GVCs and LAC:
A Discussion on Data and Measures

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Introduction

- The emergence of GVCs is providing developing countries with new production and trade opportunities. This is important for LAC, a region with exports highly concentrated in natural-resource-intensive sectors

- The IDB is preparing a flagship report (2013) to examine the extent to which LAC participates in GVCs and what are the drivers of this participation

- The report will examine data/information at different levels of aggregation: from international I-O (II-O) tables to case studies

- With respect to II-O tables, we believe they can be a useful tool to examine various aspects of GVCs that are relevant for the region

- In this area of II-Os we have started working with the "low hanging fruit"

The low hanging fruit

- Employ information already available from GTAP (v7, v8) to calculate various measures of value-added content of trade (á la Koopman, Powers, Wang, Wei, 2011; Johnson and Noguera, 2010)

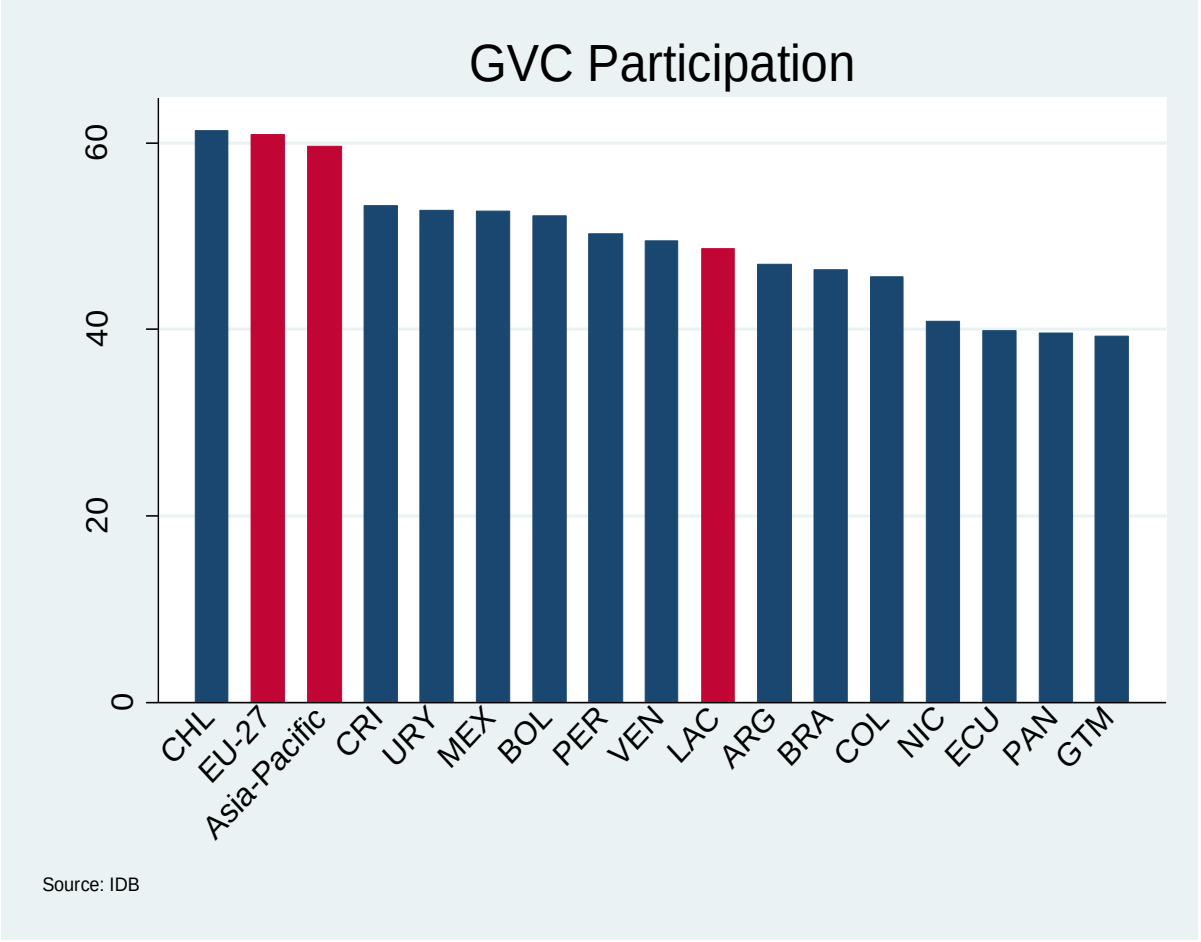
- This strategy can already give us some interesting insights about the extent of LAC's participation in GVCs

- Here are some examples:

Foreign value added embodied in LAC's exports tends to be small

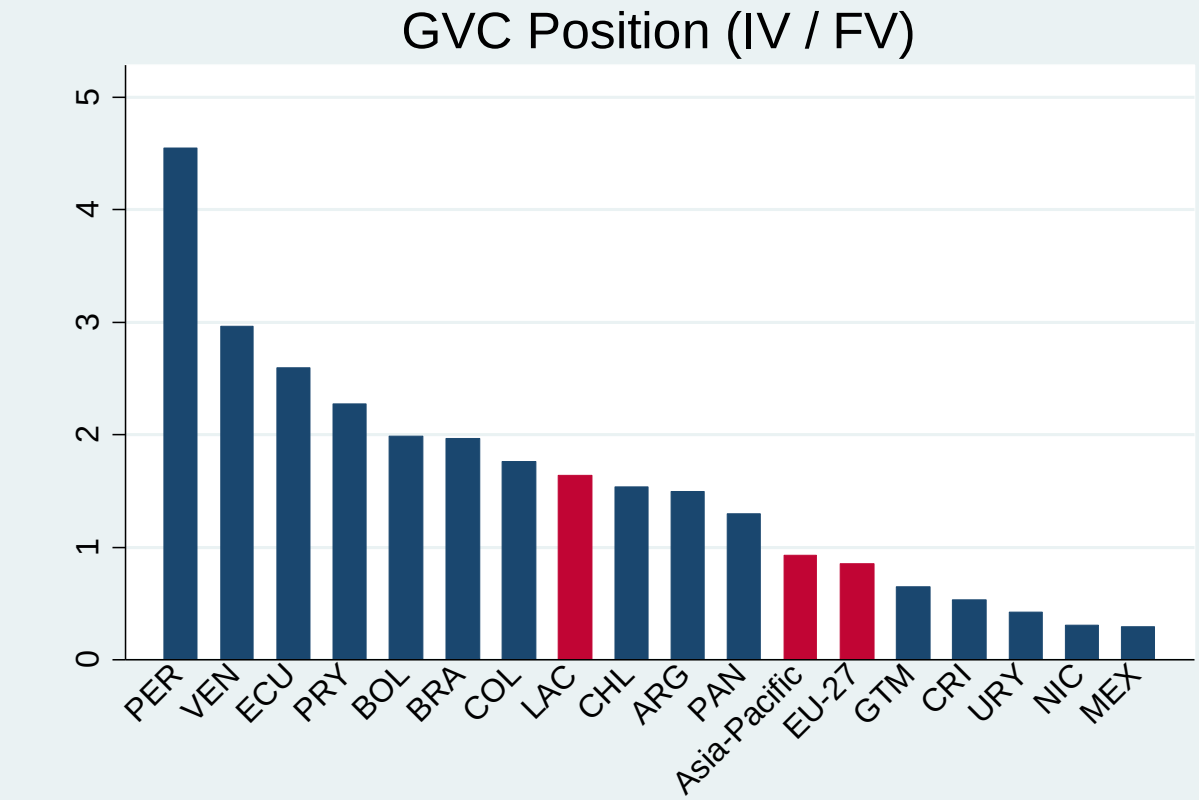
Source: IDB

Overall participation in GVCs is also small



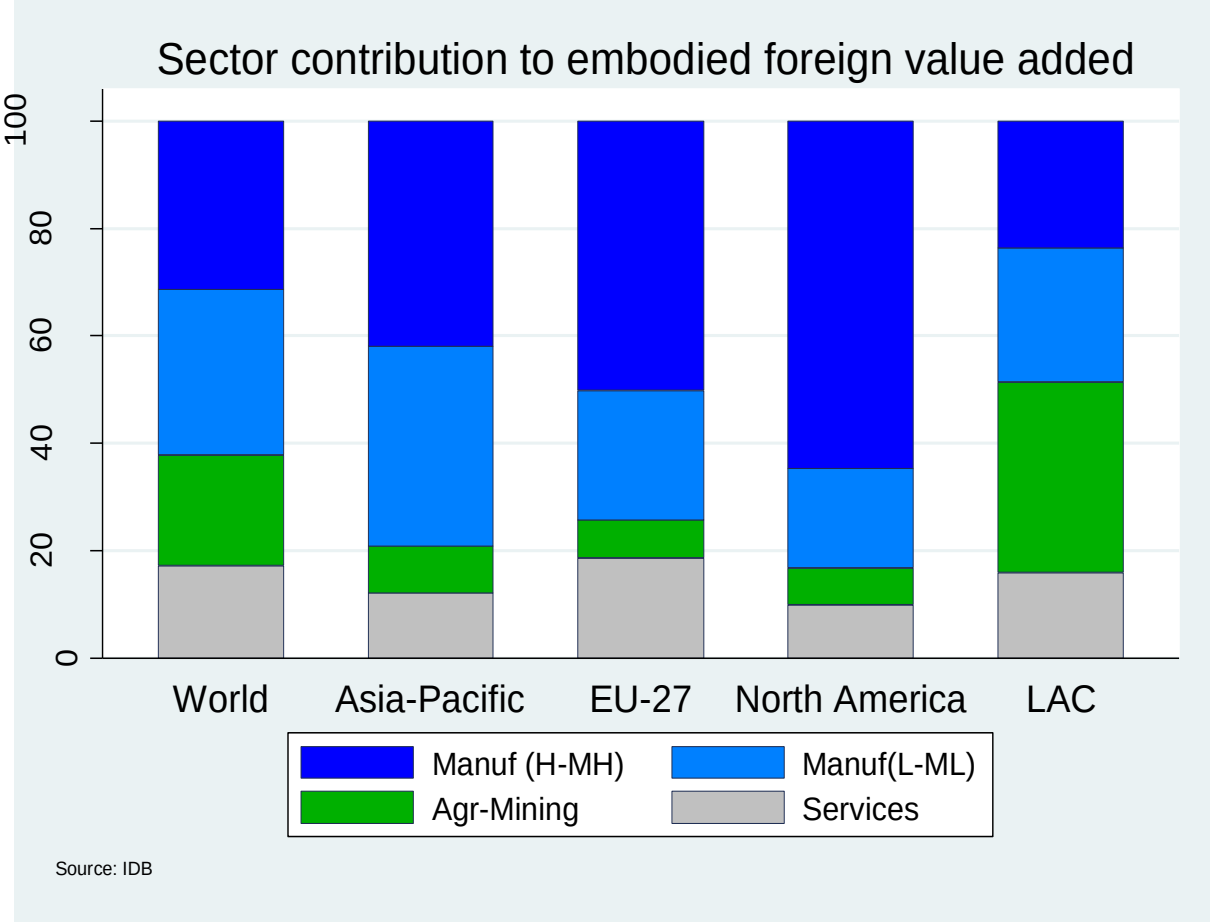
Source: IDB

LAC countries are typically upstream in the chain



Source: IDB

Sector specialization is also behind LAC's poor contribution to FVA



Moving Forward

- Given limitations in the data, measures from the "low hanging fruit" need to be interpreted with caution. Nevertheless, they can be useful to examine some issues in GVCs specially at general levels of aggregation

- Moving forward, there could be various strategies for improving the data:

  - Improve GTAP data: INT/IDB has extensive experience working with GTAP data in the context of CGE models. Data on trade flows, tariffs, NTBs, I-O tables and SAMs have been adjusted on a case by case basis depending on needs

  - Aim towards more sophisticated II-O tables (i.e. tables that specify for each trade flow its specific use -intermediate versus final)

A final note

- As useful as they are, II-O tables also have limitations for addressing some of the questions about GVCs that are important for LAC:
  - What type of governances are behind the GVCs that we are observing?
  - What are the characteristics of the firms participating in the GVCs?
  - Services are increasingly offshore: what are the business functions that firms are typically offshoring to developing countries?
- A better understanding of the issues behind GVCs in LAC requires investing in the collection of data behind II-O tables but also in other types of datasets

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