

# **ECLAC/ESCAP/ADB Progress Report and Revised Work Plan**

## **June 2019**

### ***Value Chain Development for Deeper Integration of East Asia and Latin America***

#### **I. Introduction**

The project *Value Chain Development for Deeper Integration of East Asia and Latin America*, which is being implemented jointly by the United Nations Economic Commission for Latin America and the Caribbean (ECLAC) and the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP), will use multi-regional input-output tables (IOTs) as an economic analysis and planning tool to promote the integration of FEALAC countries into intraregional and bi-regional value chains.

Through its activities, the project aims to strengthen the data and capacity of national institutions in FEALAC countries to develop evidence-based industrial and trade policies. By showing the balance between the supply and use of goods and services in the economy at various levels and the linkages between sectors both nationally and globally, IOTs are a useful tool for economic planning and the analysis of value chains. The results of the analyses and capacity building activities realized as part of the project are aimed at enhancing the ability of national institutions to formulate reliable and consistent estimates of their current and potential integration into value chains within and between East Asia and Latin America.

The project includes multiple phases, some of which will be conducted in parallel. These include:

- **Phase I:** Updating of national IOTs.
- **Phase II:** Harmonization of data with the OECD Trade in Value Added (TiVA) database structure for the inclusion of FEALAC member countries.
- **Phase III:** Conduct studies with an aim to deepening existing and creating new intraregional value chains in East Asia and Latin America, respectively.
- **Phase IV:** Conduct a study on the potential for the deepening and creation of bi-regional value chains between East Asia and Latin America.
- **Phase V:** Conduct studies simulating the effects of possible bi-regional agreements between East Asia and Latin America.
- **Phase VI:** Capacity building activities to facilitate the integration of FEALAC countries into regional value chains (RVCs), inter regional value chains (IRVCs) and Global value chains (GVCs).

Within the two United Nations Regional Commissions, the project is being managed by ECLAC's International Trade and Integration Division and ESCAP's Trade and Investment Division. As the lead agency, ECLAC is responsible for carrying out administrative and reporting responsibilities. Both Regional Commissions have the support of subregional institutions such as the Andean Community, Southern Common Market, Central America Common Market in Latin American, and the Association of Southeast Asian Nations in the Asia-Pacific region.

## II. Advances to date and projected Work Plan for 2019-2020

Through February 2019, advances have been realized with respect to activities that are part of the first three phases of the project. An initial coordination teleconference was held between ECLAC and ESCAP in March 2018 during which the teams agreed upon the primary objectives of the project and the nature of activities to be included. Subsequently, a project document detailing the project objectives, activities, working arrangements, timeline, and budget was developed and finalized by the two Regional Commissions. The subsequent section details the progress to date for each scheduled phase.

- **Phase I:** Updating of national IOTs.

Phase 1, for the countries for which ESCAP is responsible, is quite advanced, since there are already updated IOTs (until 2017) for the majority of FEALAC countries in Asia Pacific. The only country for which information is not available is Myanmar. Efforts are being made to obtain official information for inclusion in the project. In the case of the countries of Latin America for which ECLAC is responsible, work has begun on updating a group of countries in South America (Argentina, Bolivia, Brazil, Chile, Ecuador, Colombia, Paraguay and Uruguay) during the months of December 2018 and January 2019. A group of consultants, working in several countries, will continue the assembly of national IOTs until the end of the first quarter of 2019, which will be complemented by the inclusion of new countries in the process (Mexico, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, Panama and the Dominican Republic).

In parallel, the assembly of a regional IOT for South America with the inclusion of the Asia Pacific FEALAC trade partners for the year 2011. This IOT has already been shared with ESCAP colleagues and speeds up the process of delivering the results of the following phases. During the second semester of the year the IOTs of Central America, the Dominican Republic and Mexico will be included

In 2019, the FEALAC project seeks to obtain as a result the assembly of a Regional IOT that includes 18 countries in Latin America and the Caribbean<sup>1</sup>. This IOT harmonizes production and trade flows at different levels of aggregation into 40 industries for all the countries that compose the matrix. This result will be added to the ADB/ESCAP MRIO and TIVA OECD to assemble a Global IOT. This initiative goes beyond individual initiatives (TIVA-ECLAC; TIVA OECD; and TIVA ADB / ESCAP), in the sense that this project would also disaggregate and display interregional relations with a set of key extra-regional partners for both sub-regions. The project plans to include the following extra-regional partners: United States, Canada, the European Union, Hong Kong, Taiwan, and an aggregated group with countries from the Rest of the World. This Global IOT will be assembled for a set of 54 countries/regions, which will allow for the analysis of the bi-regional relations between Latin America and Asia Pacific (See Table 1 and more detail below).

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<sup>1</sup> The above-mentioned countries are: Argentina, Bolivia E.P., Brazil, Chile, Colombia, Costa Rica, El Salvador, Ecuador, Guatemala, Honduras, Nicaragua, Mexico, Panama, Paraguay, Peru, Dominican Republic, Uruguay and Venezuela

**Table 1**  
**FEALAC GLOBAL IOM PROJECT, ECLAC-ESCAP-ADB, 2011<sup>a</sup> y 2014**

order	countries	MIP	OECD	ECLAC	ESCAP/ADB	Region
1	Australia	WIOD	Yes	No	Yes	Asia Pacific
2	Brunei Darussalam	ADB	Yes	No	Yes	Asia Pacific
3	Cambodia	ADB	Yes	No	Yes	Asia Pacific
4	China	WIOD	Yes	No	Yes	Asia Pacific
5	Indonesia	WIOD	Yes	No	Yes	Asia Pacific
6	Japan	WIOD	Yes	No	Yes	Asia Pacific
7	Republic of Korea	WIOD	Yes	No	Yes	Asia Pacific
8	Lao People's Democratic Republic	ADB	No	No	Yes	Asia Pacific
9	Malaysia	ADB	Yes	No	Yes	Asia Pacific
10	Mongolia	ADB	No	No	No	Asia Pacific
11	Myanmar	N/A	No	No	Yes	Asia Pacific
12	New Zealand	TIVA	Yes	No	Yes	Asia Pacific
13	Philippines	ADB	Yes	No	Yes	Asia Pacific
14	Singapore	ADB	Yes	No	Yes	Asia Pacific
15	Thailand	ADB	Yes	No	Yes	Asia Pacific
16	Viet Nam	ADB	Yes	No	Yes	Asia Pacific
17	Argentina	ECLAC	Yes	Yes	No	Latin America
18	Bolivia (P.S.)	ECLAC	No	Yes	No	Latin America
19	Brazil	ECLAC	Yes	Yes	No	Latin America
20	Chile	ECLAC	Yes	Yes	No	Latin America
21	Colombia	ECLAC	Yes	Yes	No	Latin America
22	Costa Rica	ECLAC	Yes	Yes	No	Latin America
23	Dominican Republic	ECLAC	No	Yes	No	Latin America
24	Ecuador	ECLAC	No	Yes	No	Latin America
25	El Salvador	ECLAC	No	Yes	No	Latin America
26	Guatemala	ECLAC	No	Yes	No	Latin America
27	Honduras	ECLAC	No	Yes	No	Latin America
28	Mexico	ECLAC	Yes	Yes	No	Latin America
29	Nicaragua	ECLAC	No	Yes	No	Latin America
30	Panama	ECLAC	No	Yes	No	Latin America
31	Paraguay	ECLAC	No	Yes	No	Latin America
32	Peru	ECLAC	Yes	Yes	No	Latin America
33	Suriname	N/A	No	No	No	Latin America
34	Uruguay	ECLAC	No	Yes	No	Latin America
35	Venezuela (B.R.)	ECLAC	No	Yes	No	Latin America
36	Cuba	N/A	No	No	No	Latin America
37	Canada	ADB	Yes	No	Yes	Rest of the World
38	European Union	ADB	Yes	No	Yes	Rest of the World
39	United States	ADB	Yes	No	Yes	Rest of the World
40	India	WIOD	Yes	No	Yes	Asia Pacific
41	Russian Federation	ADB	Yes	No	Yes	Rest of the World
42	Taiwan / Chinese Taipei	WIOD	Yes	No	Yes	Asia Pacific
43	Hong Kong	ADB	Yes	No	No	Asia Pacific
44	Bangladesh	ADB	No	No	No	Asia Pacific
45	Bhutan	ADB	No	No	No	Asia Pacific
46	Fiji	ADB	No	No	No	Asia Pacific
47	Kazakhstan	ADB	No	No	No	Asia Pacific
48	Kyrgyz Republic	ADB	No	No	No	Asia Pacific
49	Maldives	ADB	No	No	No	Asia Pacific
50	Nepal	ADB	No	No	No	Asia Pacific
51	Turkey	ADB	Yes	No	No	Rest of the World
52	Pakistan	ADB	No	No	No	Asia Pacific
53	Sri Lanka	ADB	No	No	No	Asia Pacific
54	Rest of the World	ADB	Yes	No	YES	Rest of the World

Source: Working Group ECLAC-ESCAP-ADB

- **Phase II:** Harmonization of data with the OECD Trade in Value Added (TiVA) database structure for the inclusion of FEALAC member countries.

This process is complete. The process was carried out between ECLAC, ESCAP, ADB and WIOD, in conversation with colleagues responsible for the TIVA-OECD database.

In June 2018, ECLAC participated in a meeting of Regional-Global TiVA Initiatives hosted by the OECD<sup>2</sup>. Based on discussions during the course of the meeting, it was decided that the project will integrate information from OECD's TiVA database, helping to clarify the methodological approach to be used. Based on this meeting, and in the coordinated collaboration with ESCAP and ADB, a unique converter was made. The result of this analysis is the definition of a set of 25 sectors, as can be seen in table and Table 2. This single converter among all the linked value added trade initiatives will establish the basis for the following four phases of the project. This base is a Global IOT that can be assembled for a set of 54 countries/regions mentioned above, which will allow for the analysis of the bi-regional relations between Latin America and Asia Pacific.

**Table 2**  
**FEALAC Project, Harmonized Sectors ECLAC, ESCAP, ADB, WIOD y OECD-TIVA**

# sector	FEALAC IOT sector description
01	Agriculture, hunting, forestry and fishing
02	Mining and quarrying
03	Food products, beverages and tobacco
04	Textiles, textile products, leather and footwear
05	Wood and products of wood and cork
06	Pulp, paper, paper products, printing and publishing
07	Coke, refined petroleum products and nuclear fuel
08	Chemicals and chemical products
09	Rubber and plastics products
10	Other non-metallic mineral products
11	Basic metals
12	Fabricated metal products
13	Machinery and equipment, nec
14	Computer, Electronic and optical equipment
15	Electrical machinery and apparatus, nec
16	Motor vehicles, trailers and semi-trailers
17	Other transport equipment
18	Manufacturing nec; recycling
19	Electricity, gas and water supply
20	Construction
21	Transport and storage
22	Post and telecommunications
23	Financial intermediation
24	Business services of all type
25	Other services

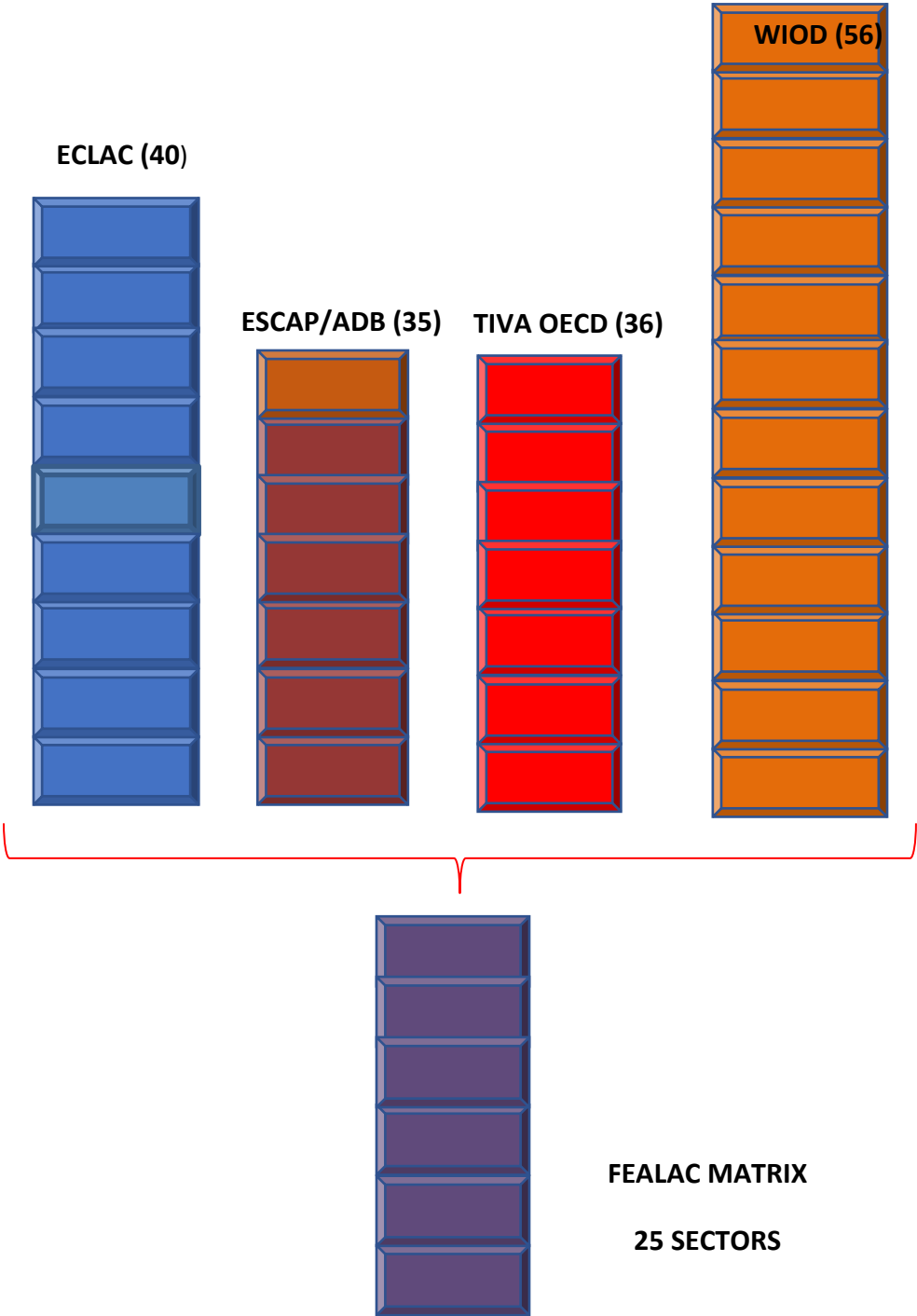
Source: Working Group ECLAC-ESCAP-ADB

The process of building a Global IOT, originally planned with data for the year 2014, will be advanced in 2019 through the creation of a Global MIP for 2011. The process to complete this matrix has already begun, and we hope to complete it by September, the same month during which

<sup>2</sup> [https://www.cepal.org/sites/default/files/events/files/advances\\_in\\_lac\\_io\\_table\\_-\\_eclac\\_paper\\_7\\_june.pdf](https://www.cepal.org/sites/default/files/events/files/advances_in_lac_io_table_-_eclac_paper_7_june.pdf)

we hope to disseminate the Latin American regional IOT, as well as the Global MIP 2011 and the Preliminary Global MIP 2014, which will both include all FEALAC members (Latin American and Asia Pacific).

**WORKING GROUP ECLAC-ESCAP-ADB, SECTORIAL HARMONIZATION GLOBAL IOT FEALAC**



Source: Working group ECLAC-ESCAP-ADB

- **Phase III:** Conduct studies with an aim to deepening existing and creating new intraregional value chains in East Asia and Latin America, respectively.

ESCAP has already begun a study related to the identification of value chains between the countries of Asia-Pacific members of FEALAC. It is expected to be complete by the end of March. The study also analyzes the impact of non-tariff measures (NTMs), trade facilitation, and foreign direct investment.

Studies on value chains in Latin America and the Caribbean are currently in development for the three sub-regional integration schemes (MERCOSUR, Andean Community, and the Central American Common Market). Likewise, the results will be consolidated in a regional report that will also cover the cases of Mexico, Chile, and the Dominican Republic.

On March 26 in Bogota, a first seminar will be held to disseminate the results of the analysis of value chains in the integration schemes of South America. Government officials from Colombia, Peru, Mexico, Chile, El Salvador, as well as the Andean Community, MERCOSUR, and the Economic Secretary of Central America (SIECA) will be invited.

Similar seminars will be held in April and September in Montevideo and the Dominican Republic, respectively. These are expected to include participants from all the integration schemes and delegates from FEALAC member countries, as well as from colleagues who will present results from Asia Pacific.

Subsequently, on the basis of these works, both Regional Commissions will proceed to select specific countries and sectors for which to carry out more in-depth analyses in order to identify the underlying potential in the bi-regional relationship in Phase IV.

- **Phase IV:** Conduct a study on the potential for the deepening and creation of bi-regional value chains between East Asia and Latin America.

In ECLAC, preliminary exercises have been developed on the basis of the South American IOT for 2011. First results of the work developed by ECLAC on the subject was presented at the academic meeting of the Asia Pacific Observatory that ECLAC maintains in Montevideo together with the CAF Development Bank and the Latin American Integration Association (ALADI) on 6-7 November 2018. The presentations of the Seminar are available at the following website: [https://www.observatorioasiapacifico.org/es/noticias/item/observatorio-america-latina-asia-pacifico-hacia-una-relacion-integral-entre-america-latina-y-asia-pacifico.html?category\\_id=15](https://www.observatorioasiapacifico.org/es/noticias/item/observatorio-america-latina-asia-pacifico-hacia-una-relacion-integral-entre-america-latina-y-asia-pacifico.html?category_id=15). The presentation on Latin America - Asia Pacific links can be found at: <https://drive.google.com/drive/folders/li4ZcvZgbA-oeNx3iuaMTySGV2jeAOBf>

Based on the results presented in the Montevideo Workshop, and in the analyses to be presented at the Bogota and Montevideo Seminars, a first study will be conducted on the potential for deepening productive links between Latin America and Asia Pacific. The final product of this study will be presented at a regional meeting to be held in the Dominican Republic during the month of September 2019. Delegates from both regions will participate. This study will be expanded during 2019 and presented together with two additional studies that will begin to be

developed by the end of 2019 as soon as a new Global MIP is available for 2014. All studies will be presented together with a final report during the second quarter of 2020 in a location yet to be defined.

### **III. Action plan in project implementation**

The focus in the following months will be the updating of national input-output tables to the most recent year available, and the concurrent implementation of the third and four phases of the project. Phases IV and VI of the projects will be started using the existing sources of information from each respective region.

In the next months the development of the following activities is contemplated:

1. Studies on value chains in intra-regional trade in Latin America and the Caribbean, as well as in Asia-Pacific, respectively. The studies are to be developed by consultants and the technical teams of both regional commissions (Q2, Q3).
2. Seminars and Expert group meeting to deliver, review and disseminate first results on value chains in intraregional trade. Three in Latin American (Andean Community in March (Q1; MERCOSUR in April (Q2), and SIECA in July (Q3)).
3. A seminar on bi-regional value chains between Latin America and the Caribbean and Asia Pacific is expected to be held in September in Dominican Republic. At these meeting the Latin American IO Table will be launched (Q3).
4. Expert group meeting to review and disseminate the results of intraregional value chain study by June 2019. The meeting will include experts and policymakers from FEALAC countries, in Asia-Pacific region in particular, to provide policy recommendations on enhancing intraregional value chain and intraregional trade. (Q2, tentatively 18-19 June)
5. Study on interregional value chain study to analyze the potential linkages that can be developed between East Asia and Latin America. (Q3)
6. The assembly of the input output table for Latin America (2011\_ (by September, Q3), and 2014 for December (Q4);
7. The assembly of the first Global IOT for FELAC countries. First for 2011 (by September), and then for 2014 (by December) (Q3, Q4);
8. Preparation of materials for building capacity of policymakers and policy analysts in application of the information from input-output tables to develop industrial and trade policy (Q4);
9. In December, with the inputs from the Global IOT (2011 and 2014), the process of developing a user-friendly interface with the IOTs and indicators will begin. With this product the programming of training workshops in both regions will begin (Latin America and Asia Pacific).

Table 3 shows the schedule for the entire project: those completed (phase II), those started (phase I) and in process (phase III and IV), as well as those scheduled for 2019 and 2020 (phases V and VI).

**Table 3**  
**Value Chain Development for Deeper Integration of East Asia and Latin America**  
**Revised Work plan**

ACTIVITIES	2018				2019				2020				
	Quarter	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<b>Phase I</b>													
A1	The updating of FEALAC country national input-output tables for 2014 (or most recent year available).  <i>ESCAP: updated national I-O for 2017 will be available for all Asian FEALAC by end 2018</i>		X	X	X	X	X	X	X				
<b>Phase II</b>													
A2	The harmonization and insertion of national input-output tables into the OECD TiVA structure  <i>ESCAP-ECLAC: Converters between ADB-MRIO and OECD-TiVA</i>					X							
<b>Phase III</b>													
A3	Studies on intraregional value chains in East Asia and Latin America <i>ESCAP: Studies on intraregional value chains in East Asia</i>			X	X	X	X	X					
A4	Seminar to review the studies on intraregional value chains <i>ESCAP: Seminar on intra-Asia value chains</i>						X	X					
<b>Phase IV</b>													
A5	Study on bi-regional value chains between East Asia and Latin America (1 study for two regions)					X	X	X		X	X		
<b>Phase V</b>													
A6	Studies simulating the effects of possible bi-regional agreements (3 studies for two regions)									X	X	X	
A7	Meeting to review the findings of bi-regional studies and to identify the way forward for deeper integration between East Asia and Latin America											X	
<b>Phase VI</b>													
A8	Capacity building activities to facilitate integration into RVCs and GVCs								X		X	X	
A9	Publication based on the intraregional and bi-regional studies												X
A10	Development and diffusion of an online interface for the IOT database									X	X	X	
<b>Key milestones and M&amp;E activities</b>													
	Project inception meeting			X									
	Recruitment of consultants				X	X	X						
	Annual progress report				X	X			X				
	Project mid-term review							X					
	Presentation of results at a FEALAC meeting											X	
	Post-project evaluation												X