APEC: Trade in Value Added under Global Value Chains

Erich H. Strassner

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Background

• Goal: Produce an APEC Inter-Country Input-Output Database for Trade in Value Added analysis including all 21 APEC economies

• Background
  – In 2013, APEC Leaders agreed to promote GVC development and cooperation in the APEC region
  – Delivery of completed database and TiVA indicators: 2018
  – Co-chaired by United States and China
  – Annual capacity-building workshops
  – Working closely with ADB, IDE-JETRO, OECD, UNSD, and WTO, and other partners to ensure compatibility with other global and regional initiatives
Why focus on APEC?

- Asia-Pacific Economic Cooperation (APEC) is a regional economic forum established in 1989 to leverage the growing interdependence of the Asia-Pacific.
- APEC is one of the largest and most dynamic regions in the world.
- APEC accounts for:
  - Almost 40% of global consumers
  - About half (47%) of global merchandise trade
  - More than half (57%) of global GDP
- APEC GVCs are among the most integrated in the world.

* According to 2014 and 2015 World Bank and WTO statistics.
APEC value chains are tightly connected

- APEC connectedness is higher than in ASEAN and the OECD
- “The difference in connectedness scores between developed and developing APEC economies is striking”
  - Developed: 21.26
  - Developing: 5.78

Source: APEC PSU, “Value Chain Resilience in the Asia Pacific,” March 2015
APEC has high trade in intermediate inputs

- Intermediate inputs (e.g., parts and components) make up over half of APEC exports, and much more in some sectors

**Share of intermediate inputs in APEC exports**

- Metals
- Chemicals and pharmaceuticals
- Computers and electronics
- Motor vehicles
- Wearing apparel

**Total**

Source: OECD, BTDIxE database
GVC trends and implications

• As supply chains get longer and more integrated:
  – Costs accumulate across more borders
  – Economies are more affected by policies, both at the border and behind the border, in economies they trade with, and even in economies they don’t
  – Economies are at higher risk from downturns and disruptions abroad

• The tightly integrated APEC economies are particularly affected by these trends

• Statistics on APEC GVCs are important for understanding supply chains, including mitigating risks and increasing benefits
## Highlights of the APEC TiVA initiative

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<th>Date and Place</th>
<th>Event</th>
<th>Highlights</th>
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<td>August 2014, Beijing, China</td>
<td>Senior Officials Meeting 3</td>
<td>Initiated the project</td>
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<td>May 2015; Boracay, Philippines</td>
<td>- 1st technical group meeting</td>
<td>Endorsed the Terms of Reference (TOR) and work plan of the technical group</td>
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<td>- Ministers Responsible for Trade (MRT) meeting</td>
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<tr>
<td>November 2015; Manilla, Philippines</td>
<td>APEC Ministerial Meeting</td>
<td>Endorsed the TOR and work plan of the technical group</td>
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<td>November 2015; Shanghai, China</td>
<td>1st capacity-building workshop 2nd technical group meeting</td>
<td>Discussions on NAs, trade in value added, and role of emerging economies in GVCs. Nominated members of the technical group and other teams.</td>
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<td>February 2016; Lima, Peru</td>
<td>3rd technical group meeting</td>
<td>Discussed technical assistance needs and supply</td>
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<td>October 2016; Bangkok, Thailand</td>
<td>2nd capacity-building workshop 4th technical group meeting</td>
<td>Discussions of NAs, trade, and GVC analysis. Assess available data and gaps</td>
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<tr>
<td>August 2017; Nanning, China</td>
<td>3rd capacity-building workshop 5th technical group meeting</td>
<td>Discussions of NA, trade, and GVC analysis. Begin developing APEC SUT</td>
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APEC TiVA Technical Group

• APEC TiVA Technical Group
  – Co-chaired by China and the United States
  – U.S. chair rotates between USITC and BEA
  – Consists of four teams: Core Expert team; Technical Working Teams; Coordination Team, and the Core Technical Task Force

• The Core Technical Task Force (CTTF)
  – CTTF members are drawn from the Technical Group members, co-led by China and the United States
  – CTTF regular communications between US and China
    • Video conference
    • Updating and evaluating project progress
    • Discuss pressing issues
• 3rd Capacity Building Workshop August 7-18, 2017 in Nanning, China
  – Provided technical training to strengthen the participants’ expertise in SUTs, import use estimation, valuation in basic prices, and reconciling trade statistics
  – Also included presentations by member economies on progress to develop SUTs and extended SUTs

• Two phases
  – Phase I: Presentations by international experts
  – Phase II: Interactive sessions and training workshop
    • In-depth, face-to-face collaboration between CTTF experts and economies with technical difficulties to construct SUTs
    • Foster commitment to jointly construct APEC SUTs before the deadline
• Summarized the results and outcomes of the capacity building workshop
  – Findings of capacity building sessions regarding best practices
  – Findings on the status of each economy’s progress
  – Discuss the remaining challenges to completing upcoming deliverables
  – The action items for the next six months

• Discuss progress of completing the 2017 deliverables, and agree on steps to be taken by the next technical group meeting in 2018
Challenges for the TiVA initiative

• Much work remains ahead!
• Key Challenge: APEC member economies do not have a common and consistent economic statistical infrastructure
  – 2017 presents several challenging technical tasks
    • Reconcile bilateral merchandise trade data
    • Estimate missing bilateral services trade data
    • Collect and validate SUTs and IOTs
    • Harmonize SUTs/IOTs to fit in a unified APEC TiVA framework
    • Align TiVA database construction methodologies with OECD, and develop a workflow process to incorporate the key elements
    • Core Technical Task Force (CTTF) communications and data transmission
  – 2018 builds on the technical work in 2017
    • Construct the regional APECSUT/IOT
    • Produce APEC TiVA indicators and economy notes
Cooperation is key to continued success

- APEC members remain a committed and innovative group, with a demonstrated spirit of cooperation
  - 20 APEC member economies participated in the 2016 capacity-building workshop and technical group meeting in Thailand
  - 17 APEC economies participated in the 2017 workshop in China
Conclusion and Way Forward

• In December 2017, the 3rd capacity workshop organizers will store data and technical group report via the Technical Group working website

• 2018 require a serious commitment to reconcile trade asymmetries and develop SUTs and IOTs on common classifications and valuations
  – By August 2018, the plan is to circulate for comment the draft APEC SUT/IOTs to member economies
  – By December 2018, the APEC SUTs/IOTs with TiVA will be migrated to the OECD-WTO database
  – Plans for a GVC conference to highlight results of the APEC effort