

## **PRODUCTIVE DISARTICULATION AND DOMESTIC VALUE ADDED CONTENT IN MANUFACTURING EXPORTS. THE MEXICAN CASE**

Topic: Vertical specialization and outsourcing 1

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The combination of dynamic manufacturing exports with slow growth of the Mexican economy has been studied but not completely answered. This paper aims to contribute to explain why the growing exports of medium and high technology products has weakly driven Mexico's economic growth. Our point of departure is that exports constitute an engine of economic growth if they fulfill two conditions: a) the productive integration/ articulation between the export sectors and the rest of the economy, b) the country's participation in the global production network in the stages of production which add more domestic value added.

These two aspects are analyzed from two different but complementary theoretical and methodological approaches for the study of the fragmentation of production: graph theory and vertical specialization. From the perspective of graph theory we analyze the productive integration/disarticulation of the Mexican economy, which will allow us to establish the capacity to push the economy through the identification, quantification and analysis of the "linkages" between sectors. On the other hand, through vertical specialization we analyze the fragmentation of production processes associated with the import content of exports, which affects the domestic direct and indirect value added of Mexican exports resulting from its participation in global value chains.

This information allows us to know:

- a. The strength of the linkages between exports and the rest of the economy.
- b. The domestic value added content of manufacturing exports, divided in direct and indirect value added, for the domestic economy and for the processing exports sector.

The slow growth of the Mexican economy is explained by the low domestic value added embodied in exports and the weak linkages between exports producing sectors and the rest of the economy.

The data are from the 2003 INEGI-Input-Output table.