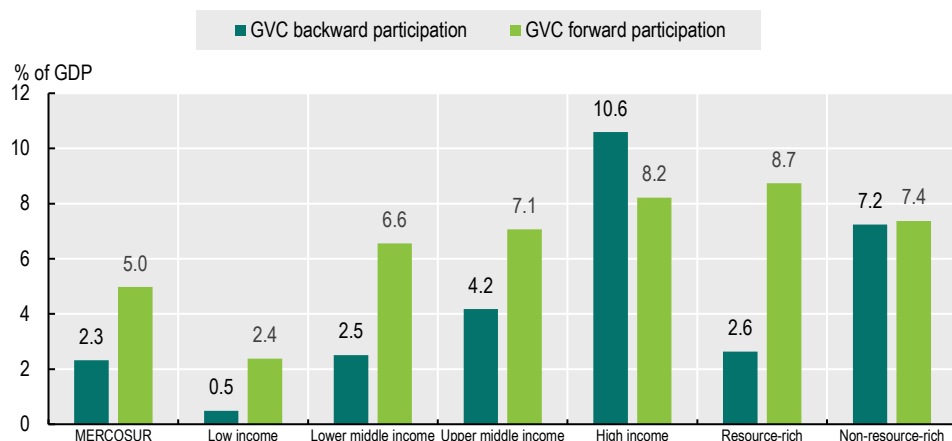


MERCOSUR (MERCADO COMÚN DEL SUR)

Global value chain participation and development

MERCOSUR countries' participation in global value chains, 2019



Note: Countries are classified as low income, lower middle income, upper middle income, and high income according to the World Bank Country and Lending Groups. Countries classified as "resource-rich" for this chart are countries for whom over 10% of GDP came from oil, gas, coal and mineral production for at least 5 years between 2010 and 2019.

Sources: Authors' calculations based on data from Casella et al. (2019), UNCTAD-Eora Global Value Chain Database, <https://worldmrio.com/unctadgvc/>.

A measure of the degree to which a country's production derives from integration into the global economy is its "forward" and "backward" global value chain (GVC) participation (see box). This measure tends to be related to a country's level of income, as well as whether it is a "resource-rich" country, or a country in which extraction of natural resources plays a major role in its economy.

MERCOSUR countries' backward participation accounted for 2.3% of the country's GDP while forward participation accounted for 5% of GDP. The rates of backward and forward participation most closely resembling that of MERCOSUR countries were found in Landlocked Developing Countries, Bosnia and Herzegovina, and Sri Lanka.

What is GVC participation?

Global value chain (GVC) participation or integration is a measure of the proportion of the total value of a country's exports that is generated by global value chains. Total GVC participation is the sum of backward and forward participation. Higher income countries tend to have higher GVC participation due to higher levels of integration in the global economy.

Backward participation is the amount of a country's export value that comes from imported intermediate products. Higher income countries tend to have higher rates of backward participation as they tend to have a greater capacity to transform raw materials and input goods.

Forward participation is the amount of a country's export value that is added by national production and that is embedded in another country's exports. Countries, typically resource-rich and lower income countries, that are more focussed on exporting raw materials than manufacturing, tend to have more forward than backward participation.

Industries in MERCOSUR (Mercado Común del Sur) with highest GVC participation, 2015



Mining, quarries
23% of GVC

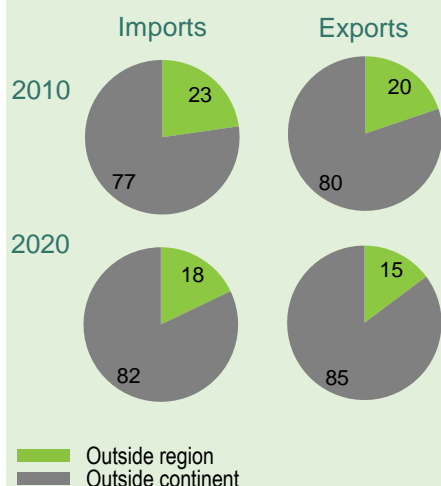


Oil/mineral products
15% of GVC



Metal products
9.4% of GVC

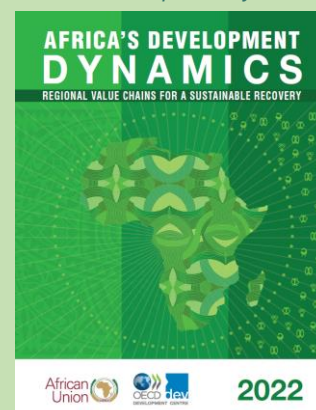
Origin and destination of imports and exports (% of total)



Key numbers for MERCOSUR (Mercado Común del Sur)

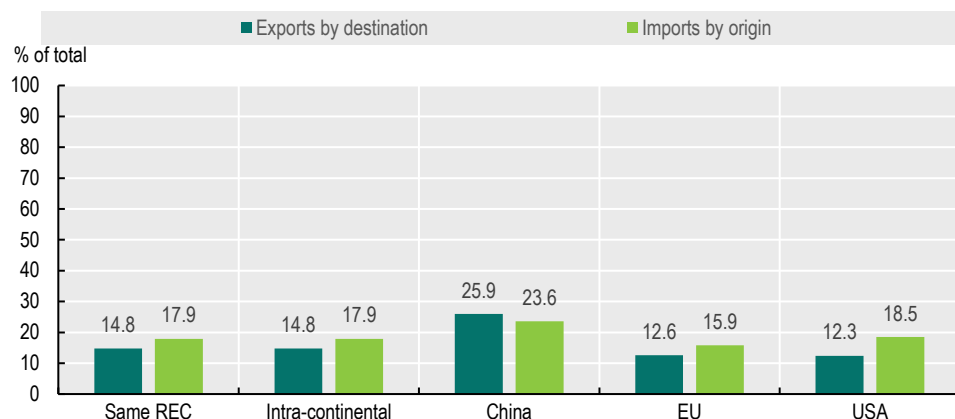
Growth per capita/yr, 2022-27	1.7%
Vulnerable employment, 2021	37.4%
Poverty rate (under USD 6.85/day)	20.2%
Frwd participation (% GDP), 2019	4.9%
Bkwd participation (% GDP), 2019	2.3%
Imports as % of GDP, 2020	17.9%
Exports as % of GDP, 2020	18.5%

The information presented here can be found in the 2022 edition of the publication *Africa's Development Dynamics*



Regional trade

Origin and destination for MERCOSUR countries' trade, 2019 (% of total)

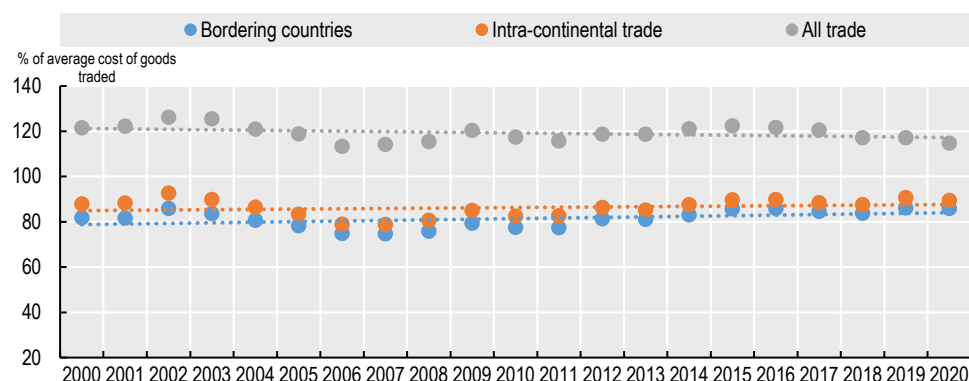


Sources: Author's calculations based on BACI International Trade Database at the Product-Level from CEPII (updated February 19, 2021).

Developing regional value chains will depend on the degree of trade integration between nearby countries. In MERCOSUR countries, 17.9% of imports and 14.8% of exports were intra-continental. This was lower than the world average of 55.9% for imports and lower than the world average of 56.8% for exports. Of MERCOSUR countries's intra-African trade, 100% of imports and 100% of exports were within the same regional economic community. Of the world's three largest traders, MERCOSUR countries's biggest trade partner was China.

Cost of trade

Average cost of trading manufactured goods, by type of trade partner, 2000-20

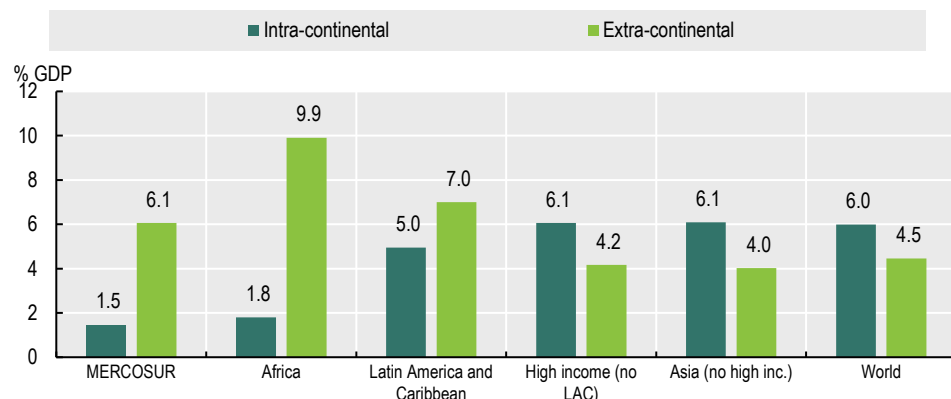


Source: Authors' calculations based on UN ESCAP/World Bank (2021), ESCAP-World Bank Trade Cost Database, www.unescap.org/resources/escap-world-bank-trade-cost-database.

Reducing trade costs is a key element of efforts to encourage trade integration and value chain development. The estimated cost of trading manufactured goods for MERCOSUR countries has been nearly constant since 2000. In the most recent estimate, in 2020, the cost of trading manufactured goods for MERCOSUR countries was, on average, 114.7% of the cost of the underlying good traded. The cost of intra-continental trade in manufactured goods was 22% less expensive than the overall average, and for trade with bordering countries, it was 25.1% less expensive.

Trade in intermediate goods

Intra-continental trade in intermediate goods, by group of countries, 2020



Source: Authors' calculations based on data from the International Trade Database at the Product-Level (BACI) developed by the Centre d'Études Prospectives et d'Informations Internationales (CEPII, 2020).

MERCOSUR countries' trade in intermediate goods, which is the core component of international value chains, was on average 7.5% of GDP in 2020, which was lower than the global average of 10.5%. MERCOSUR countries' intra-continental trade in intermediate goods was 19.4% of their total trade in intermediate goods, which was lower than the global ratio of 57.4%.