Import Content of Exports and Industrialization

Topic: Vertical specialization and outsourcing I
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Classical and neo classical economists have made a high emphasize on integration into the world economy. While factors such as geography, history, trade policy and structure of the economy, help explain comparative advantage and differences across countries and are regarded as the main determinants of international trade integration. The aggregate value of international trade in goods and services is, thus, regarded as the seriousness of the efforts of the countries' to integrate into the world economy. Small countries are generally more integrated, their domestic demand being limited; they have to export, to enjoy economies of scale. They also need to import more goods and services than larger countries in order to satisfy domestic demand. Where measured trade may include a significant proportion of re-exports and intra-firm trade linked to the presence of multinational firms. Integration into global value chains and production networks not only are important ways through which countries can integrate into the world economy, they are in fact unavoidable. Participating into international division of labour and specialization help countries to promote exports, using imported intermediate goods. Production processes increasingly involve a sequential, vertical trading chain stretching across many countries, with each country specializing in particular stages of a good's production sequence. We emphasize on a key aspect of these vertical linkages — the use of imported inputs in producing goods that are exported — which may be called vertical specialization. Many countries have succeeded to diversify their output and export. In this paper , using input- output technique and tables of more than 34 countries, we try to provide another evidence to show, how through direct and indirect imports, trade help countries to increase their exports of manufactured goods and enable them to industrialize .
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