

Expansion of Global Value Chains in Asian Developing Countries:

Automotive Case Study in the Mekong Subregion

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ABBREVIATIONS AND ACRONYMS

ADB	Asian Development Bank
AFTA	ASEAN Free Trade Area
AMEICC	AEM-METI Economic and Industrial Cooperation Committee
APTIAD	Asia-Pacific Trade and Investment Agreements Database
ASEAN	Association of Southeast Asian Nations
ATIGA	ASEAN Trade in Goods Agreement
CBU	completely-built unit
CKD	complete knock-down
CBTA	Cross-Border Transport Facilitation Agreement
ERIA	Economic Research Institute for ASEAN and East Asia
FDI	Foreign Direct Investment
FPRI	Fiscal Policy Research Institute
GL	Grubel-Lloyd index
GVC	Global Value Chains
IDE	Institute of Developing Economies
JETRO	Japan External Trade Organization
LDCs	Least developed countries
OICA	International Organization of Motor Vehicle Manufacturers (Organisation Internationale des Constructeurs d'Automobiles)
PPP	public-private partnership
R&D	research and development
SEZs	special economic zones
SITC	Standard International Trade Classification

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Masato Abeⁱ

1. Introduction

During the past three decades, the development of highly integrated global value chains in which products are supplied, manufactured and distributed across national boundaries have created a new form of division of labour among Asian economies, especially in North-East and South-East Asia (IDE-JETRO and WTO, 2011). The rapid growth of global value chains has dramatically changed production patterns, international trade and foreign direct investment (FDI) in the region, with a notable expansion of intra-regional trade through multiple border crossings of parts and components (ESCAP, 2009).

While an increasing number of literatures have examined the global value chain phenomenon in Asia (cf. ESCAP, 2007 and 2009; ERIA, 2011), little attention has been paid to its expansion from developing countries to less developed neighbours, such as least developed countries (LDCs) (cf. Makishima, 2012). The lack of existing research and reliable national data has made an adequate review of global value chains in less developed countries particularly difficult.

Against this background, key research questions of this case study are proposed as follows:

- What are key drivers of global value chain, particularly in less developed countries?
- How do sectoral characteristics impact on the development of global value chains?
- How can public interventions accelerate the expansion of the global value chains in less developed countries?

The Mekong subregion (figure 1),ⁱⁱ which is part of South-East Asia and comprises five Mekong river basin countries (Cambodia, Lao People's Democratic Republic, Myanmar, Thailand and Viet Nam) is the geographical focus of this study. The subregion provides valuable laboratories to explore these research topics since it has experienced a varied degree of economic development and includes a middle-income country (Thailand), a lower middle-income country (Viet Nam) and three least-developed countries (Cambodia, Lao People's Democratic Republic and Myanmar).

In the Mekong subregion, the automotive industry has been growing rapidly. Several major automakers have established production bases in Thailand and Viet Nam, and their supplier networks have been expanding into Cambodia, Lao People's Democratic Republic and Myanmar. The subregion has benefitted from increased capital inflows, the creation of employment and human resource development. While the automotive industry operates within a single sector and shares a common frame of

reference, the industry shows much diversity in terms of products and technologies, presenting diversified supply and production networks.

This study is based on both quantitative and qualitative analyses. Trade, FDI and descriptive data are used to review the ongoing integration of the subregion into the global automotive value chains. The outcomes of three industrial surveys in the subregion (JETRO, 2009 and 2012; FPRI, 2012) are also reviewed to identify sectoral issues in the automotive industry. This article begins by examining the development of the automotive industry in the Mekong subregion and its key drivers. The characteristics of global automotive value chains are then identified, while covering the recent expansion of the automotive value chains within the subregion. The outcomes of the three industrial surveys are then discussed. Before concluding, policy implications are then presented.

Figure 1: Mekong subregion



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