

Trade-led Growth in Times of Crisis  
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## Session 1

Regional Aspects of Linkages between International  
Production Networks and Regional Trade Agreements

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## ARTNeT Regional Study Theme III

# On the Relationship Between Regional Trade Agreements and International Production Networks: Evidence from Five Case Studies

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# Introduction

- Change in global trade pattern, increase in trade in parts and components, most of it contributed by trade activities in East Asia: Ando and Kimura (2003), Kimura and Ando (2005)
- Existence of international production networks (IPN), growing fragmentation in production activities
- Proliferation of RTAs
- To what extent regional trade arrangements affect the development of international production networks.
- Does it neutral, moderate, inhibit, or expand international production networks?

# Introduction

- Five case studies:
  - Automotive industry (China, India and Indonesia)
  - Hard Disk Drive industry (Thailand)
  - Textile and Clothing Industry (Bangladesh)
- Contribution:
  - Adds to the empirical stylized facts on the subject of international production network
  - To gain better understanding on the ‘mechanics’ behind the international production networks, particularly in its relation to the growing agenda of regional integration in the world

# Presentation Outline

- Introduction
- IPN in East Asia
- Highlights
  - Automotive industry
  - Hard Disk Drive industry (HDD)
  - Textile and Clothing (TC)
- Conclusion
- Policy Recommendation

# IPN in East Asia

- ‘Hollowing-out’ of Japanese Firms (Baldwin, 2007)
- ‘Dual-track’ approach toward industrialization by East Asian developing countries (Kimura, 2006)
- Liberalization of trade and investment in East Asian developing economies, i.e. incentive policies to attract foreign MNCs
- IPN emerge, through market initiatives
- Domino effect of FTA

# Automotive Industry

Indonesia are well integrated in the IPN in East Asia, while integrated with East Asia: IIT for parts and components in China, India and Indonesia are 0.95, 0.68, 0.81, respectively

Japanese MNCs began to emerge in China and India, Indonesia is still dominated by Japanese MNCs.

China has a well established auto parts and components industry, while the components industry in Indonesia is underdeveloped.

Results from China, India and Indonesia reveal that FTA does not have a neutral towards enhancing IPN in the automotive sector

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