

Specialization in intermediate and final production: the effects of integration in ASEAN and the EU 1990-2005

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Author: dirk stelder

This paper focusses on the question to what extent product specialization takes place in intermediate production, final production or both. Recent trade literature reveals increasing outsourcing and longer international supply chains which lowers the threshold for developing countries to enter international trade by stepping in the supply chain on small specialized intermediate product segments. This suggests that specialization trends should be more visible in intermediate production than in final production, in particular in international IO tables at highly disaggregated industrial detail. In addition, international trade shares are expected to grow faster for intermediate products than for final products and countries of origin and destination would be less correlated with distance and transport cost for the former. Empirical results from the IDE-JETRO inter country IO tables for the ASEAN region confirm this trend over the period 1990-2005 but not for the same countries and for the EU countries in the WIOD database due to the higher level of industry aggregation in the latter.