
ASSESSMENT OF THE REGIONAL INVOLVEMENT OF VALUE CHAINS IN THE WORLD ECONOMY USING THE EXAMPLE OF THE ASIA-PACIFIC REGION

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ABSTRACT: The article provides methods for assessing the involvement of value chains in the world economy using the example of the Asia-Pacific region. In addition, the article analyzes the factors that influenced the success of the Asia-Pacific region in the relatively high degree of involvement of the region in international trade through the RVC.

KEYWORDS: Asia-Pacific region, regional value chains, international trade, trade turnover.

INTRODUCTION

As information and transport technologies develop, expanding the ability of companies to locate production facilities in different countries of the world, the process of internationalization of global production of goods and services is becoming more wide-spread. Intensification of trade at different stages of redistribution helps to increase the productivity of economic sectors by taking advantage of specialization.

Trade flows both between subsidiaries of multinational companies and between companies have created a phenomenon called “global value chains.” Today they cover up to 80% of world trade. The development of global chains is reflected in the growth of trade flows in intermediate goods, which now account for more than 50% of imports of OECD countries and about 75% of imports of leading developing countries. According to the OECD, 28% of global total exports include the value of imported components of final goods or services. [1]

The rapid growth of developing countries against the backdrop of economic difficulties in developed countries is leading to income convergence between regions. At the same time, inequality is growing within key regions (East Asia, Europe, North America). Thus, the opportunities for division of labor and the development of complementary industries within regions are expanding and narrowing between regions. As a result, the regionalization of international trade is increasing. This is especially true for the Asia-Pacific region, where from 2014 to 2016 the share of intraregional trade in countries’ gross trade turnover increased from 39 to 47%. [2]

Unfortunately, estimates of countries' involvement in global value chains are not very accurate and are always delayed. The currently available data allows us to judge with complete confidence only the period up to 2013 (and at the level of individual countries - even 2011–2012). However, based on some signs, it can be argued that:

- countries of the world have not yet reached the degree of involvement in global value chains that they demonstrated on the eve of the financial and economic crisis; this, in turn, is one of the key reasons for the abnormal slowdown in international trade observed in the post-crisis years;
- value chains are being regionalized, which entails the observed regionalization of international trade flows.

Demonstrating a high degree of involvement in the world economy and the level of intraregional integration, the Asia-Pacific region has achieved relatively high results in the formation and even development of regional value chains.

The main factor in changes in the geography of value chains in the Asia-Pacific region and in the world as a whole is the transformation of the socio-economic model of the PRC. Income growth and technology development, as well as a reorientation towards domestic consumption as the main driver of the economy, are leading to the fact that Chinese exports are increasingly dependent on semi-finished products produced domestically, and Chinese companies are increasingly entering competitive markets for high-tech goods.

As a result, in recent years, Asia has seen a regionalization of value chains and trade and economic relations in general. It is pushed forward by a network of free trade agreements that have already permeated almost the entire region. At the same time, in the Asia-Pacific region there are countries in geographical proximity that are at different levels of socio-economic development and resource endowment (including human resources), and have comparative advantages in the production of goods belonging to different parts of global value chains. This also promotes intraregional cooperation.

One of the indirect indicators of countries' participation in international production chains is the volume of trade in intermediate goods. Trade in such goods is an important and growing component of international trade in the Asia-Pacific region. However, its dynamics are uneven. While trade flows of intermediate goods from Japan and the Republic of Korea to China have decreased, in the opposite direction they continue to grow. And since the end of the 2000s, the main directions of international trade in intermediate goods in the Asia-Pacific region have been the following directions: ASEAN countries - China and China - ASEAN countries.

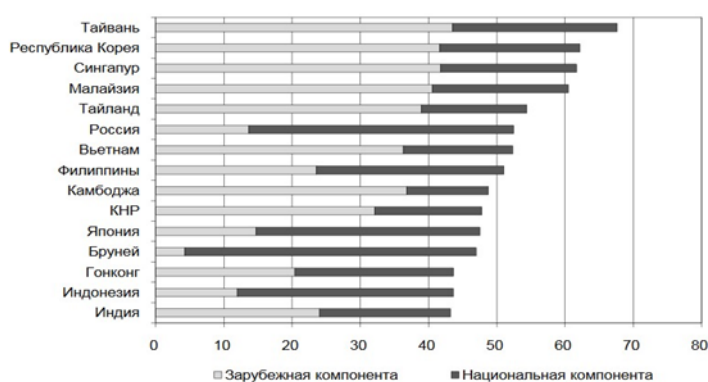


Figure 1. Participation of some Asia-Pacific countries in value chains in 2018 in % [3]

The leaders in this indicator are countries such as Taiwan, the Republic of Korea, Singapore and Malaysia (more than 60% of the exports of these countries either include imported added value

or are represented by intermediate goods used by their trading partners to produce export products) [4]. Note that in the export of goods, a significant share of added value often falls on services.

Compared to other regions, East and South-East Asia are characterized by high levels of participation in global value chains, mainly at the middle levels. India, due to geographical and historical reasons, is still relatively weakly integrated into global value chains, while at the same time the growth of its involvement is as fast as possible. [5]

In the region as a whole, global value chains are most pronounced in industries such as automotive, electronics, textiles and apparel. The reason is that these industries involve a large number of production steps, which can be divided among market participants based on their specialization. Agricultural products are considered the least involved in global chains, since the stages of their production (cultivation) are difficult to distribute across different countries.

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