trade
  - Hotels and Restaurants
  - Air Transport

- **2017**
  - Renting, Eq and Business Activities
  - Wholesale Trade
  - Retail Trade
  - Public Admin and Defence
  - Education
  - Transport
  - Inland Transport
  - Financial Intermediation
  - Post and Telecommunications

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<th>Backward participation</th>
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Destination of services exports from LAC

Asia receivers of GVC participation in services with LAC (measured over total LAC service exports to Asia)
LAC sources of service exports to Asia GVCs

LAC country-wise GVC participation with Asia in services
(measured over total LAC service exports to Asia)

2000

2017

Brazil
Mexico
Brazil
Mexico

Forward participation
Backward participation
Forward participation
Backward participation
LAC destination of services exports from Asia GVCs

LAC receivers of GVC participation in services with Asia (measured over total Asia service exports to LAC)

2000

- Brazil: Forward participation
- Mexico: Forward participation

2017

- Brazil: Forward participation
- Mexico: Forward participation
Asia broad sectoral exports to LAC, MVA

![Graph showing Asia broad sectoral exports to LAC, MVA for 2000 and 2017: Forward participation and Backward participation.]

- **2000**: Manufacturing (25%) > Agriculture (10%) > Mining (15%) > Services (10%)
- **2017**: Manufacturing (20%) > Agriculture (15%) > Mining (15%) > Services (10%)

Legend: Forward participation □, Backward participation ■
Sources of services exports from Asia GVCs to LAC

Asia country-wise GVC participation with LAC in services (measured over Asia’s total service exports to LAC)

- **2000**
  - Republic of Korea: Forward 3%, Backward 1%
  - Taiwan Province of China: Forward 2%, Backward 1%
  - India: Forward 1%, Backward 1%
  - Japan: Forward 1%, Backward 1%
  - Australia: Forward 1%, Backward 1%
  - Singapore: Forward 1%, Backward 1%
  - Turkey: Forward 1%, Backward 1%
  - Hong Kong, China: Forward 1%, Backward 1%
  - China: Forward 1%, Backward 1%
  - Indonesia: Forward 1%, Backward 1%

- **2017**
  - Republic of Korea: Forward 7%, Backward 1%
  - Taiwan Province of China: Forward 3%, Backward 1%
  - India: Forward 1%, Backward 1%
  - Japan: Forward 1%, Backward 1%
  - Australia: Forward 1%, Backward 1%
  - Singapore: Forward 1%, Backward 1%
  - Turkey: Forward 1%, Backward 1%
  - Hong Kong, China: Forward 1%, Backward 1%
  - China: Forward 1%, Backward 1%
  - Indonesia: Forward 1%, Backward 1%
  - India: Forward 1%, Backward 1%
  - Singapore: Forward 1%, Backward 1%
  - Philippines: Forward 1%, Backward 1%

**Legends**
- **Blue** Forward participation
- **Orange** Backward participation
Business services and trade services dominated services exports from Asia GVCs to LAC

Asia sectoral GVC participation with LAC in services (measured over Asia’s total service exports to LAC)
Conclusions

• The strong comparative advantage of LAC in natural-resource based sector is not deniable.

• The disadvantages from distance can be addressed with proper transport, logistics infrastructure, trade facilitation, regulatory reform, and digital technology deployment

• The opportunity in services sector for the integration in FEALAC should be further explored.
Thank You