



Comments on:
**Production Networks and Trade Patterns:
East Asia in a Global Context**
(Prof. Prema-Chandra Athukorala)

**ASEM Conference
Beyond the Global Crisis: A New Asian Growth
Model?**

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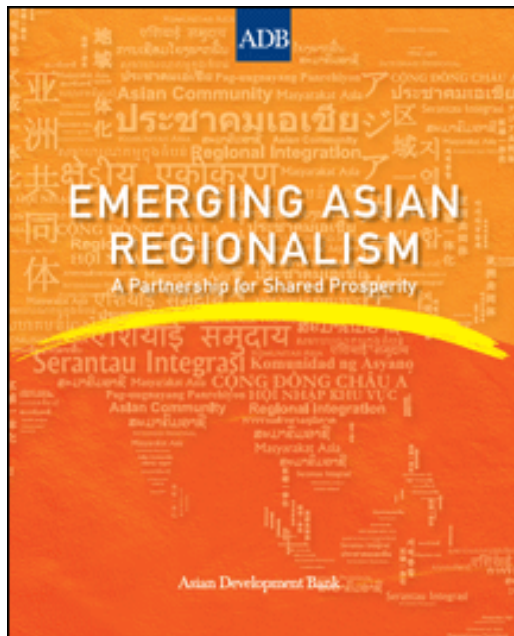


Production Networks and Trade Patterns

Stylized Facts:

- Expansion of production networks underlies increase in intra-regional trade in East and Southeast Asia
- The region's export dynamism depends on network trade, with China as the prime assembly center and link to the rest of the world
- Fragmented production blurs where exports are ultimately destined: PCT within Asia often incorporated into final goods shipped to EU and US...

Production Networks and Trade Patterns



“while 48.2% of Asia’s exports are directly shipped to Europe and North America, 67.5% ultimately end up there, when parts and components content is fully taken into account.” (p.71)

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Stylized Facts:

- Due to the large share of PCT in intra-regional trade, regional growth continues to depend on the demand for final goods, hence on extra-regional growth
- “Decoupling” proposition has proven unsubstantiated by the global economic downturn...
- ...ramifications of vertically integrated production networks have caused an acceleration in the synchronized contraction of trade flows across the region

Production Networks and Trade Patterns

Prof. Athukorala's paper^(*) does:

- Provide a solid and comprehensive empirical analysis quantifying the extent of PWT in East Asia
- Pin down some of the determinants of East Asia's growing role in network trade
- Evaluate the implications of network trade for regional vs. global economic integration

() "Production Networks and Trade Patterns: East Asia in a Global Context", Paper for the ADB-BMN-EC Joint Conference: "Beyond the Global Crisis: A New Asian Growth Model?", 18-20 October 2009, Kuala Lumpur, Malaysia. Note: Preliminary draft for comments and discussion only.*

Production Networks and Trade Patterns

Further analysis could:

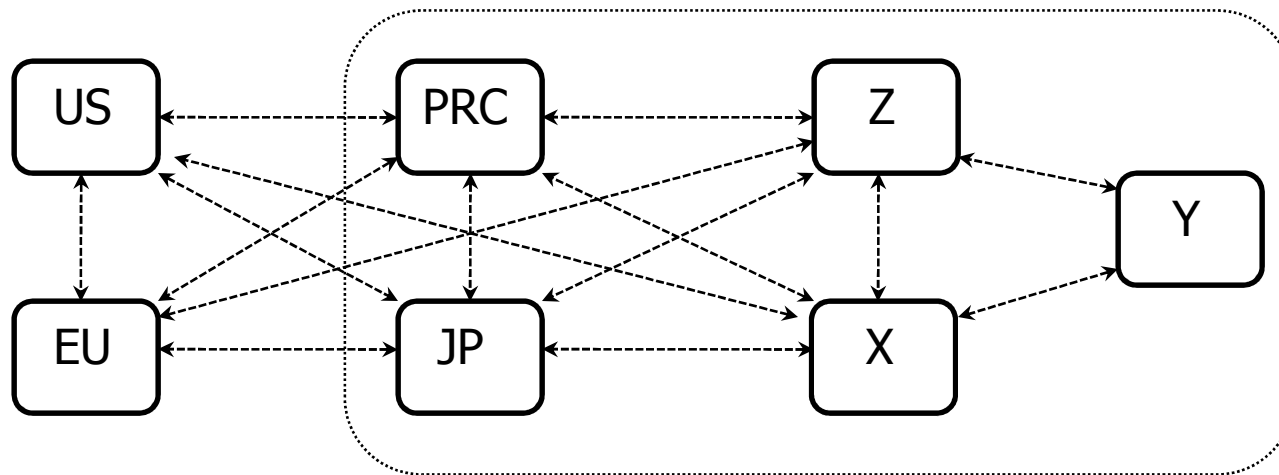
- Compute trade specialization indices to capture the export-import asymmetries in PCT

$$LFI_j = 100 \left(\frac{x_j - m_j}{x_j + m_j} - \frac{\sum_{j=1}^N (x_j - m_j)}{\sum_{j=1}^N (x_j + m_j)} \right) \frac{x_j + m_j}{\sum_{j=1}^N (x_j + m_j)},$$

Production Networks and Trade Patterns

Further analysis could:

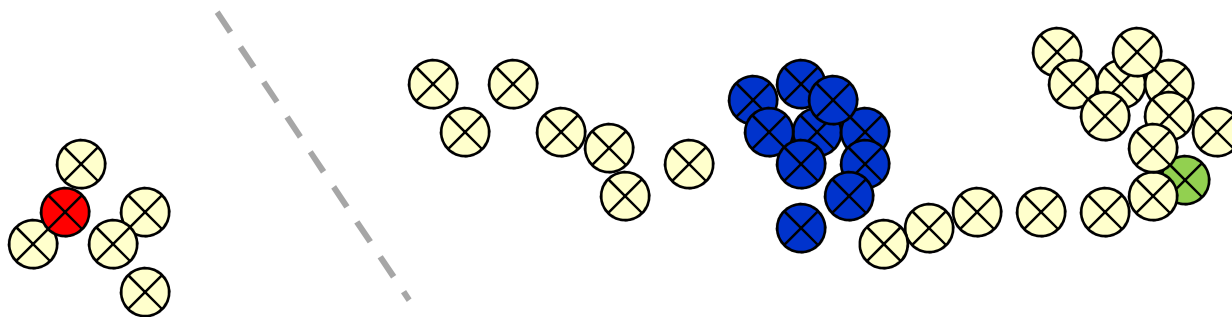
- Draw a more comprehensive pattern of PCT, defined along the lines of the paper presented, but employing BNA to study the region's trade pattern

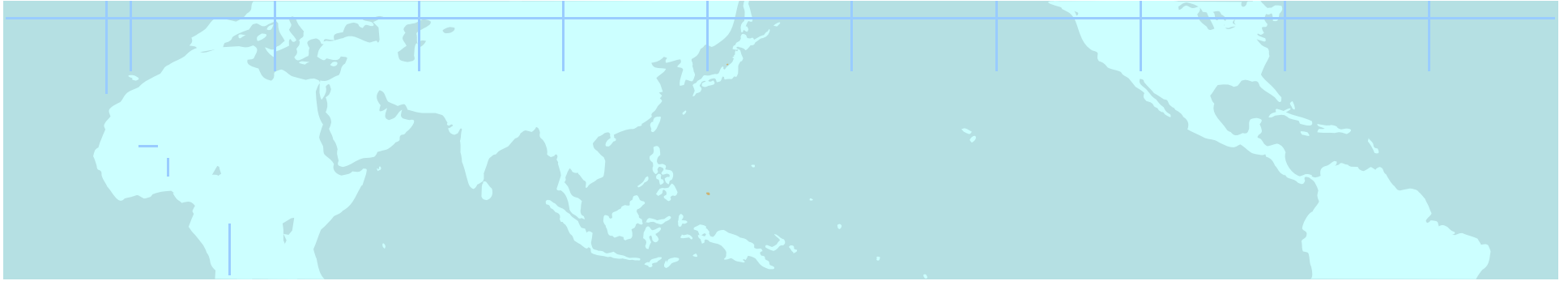


Production Networks and Trade Patterns

Further analysis could:

- Investigate the evolution and potential of PCT patterns along the lines of the 'product space' approach





Thank you.

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