

# APEC: Trade in Value Added under Global Value Chains



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- 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
  - In 2014, APEC Leaders endorsed the **Strategic Framework on Measurement of APEC TiVA** and its Action Plan
  - 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?

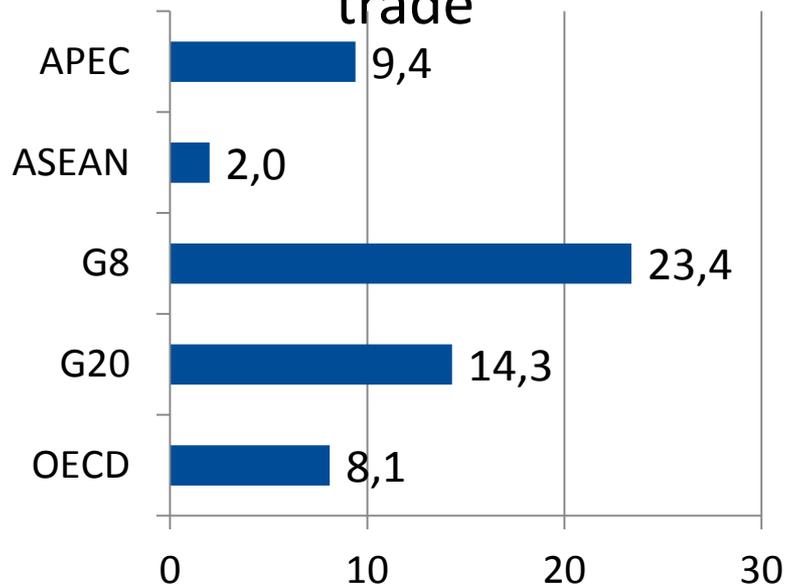
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- Asia-Pacific Economic Cooperation (APEC) is a regional economic forum established in 1989 to leverage the growing interdependence of the Asia-Pacific
- APEC is one of the largest and most dynamic regions in the world
- APEC accounts for\*
  - Almost 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

## Average connectedness score for total value added trade



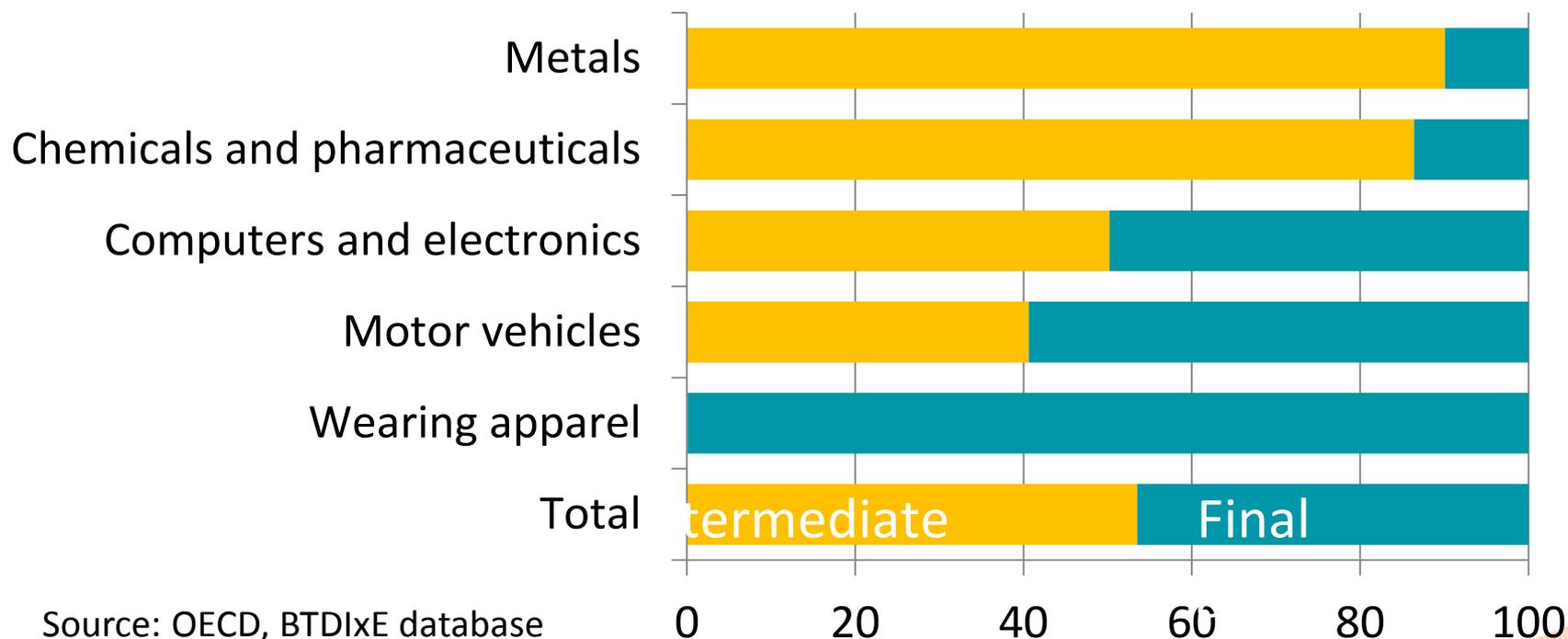
- APEC connectedness is higher than in ASEAN and the OECD
- “The difference in connectedness scores between developed and developing APEC economies is striking”
  - Developed: 21.26
  - Developing: 5.78

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



Source: OECD, BTDixE database

- 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



Date and Place	Event	Highlights
<b>August 2014, Beijing, China</b>	Senior Officials Meeting 3	Initiated the project
<b>May 2015; Boracay, Philippines</b>	<ul style="list-style-type: none"> <li>- 1st technical group meeting</li> <li>- Ministers Responsible for Trade (MRT) meeting</li> </ul>	Endorsed the Terms of Reference (TOR) and work plan of the technical group
<b>November 2015; Manilla, Philippines</b>	APEC Ministerial Meeting	Endorsed the TOR and work plan of the technical group
<b>November 2015; Shanghai, China</b>	<ul style="list-style-type: none"> <li>1<sup>st</sup> capacity-building workshop</li> <li>2<sup>nd</sup> technical group meeting</li> </ul>	Discussions on NAs, trade in value added, and role of emerging economies in GVCs. Nominated members of the technical group and other teams.
<b>February 2016; Lima, Peru</b>	3 <sup>rd</sup> technical group meeting	Discussed technical assistance needs and supply
<b>October 2016; Bangkok, Thailand</b>	<ul style="list-style-type: none"> <li>2<sup>nd</sup> capacity-building workshop</li> <li>4<sup>th</sup> technical group meeting</li> </ul>	Discussions of NAs, trade, and GVC analysis. Assess available data and gaps
<b>August 2017; Nanning, China</b>	<ul style="list-style-type: none"> <li>3<sup>rd</sup> capacity-building workshop</li> <li>5<sup>th</sup> technical group meeting</li> </ul>	Discussions of NA, trade, and GVC analysis. Begin developing APEC SUT

# APEC TiVA Technical Group

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- 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

# 3<sup>rd</sup> Capacity Building Workshop

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- 3<sup>rd</sup> 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

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- 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

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- In December 2017, the 3<sup>rd</sup> 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