AGENDA
Latin America's Prospects for Upgrading in Global Value Chains
March 14-15 2012

The benefits for Latin America and the Caribbean (LAC) of their participation in world trade depend in part on their position within global value chains (GVCs). The 2008-09 economic crisis and recovery have increased the participation of the South in global demand and production networks in general, but it is not clear how LAC's position has changed. Beyond this recent episode, litte evidence is also available in general on LAC's participation in GVCs and its drivers. For example, how has the spread of information and communication technologies in LAC facilitated its participation in GVCs? What country evidence is available on how improved logistics, financial services, and specific business services in LAC have promoted the integration or upgrading in value chains? What has been the contribution of the many recently signed free trade agreements between LAC members and countries in the North and Asia on the formation of GVCs? To what extent do SMEs participate in GVCs? What learning mechanisms and productive and technological feedbacks operate in different types of GVCs? Have national and local innovation systems in the regions contributed to learning and innovation in GVCs? What is the role of policies to influence these processes?

To provide some answers to these important questions and to promote dialogue among researchers, policymakers and other stakeholders, four international organizations (ECLAC, IDB, OECD and WB) and Colegio de México will organize a joint conference on Latin America's Prospects for Upgrading in Global Value Chains. Its main purpose is to take stock and expand the range of empirical and institutional analyses on the participation and upgrading of Latin American firms in global value chains, including policies that promote this goal. **Organizers**: Rene Hernandez, Jorge Mario Martinez and Nanno Mulder (ECLAC), Juan Blyde and Carlo Pietrobelli (IADB), Koen de Backer (OECD), Daniel Lederman and Jamele Rigolini (World Bank) and Gerardo Esquivel (Colegio de Mexico).

Day 1: Wednesday, 14 March

9.15

- Opening remarks: Hugo Beteta, Director of ECLAC Headquarters in Mexico, representing all international organizations.
- Manuel Ordorica, Secretary General, El Colegio de México.

9.45

- Keynote: Gary Gereffi (Duke University)
- Chair: Hugo Beteta (ECLAC)

11.0   Session 1 : Global Value Chains: A Global Perspective
Organizer: OECD
Chair: Dirk Pilat (OECD)
Discussant : William Powers (US Trade Commission)

- Hubert Escaith (WTO) and Sébastien Miroudot (OECD): "Revisiting Trade in a Globalised World: Trade in Value Added"
- Koen De Backer (OECD) and Sébastien Miroudot (OECD): Mapping Global Value Chains"
- Marcel Timmer and Gaaitzen de Vries (University of Groningen, WIOD): "Incomes, Trade and Consumption: A Global Value Chain Analysis"
- Paper by Marcel Timmer and Gaaitzen de Vries

The past decades have witnessed a strong trend towards the international dispersion of value chain activities such as design, production, marketing, distribution, etc. Different stages in the production process are increasingly located across different economies and intermediate inputs like parts and components are produced in one country and then exported to other countries for further production and/or assembly in final products. The development of global value chains (GVCs) has to a large extent contributed to the growing importance of emerging countries in the global economy.

The globalisation of value chains raises some major policy challenges for OECD countries as well as emerging countries because of the new opportunities and challenges created by globalisation. Better policy evidence is necessary to examine the position of countries within international production networks and to explore which policies are needed to benefit from the new international organisation of productive activities. Existing data are not enough to analyse GVCs in more detail; e.g. international trade suffer from a significant bias due to the double (or multiple) counting of intermediate inputs. The joint OECD-WTO initiative aims to produce 'trade in value added' that capture only the domestic value that countries are adding to goods and services and hence will give a better picture of the integration of countries in GVCs.

15:00 Session 2: Domestic Factor Markets in light of Global Value Chains
Organizer: World Bank
Chair: Daniel Lederman (World Bank)
Discussant: Gerardo Esquivel (Colegio de Mexico)

- David Kaplan (IADB), Daniel Lederman (World Bank) and Raymond Robertson (Macalester College): "Are Mexican and U.S. Workers Complements or Substitutes?"
- Laura Alfaro (Harvard University): "Selection, Reallocation, and Knowledge Spillovers: Identifying the Impact of Multinational Activity on Aggregate Productivity"
- Magali Pinat and Tatiana Didier (World Bank): "Made in China: Is LAC Benefitting from Global Value Chains?"

There are abundant analyses about the advent of Global Value Chains (GVCs) characterized by the fragmentation of production across borders. However, there is relatively less analysis of the implications of GVCs for factor markets. The World Bank's proposed session focuses on factor market implications of GVCs. These range from analyses of how international integration of production chains affects labor market outcomes, to the impact of multinational activity on domestic factor markets, to the extent to which the type of trade allows, through knowledge spillovers, for enhancing factor productivity. The proposed session would consist of three

papers, for which half an hour presentation will be scheduled, and of a discussion of half an hour led by a discussant that will review the three papers.

17:30 Policy Panel

Chair: Rene Hernández (ECLAC)

Members:

- Laura Alfaro (Harvard University)
- Luis de la Calle (Director of De la Calle, Madrazo, Mancera Consulting, former Undersecretary of Trade Negotiations, Mexico)
- Hernando José Gómez (Director of the Office for the Use and Implementation of the FTA with the United States, Colombia)
- Anabel González (Minister of Foreign Trade, Costa Rica)
- Marco Kamiya (Regional Principal Executive, CAF)

Day 2: Thursday, 15 March

9.30   Session 3 : Challenges, Policies and Programs for Global Value Chains in Latin America.
Organizer: IADB
Chair: Mercedes Araoz F (IADB)
Discussant: Carlos Montalvo (TNO)

- Juan Blyde (IADB): "The Participation of Latin America and the Caribbean in Global Value Chains: What Are the Challenges?"
- Tim Sturgeon (MIT): "Understanding the Challenges of Firms in Latin America and the Caribbean to Join Global Value Chains"
- Paper by Tim Sturgeon (MIT)
- Carlo Pietrobelli (IADB): "What Policy Space for Programs to Support Integration in Global Value Chains?"

- Aitziber Elola (Orkestra, Spain), M. Davide Parrilli (Orkestra, Spain) and Roberta Rabellotti (Università del Piemonte Orientale): "Global Value Chain, Local Innovation Systems and Innovation Policy: The Case of Wind Energy Value Chain in the Basque Country".

Empirical studies and casual observation suggest that countries in Latin America and the Caribbean (LAC) lag behind other regions, particularly East Asia and Central East Europe, in taking advantages of the fragmentation of production processes and the emergence of global value chains (GVCs). The burning question is: why? Based on case study analyses, this session examines the main challenges faced by firms in LAC with regard to joining and profiting from GVCs; it places these challenges in a wider context by considering them within the conceptual framework of GVC governance theory, and comparing them to the challenges and opportunities experienced by firms in other regions of the world; it examines whether there is a "policy space" to support the insertion of LAC firms in GVCs and what this means in practice, and explores the role of some practices, particularly in the area of innovation policy, on the functioning of GVCs.

12.00 Session 4: Global Value Chains in Latin America: Promoting Trade with Inclusion or Exclusion?
Organizers: ECLAC and GIZ
Chair: Juan Carlos Moreno Brid (ECLAC)
Discussant: Maria de los Angeles Pozas (Colegio de Mexico)

- René A. Hernández and Luis Riffo (ECLAC): "The Impact of GVCs on Local and Regional Development"
- Jorge Mario Martínez (ECLAC) and Guillermo Zúñiga (ECLAC consultant): "Economic Integration and Regional Value Chains: a case study from Central America"
- Paper by Jorge Mario Martínez and Guillermo Zúñiga

- Sebastián Castresana, José Elías Durán and Nanno Mulder, (ECLAC): "Colombian Value Chains Directed Towards the European Union: How Inclusive Are They?"

- Sona Lehmann (GIZ) and Peter Richter (GIZ): "ValueLinks Applications in Latin America -Promoting Competitiveness and Inclusion of Farmers and Small and Medium Enterprises".

14:00   Closing Remarks

Dirk Pilat (OECD)

Side Event: "Measurement of Trade in Value Added in the Americas"

This side meeting (after the main conference) will be the opportunity to meet in a session with practitioners involved in the construction and/or analysis of International Input-Output Matrices used in measuring/modelling Vertical Integration and trade in value added. The objective of the side meeting is to revise the availability of appropriate IO data in the region and assess the possibility of harmonizing them into a Multi-Regional Input-Output data base, which could serve the purpose of measuring vertical integration in the Americas, and modelling the impact of alternative scenarios on regional and inter-regional trade integration.

Participants (presentations and comments) will be experts from agencies that are active in the field, in particular IDE-JETRO, INEGI, OECD, US-ITC and WIOD as well as those dealing with trade-related aspects, such as ECLAC, UNSD, World Bank and WTO. The meeting will be held in English (no interpretation provided).

This technical side event should be seen as a technical follow-up of the first Session of the main conference (Global Value Chains: A Global Perspective), which calls for providing more evidence "to examine the position of countries within international production networks and to explore which policies are needed to benefit from the new international organisation of productive

activities". This side event, as well as some other presentations in other panels, will be the opportunity to introduce the practitioners/policy makers to the usefulness of International IOs in measuring GVCs.

Organizers: ECLAC and WTO

15:30   Introduction: The objectives

- Anabel Gonzalez (Minister of Foreign Trade, Costa Rica)

15:50   1. The basic needs

Chair: Nanno Mulder (ECLAC)

This session focuses on the minimum required to harmonize and link existing data sources (input-output tables, supply-use tables, input-output matrices, sectorial trade in goods and services). Also, it looks at the supplementary data needed to measure impacts (sectorial labour and technological content, environmental impact).

- Marcel P. Timmer (University of Groningen): "World Input Output Database (WIOD)"
- Satoshi Inomata (IDE Jetro): "International Input Output Tables: Framework and construction".
- Sébastien Miroudot (OECD): "Developing bilateral trade flows of intermediates by industry".

16:40   2. What is available in the region?

Chair: Marco Kamiya (CAF)

What are the on-going projects in the Americas (North, Central, South) of relevance to the construction of a interregional IO table? Can we spot low hanging fruits?

- Juan Blyde (IADB): "GVCs and LAC: a discussion on data and measures"

- Nanno Mulder (ECLAC): "LA-KLEMS database and IO tables"

- William M. Powers (USITC): "An IO model of Mexican (non-) processing manufacturing"

- Francisco Guillén y Gerardo Durand (INEGI): "Measurement of Value Added in Mexican Export Manufacturing"

18:00 3. The way forward

Chair: Hubert Escaith (WTO)

What improvements for the measurement of trade in value added in the Americas would be feasible in a two year project using the available information? What would be needed to have a prototype of an Americas IO table running end 2013? Who could participate and how?

19:00 Concluding remarks