

Asian and Latin American Value Chains; Bridging the Distance

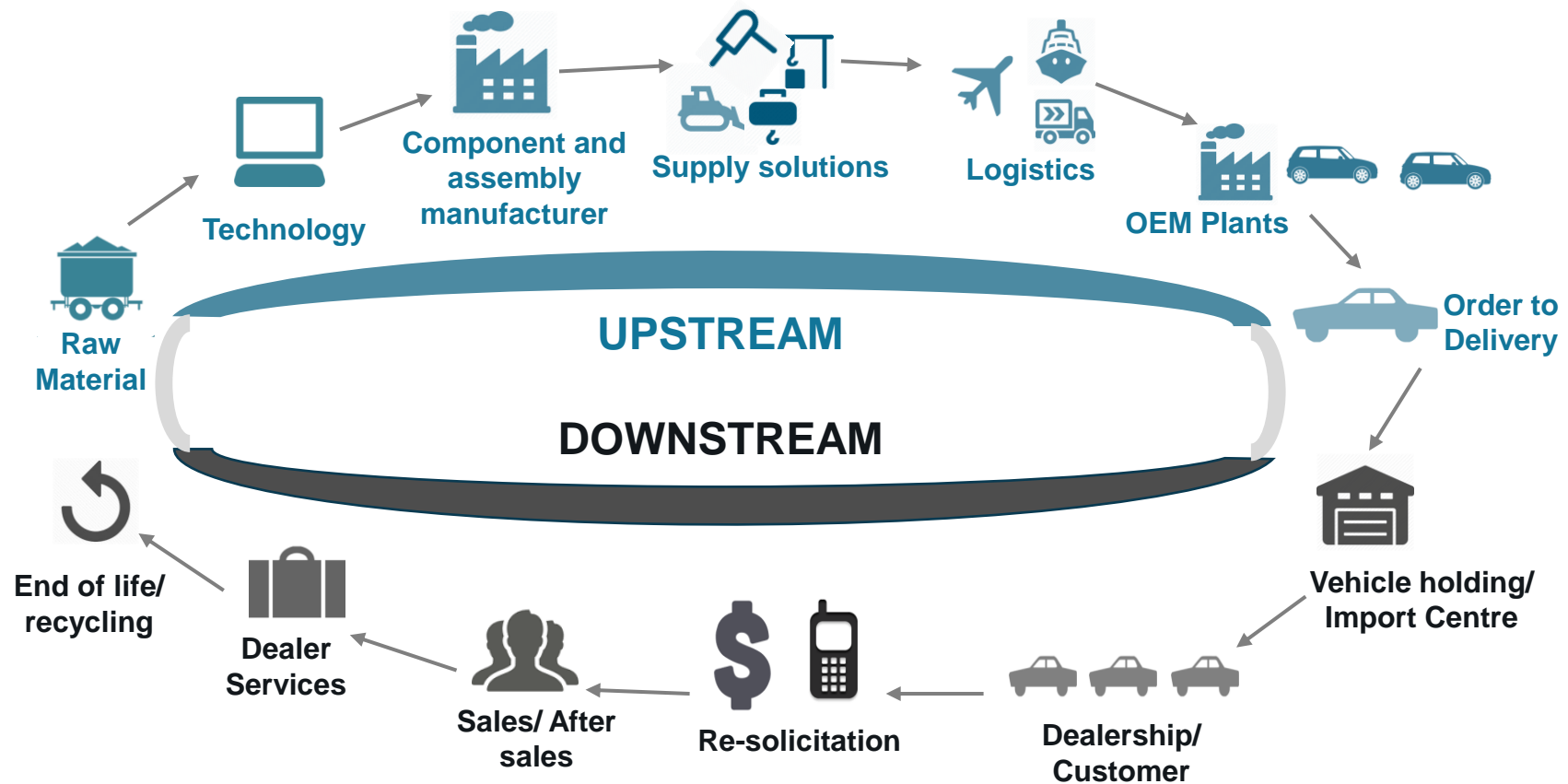
Prepared for: APEC GVC Forum – Lima, Peru

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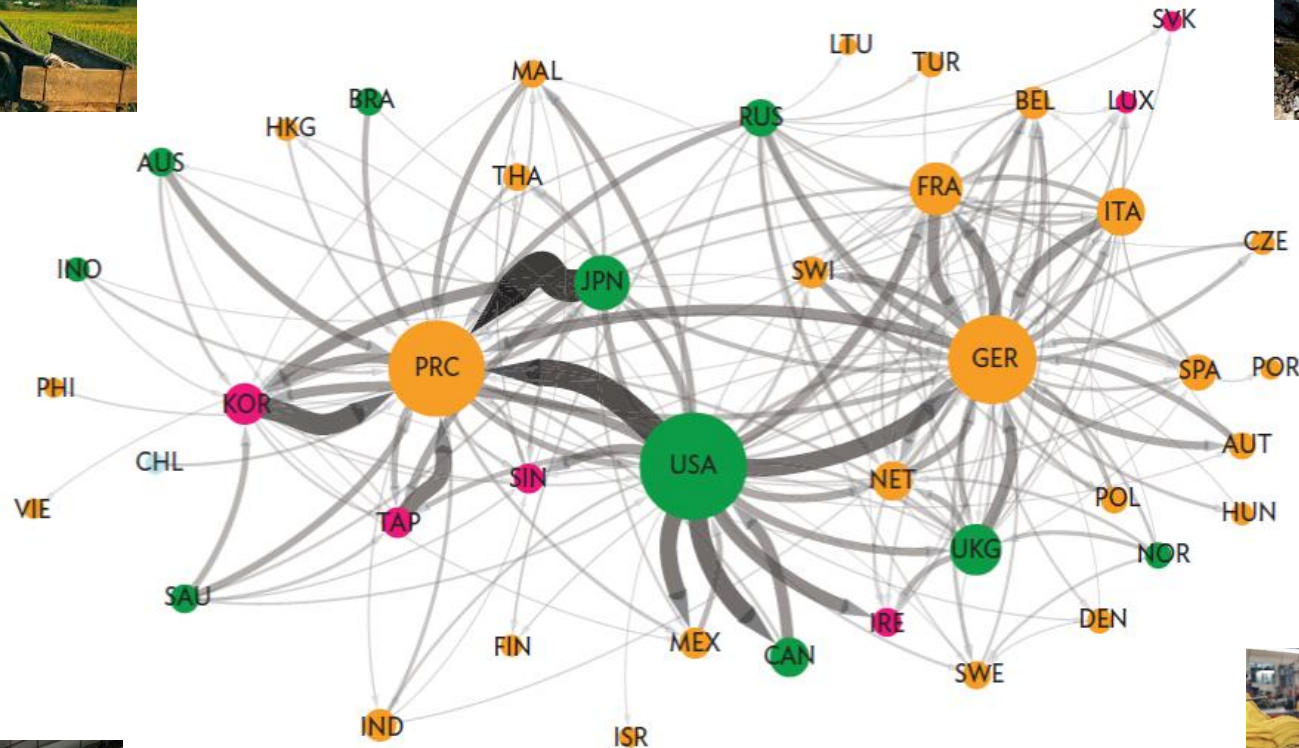
Date: 17 August 2016

What are Global Value Chains and why are they important?

A value chain describes the full range of activities that firms and workers carry out to bring a product from its conception to its end use and beyond.



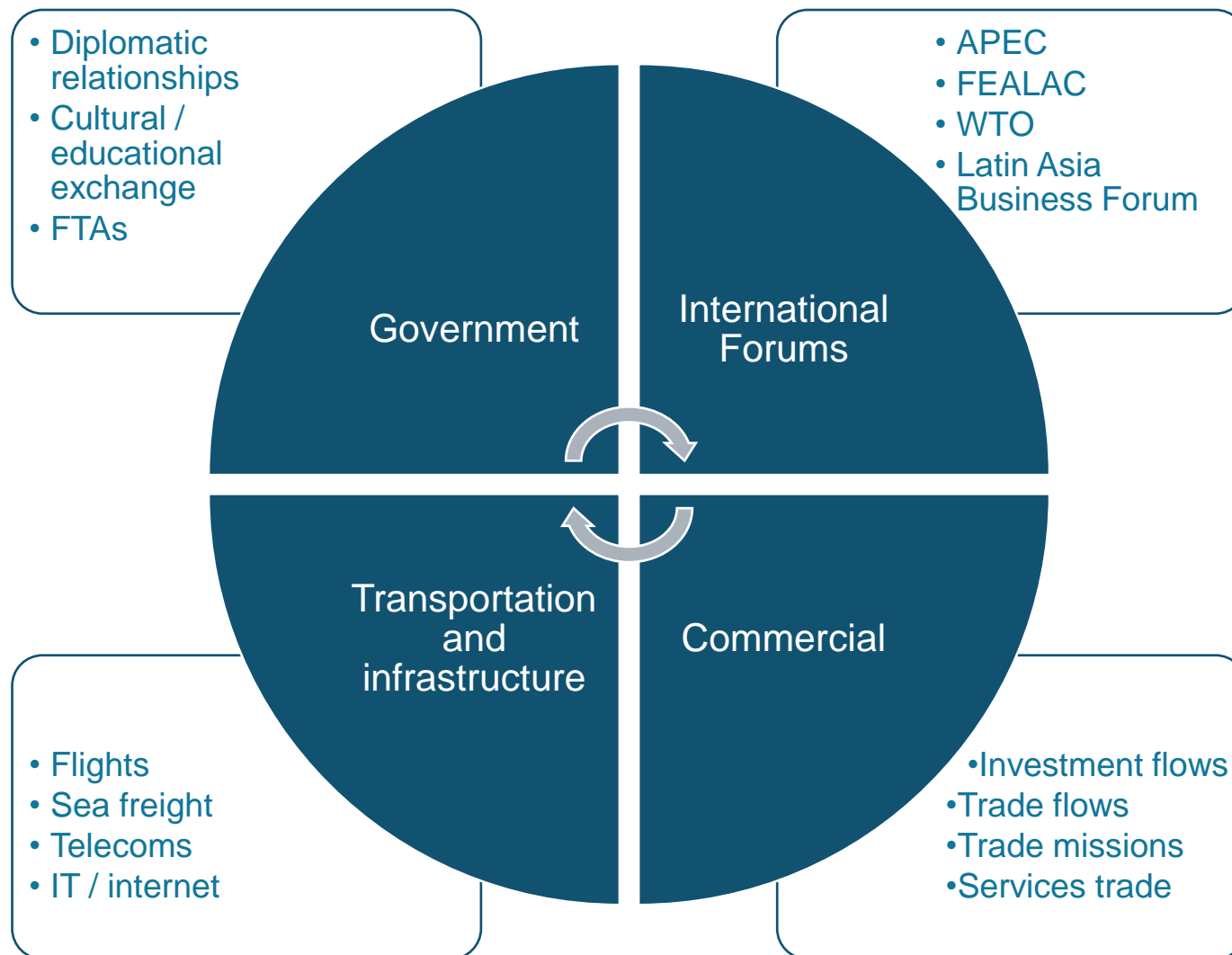
GVCs now incorporate all habited continents, but effectively engaging and maintaining the link is challenging



Source: ADB Outlook 2014 Update; Asia in Global Value Chains 2009 Data

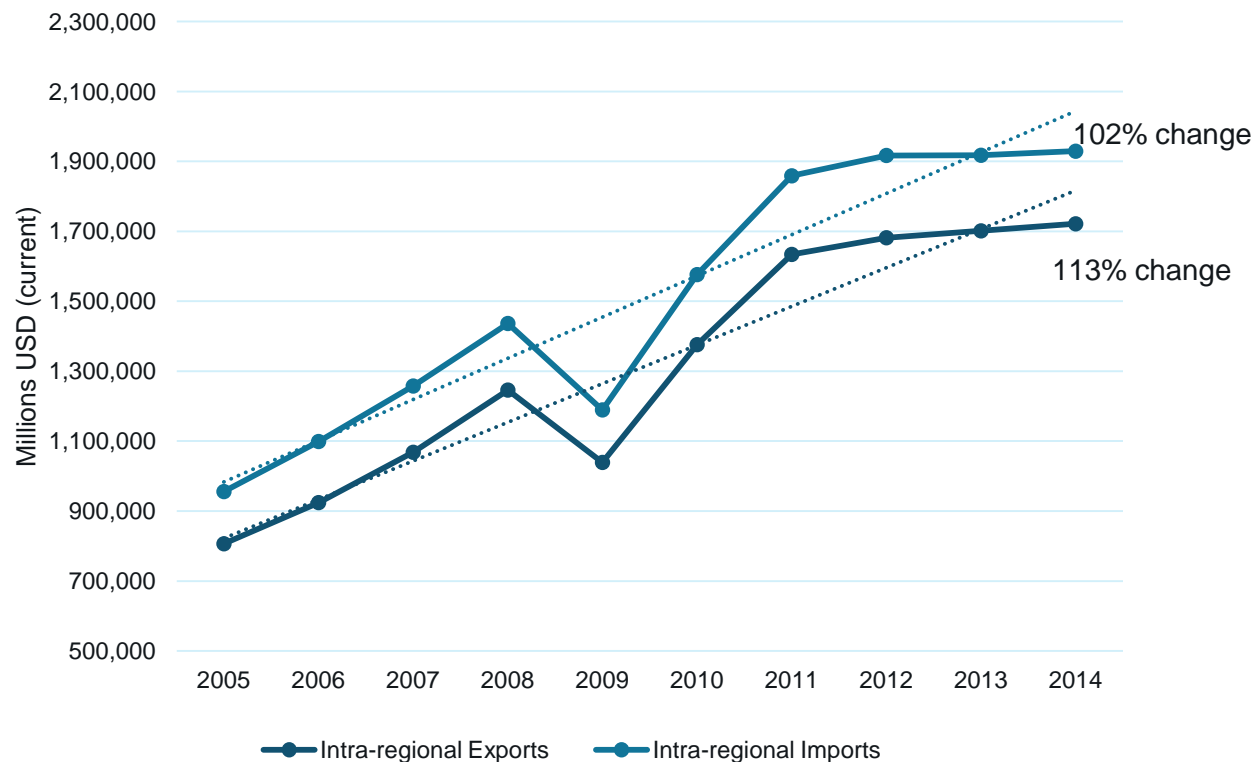


Asia and Latin America are distant but becoming increasingly connected, slowly but surely



East and Southeast Asia have enhanced regional trade and investment relationships

ASEAN plus China, Japan, S. Korea Intra-regional Trade

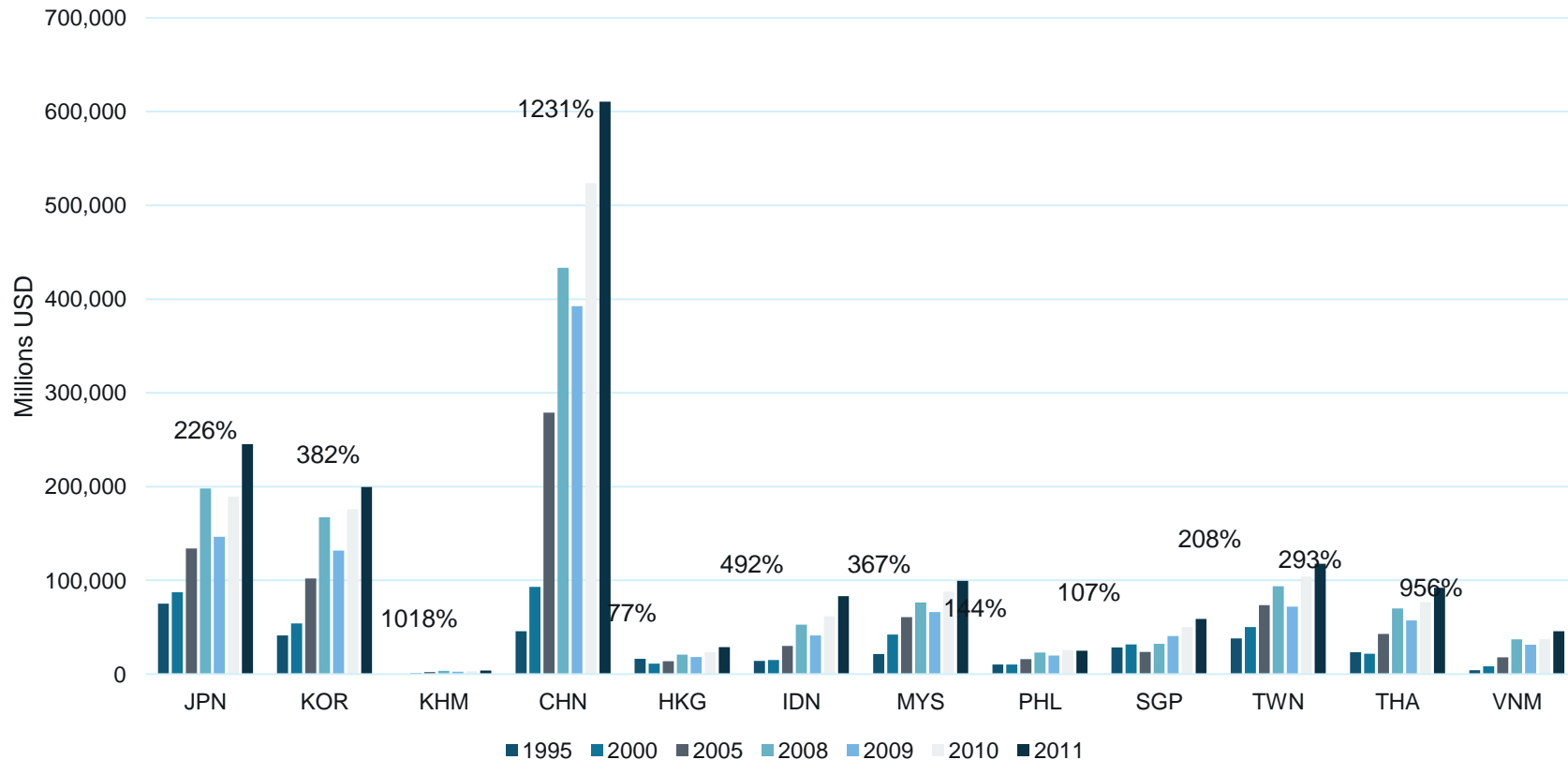


Source: UNCTAD



Where national companies are becoming increasingly specialized for regional trade

East and Southeast Asia Intra-regional Intermediate Goods Imports



Source: OECD TiVA

Note: Data limited to reporting countries

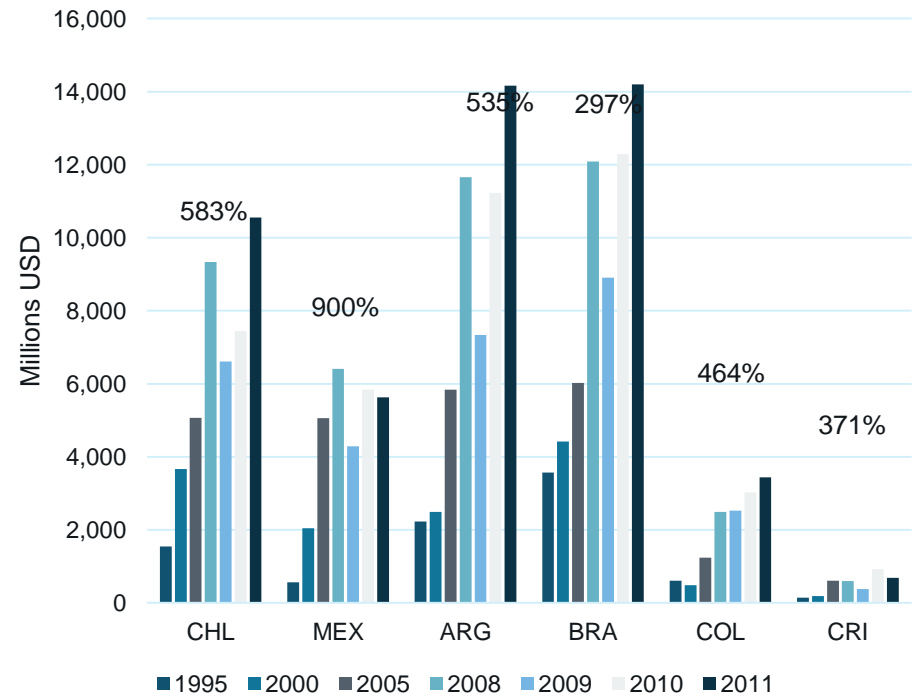
Latin American not as industrialized or commercially integrated as Asia

Central and South American Intra-regional Trade



Source: UNCTAD

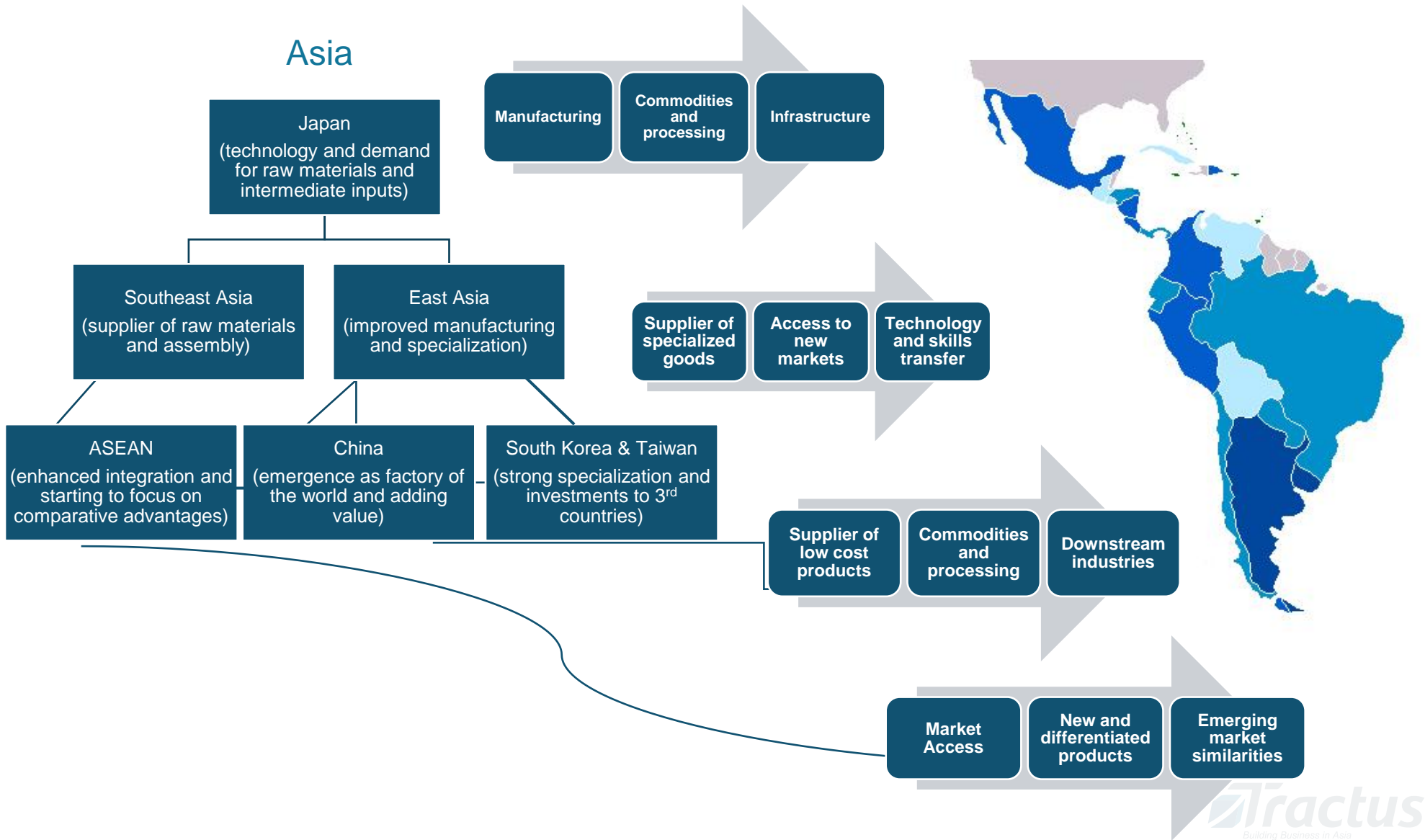
Central and South America Intra-regional Intermediate Goods Imports



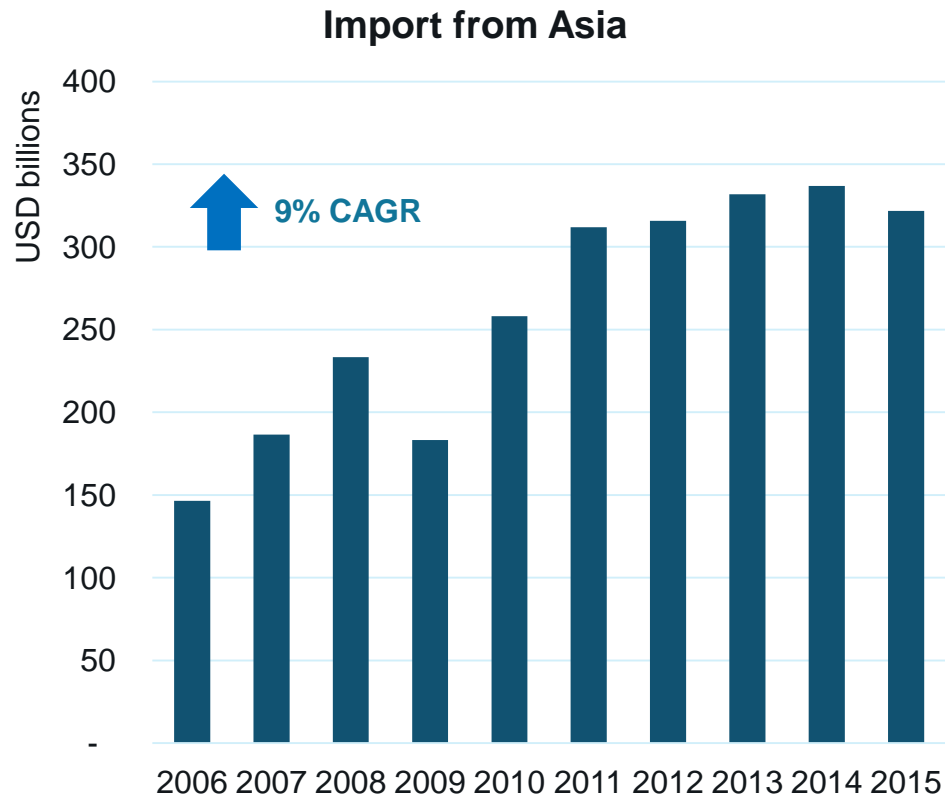
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Asian growth can be tapped for Latin expansion and global connectivity

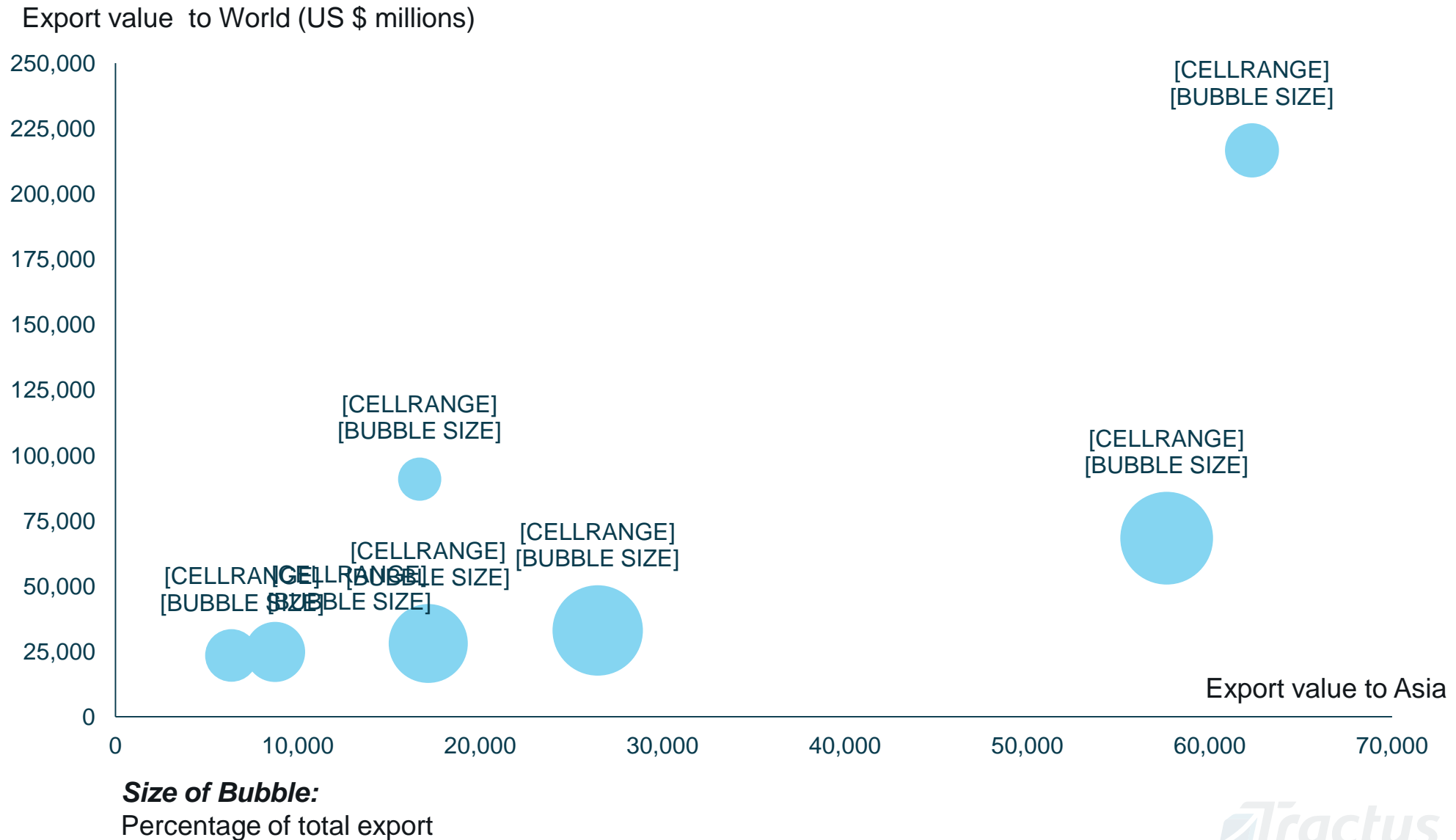


While the distance is vast, increasing trade flows and differing demand in product import and exports bridge the gap

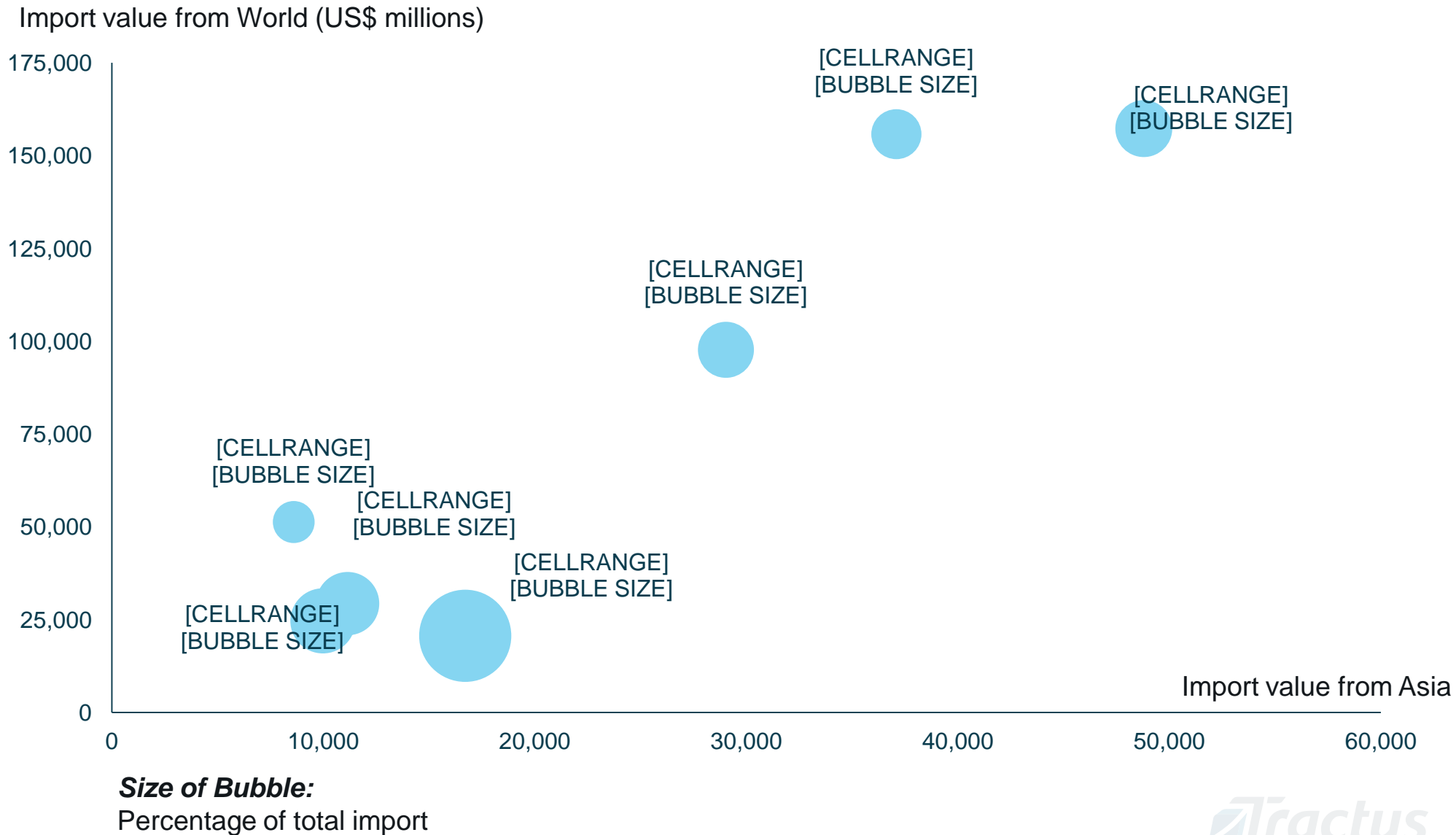


Source: International Trade Centre (ITC)

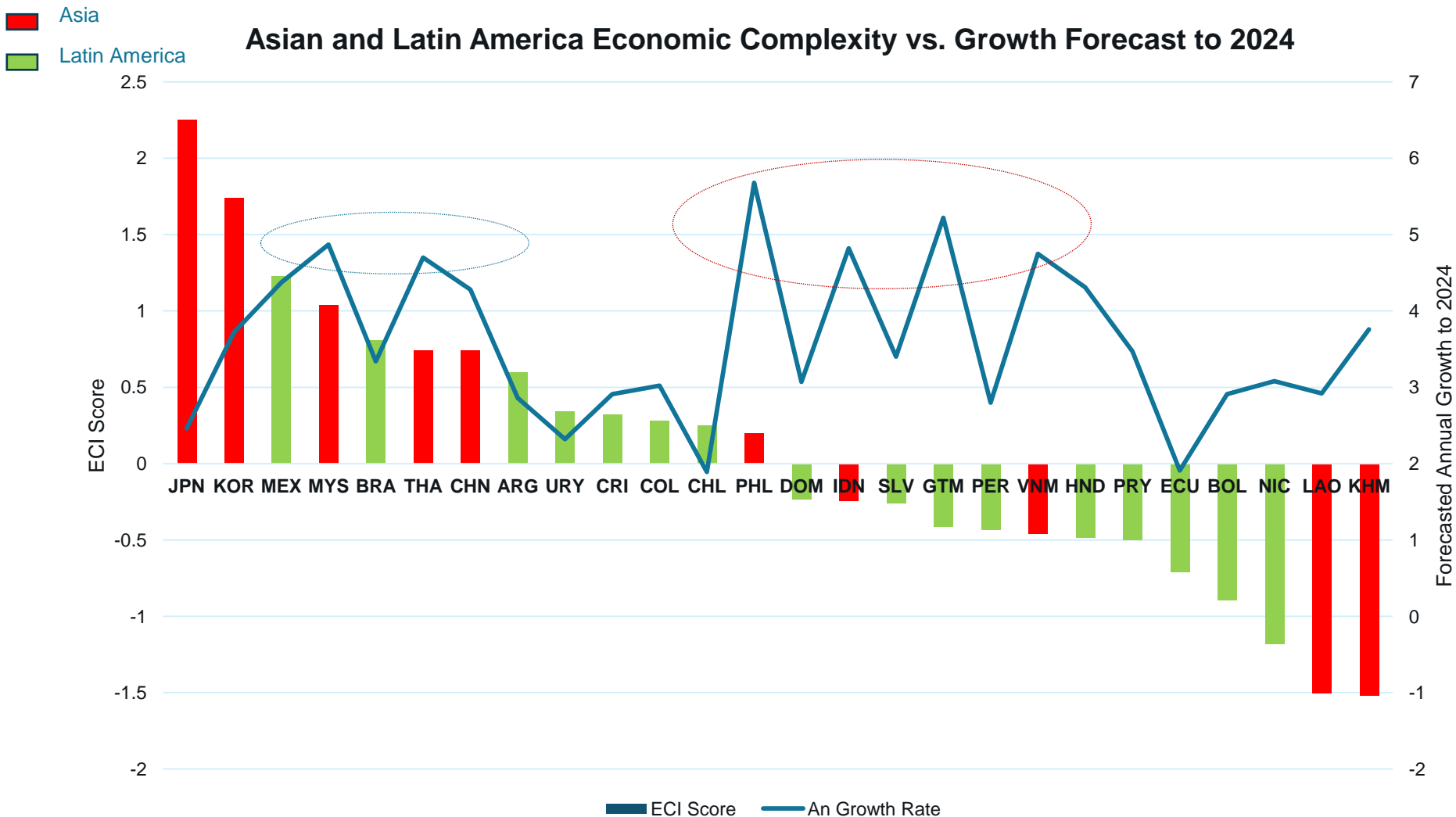
Latin exports heavily concentrated on commodities



And importing manufactured products from Asia



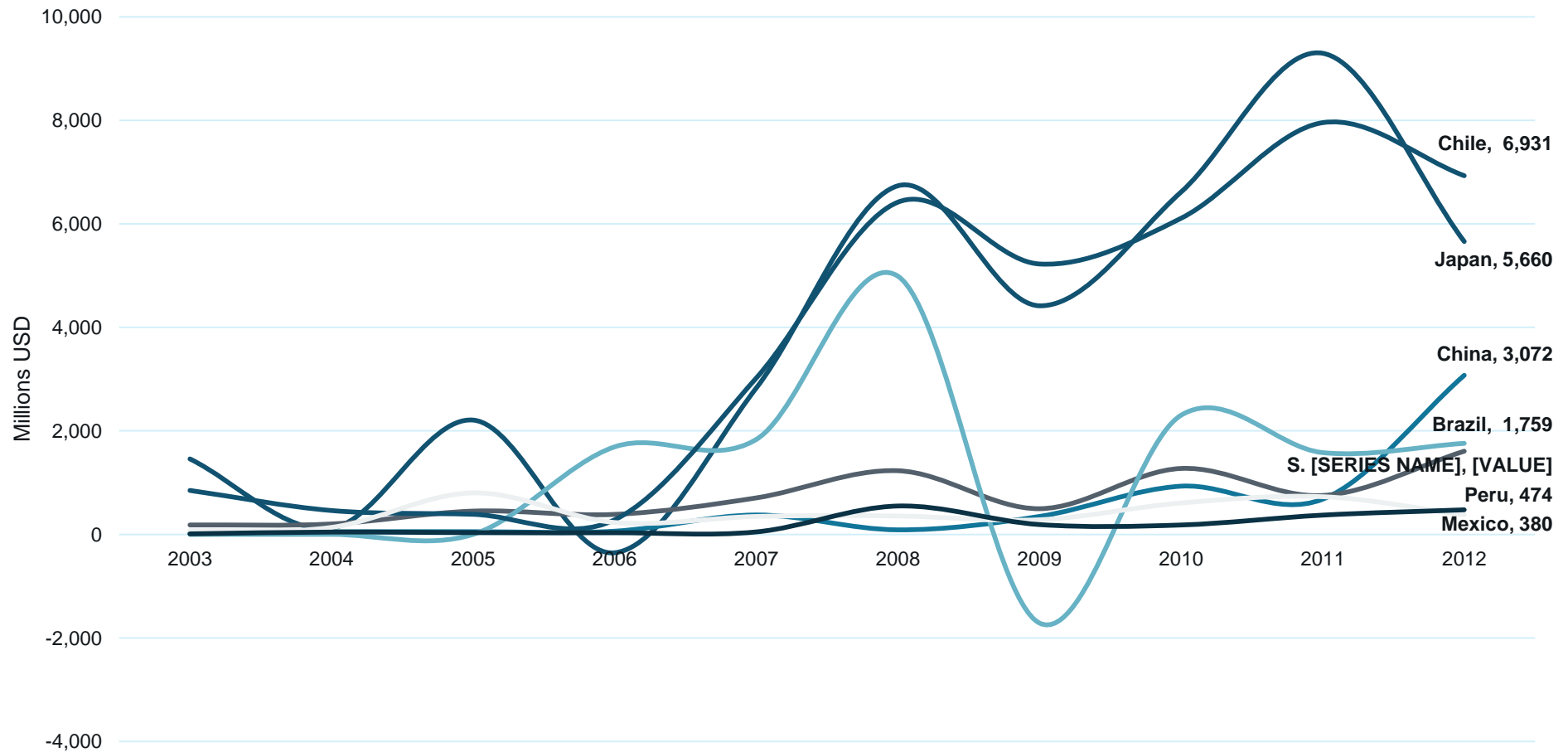
But Latin economies lacking a complex leader to fuel regional value chain connectivity



Source: Economic Complexity Index 2014

Asian FDI incorporating Latin America into broader value chains while Latin intra-regional investment moderate

FDI to Latin America Region



Source: UNCTAD, Bilateral FDI Statistics only available through 2012

A dynamic approach to internalize comparative advantage and engage in global value chains

National Competencies

Institutions

Infrastructure

Legal framework

Basic human capital

Industrial Development Frameworks

Specialized human capital development

Technology/ R&D

Financing

Active promotion

Trade and Investment Policy

Trade

Investment

Upgrading

Product upgrading

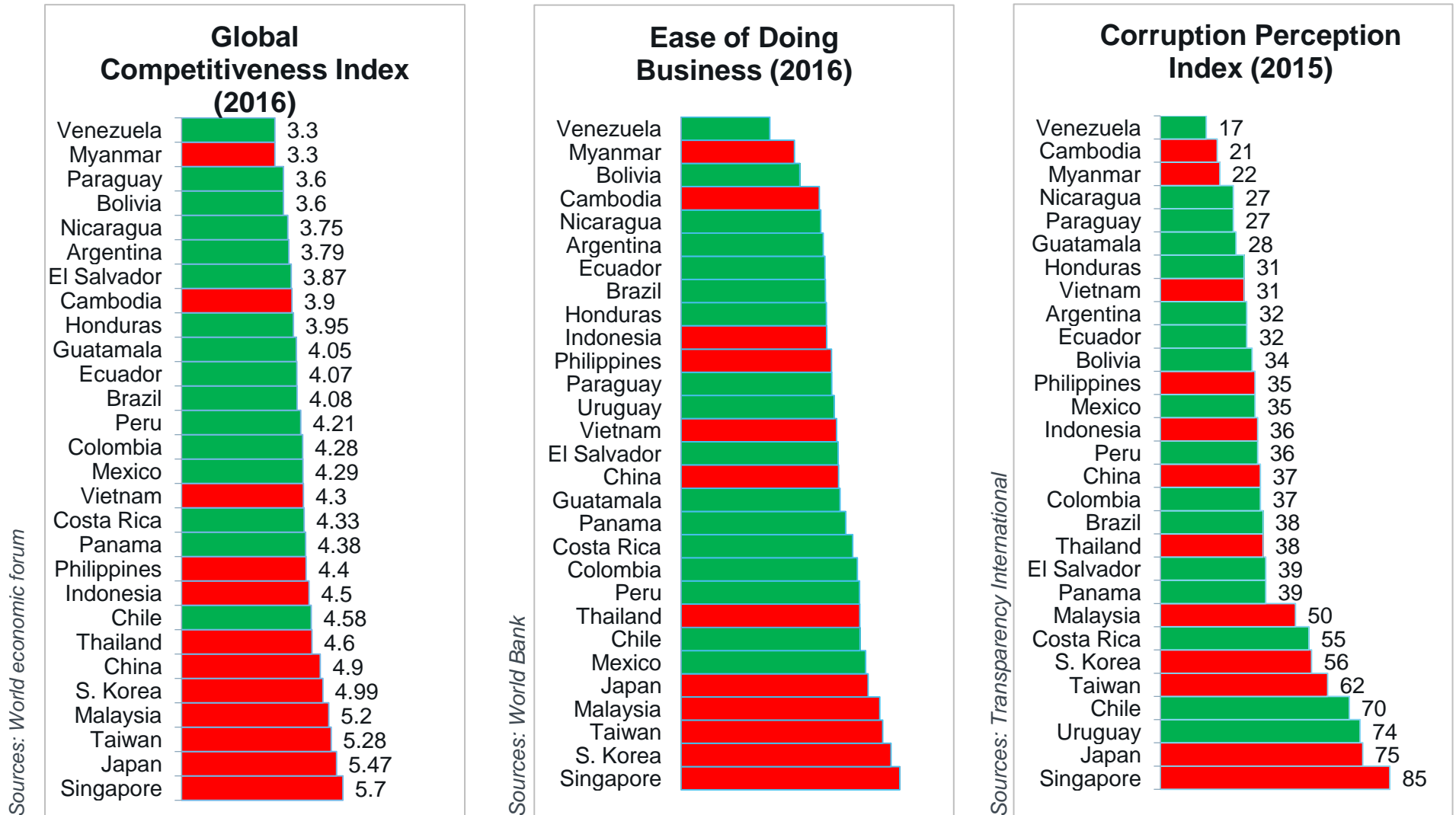
Process upgrading

Functional upgrading

Inter-sectoral upgrading

Channel upgrading

Commercial policies, competitiveness indicators, and corruption can impact growth potential



Note: Based on the average of each economy's distance to frontier scores. An economy's distance to frontier is reflected on a scale from 0 to 100, where 0 represents the lowest performance and 100 represents the frontier

Note: The perceived levels of public sector corruption. The score of 0 means "Highly corrupt" while 100 stands for "Very clean"

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Recap to bridge the distance



Why important to countries?

- Hastens industrialization
- Provides employment opportunities
- Increases tax revenues
- Increases exports
- Brings in capital for development
- Technology transfer
- International trade linkages
- Diversifies the economy



Why important to companies?

- Expands commercial opportunities
- Access to new markets
- Cost Savings
- Creates demand for service providers
- Encourages upgrading to supply/compete
- Skills training
- Brings technology
- Exposure to differing management styles



What can be done?

- FTAs and business friendly policies
- Attract FDI
- Connect SMEs with MNCs
- Engage regional forums
- Improve infrastructure and education
- R&D investments
- Focus on comparative advantage and related industry
- SME and trade finance



- Shanghai
- Hong Kong
- Pondicherry
- Jakarta
- Yangon
- Singapore
- Bangkok
- Ho Chi Minh City

Thank you