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

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Objective

- Development of tool to promote the integration of FEALAC countries into intraregional and bi-regional value chains.
- To strengthen data quality and expertise of national institutions in FEALAC member countries to develop evidence-based industrial and trade policies.

Stakeholders

- Policymakers, economic advisors in national institutions: Central Banks, Statistic Offices, Ministries (Trade, Industry, Agricultural, …), and also academy and civil society.
PROJECT STAGES

2018

I. IOT Update
   - Latin America
   - Asia-Pacific
   - LAC IOT
   - Asia Pacific IOT
   - FEALAC IOT

II. Harmonization
   - ECLAC
   - ESCAP
   - ADB
   - OECD

III. Regional Studies
   - National
   - Regional
   - Countries
   - Sectors
   - SMEs participation

IV. Bi-regional Studies
   - Assessment
   - bi-regional agreements
   - GDP
   - Xs
   - Ms
   - Welfare

2019

Studies Analysis

2020

V. Capacity Building
   - Training
   - Government officials;
   - Private sector Academy

2018

Methodology
   - Data and Tools

2019

2020

Analysis

Training
PROJECT STAGES

2018

IOT Update
Methodology
Data and Tools

II
Harmonization

III
Regional Studies

IV
Bi-regional Studies

V
Capacity Building

2019

Studies/Analysis

2020

Training

FEALAC IOT
Latin America
Asia-Pacific

ECLAC ESCAP
ADB OECD

National Regional
Countries Sectors
SMEs participation
Assessment bi-regional agreements
GDP Xs Ms Welfare

ADB ECLAC

ECLAC / ESCAP

Training
Government officials;
Private sector Academy
PROGRESS SUMMARY

• In Latin America, ECLAC has successfully concluded a Input Output Table (IOT) for 18 LAC countries, connected with Asia Pacific Available on-line. ✔

• Asian Development Bank and ESCAP will launch by the end of the Q1-2020 the Asia Pacific IOT including Latin American countries. ✔️

• ECLAC will launch a new updated Latin American IO Table at the end of the first semester in 2020. Global (aprox. 80 countries) ✔️

• Data harmonization with OCDE on trade in value added and ADB MRIO. ✔️

• ESCAP and ECLAC, jointly with the ADB, organized the workshop “Value chain development for deeper integration of FEALAC” to present and discuss Asia Pacific results ✔️

• Budget implementation: 42%
The 2019 FEALAC TITM Seminar on Trade and SMEs; GRULAC in Seoul

- Workshop "Input Output Tables as a tool for Trade and Industrial Policies in LACs and its linkages with Asia Pacific"

- In Seoul TITM Seminar on Trade and SMEs

- GRULAC: Regional and Inter-regional Value Chain between LAC and Asia Pacific
LAC is more connected with itself than with Asia Pacific, and 6 countries concentrate trade links.

Flow of Domestic Value-Added generated in Latin America, All Sectors, 2011

Origin

Re-exporter
Transformer country

Destination
LAC–Asia GVC relations tend to be commodities for manufactures, driven by trade with China

Flow of Domestic Value-Added Generated in Latin American Exports that is sent to Latin American and RoW, by sector of origin and re-exporter to different destinations, 2011
South America is more connected with Asia Pacific than Central America and Mexico. 22% of the domestic value added incorporated in total exports goes to Asia Pacific.

Latin America (16 countries): Domestic Valued Added content in Total Exports by origin, 2011

(VA/XT)*100 (in percentages)

Source: ECLAC based on IO Table for Latin America (18).
In the case of the LAC Value Added, **the main destination in Asia is China**, with some important participation of Japan, ASEAN countries and **Korea**.

**Latin America (16 countries): Domestic Valued Added content in Total Exports to Asia Pacific, 2011 (VA/XT)*100**

Source: ECLAC based on IO Table for Latin America (18).
Data shows that Asia has a higher degree of economic integration in regional production networks.

Flow of Domestic Value-Added generated in Asia’s Exports Production that is Sent to Asia, All Sectors, 2000 vs. 2018

Source: ADB MRIO
Brazil and Mexico import more industrial intermediate goods from the rest of the world than from the rest of LAC.
Main features of LAC-Asia trade

• **Inter-industry trade**: Commodities for manufactures

• **LAC** and almost all LAC countries **have a trade deficit** with Asia

• **Strongly concentrated**:
  - **By country**: Argentina, Brazil, Chile, Mexico and Peru account for 80% of LAC exports; China accounts for more than 50% of Asian exports.
  - **By product**: soybeans, iron and copper ore and petroleum account for more than half of LAC total exports.
  - **By type of companies**: MSMEs 82% of total firms, but only 3% of total exports. Big exporters capture the remaining 97%.

• **Asian exports are much more diversified**:
  - Telecommunication, vehicles, computers, steel, electronics, transport equipment, footwear, toys, kitchenware, tires, etc.
Conclusions

• At the regional level, in Latin America leadership is needed to create production networks
  ▪ Brazil and Mexico could take the lead
  ▪ Public policies should take into consideration productive chains

• The large countries of Latin America should follow the steps taken by East Asia to promote productive integration in Asia-Pacific

• Policymakers in FEALAC member countries need to pay attention to:
  ✓ strengthening the skills of the workforce;
  ✓ developing capital markets;
  ✓ increasing transport and digital connectivity and facilitating the doing business environment;
  ✓ implementing trade and investment facilitation measures;
  ✓ constructing international rules such as IPRs, competition and standards;
  ✓ reducing the restrictiveness of ROO;
  ✓ strengthening trade facilitation for digital trade.
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