



EUROPEAN CENTRAL BANK

EUROSYSTEM

**Discussion of
“Exports and Employment in China,
Indonesia, Japan and Korea”.**

**Bernard Kennedy
European Central Bank
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- Paper uses a standard IO analysis methodology making use of a new dataset linking the effects of global vertical and inter industry linkages to study the impact on employment.
- Methodology follows a standard approach of global IO analysis as outlined by Timmer, Los, Stehrer and Vries.
- Paper examines the effects of exports on employment in China Indonesia Japan and Korea. In all four countries, participation in Global Value Chains has increased and these four countries are sometimes compared with each other given their geographical proximity and similarities in their economic performances.

- The implied employment from exports increased in China, Japan, and Korea and was almost constant in Indonesia due to the rapid increases in domestic demand.
- By industry a few results stand out. In China, the share of Electrical and Optical equipment relative to total exports increased from 21.1% to 39.3%.
- When extending the analysis to final demand, as opposed to just total exports, three results stand out:
 - In all four countries domestic demand plays an important role in creating employment.
 - The share of Japanese and US final demand are decreasing in China, Indonesia, and Korea in recent years.
 - The effects of final demand from China are outpacing those of Japan and the United States.

- Possible extension to other countries. The analysis is confined to four countries whereas there are 40 countries in the dataset and at times the paper might have gained from greater comparison.
- The results from Indonesia stand out in many respects and warrant closer examination.
- Finally, the paper discusses the changes in the share of implied employment in a number of different sectors across countries. It would be useful to know more about this and the factors driving these changes.

- Sections 3 and 4 use different calculations and get quite different results to arrive at the implied employment from exports. This difference is captured in Table 1 below.

	China	Indonesia	Japan	Korea
Implied Employment From Exports	10.4%	4.1%	4.0%	10.2%
Implied Employment by destination of Final Demand	18.3%	13.8%	10.5%	26.1%

- These differences presented in Table 1 are due to differences in the calculation method.
- In section 3, the focus is on direct exports for final use in each country whereas section 4 goes beyond this and captures all possible linkages.
- The analysis in section 4 is richer and more compelling. A possible extension would be to present all results on this basis and this would allow for the full range of global Inter-linkages to be exploited and what it means for employment.

- Impact of exports on employment via Value Added could be quite different from using final figures.
- Important to bear in mind a countries participation and position in Global Value Chains.

