Latin America’s Prospects for Upgrading in Global Value Chains

Mexico City, Mexico
March 14-15 2012
Venue: El Colegio de México

The benefits for Latin America and the Caribbean (LAC) of their participation in world trade depend in part on their position within global value chains (GVCs). The 2008-09 economic crisis and recovery have increased the participation of the South in global demand and production networks in general, but it is not clear how LAC’s position has changed. Beyond this recent episode, little evidence is also available in general on LAC’s participation in GVCs and its drivers. For example, how has the spread of information and communication technologies in LAC facilitated its participation in GVCs? What country evidence is available on how improved logistics, financial services, and specific business services in LAC have promoted the integration or upgrading in value chains? What has been the contribution of the many recently signed free trade agreements between LAC members and countries in the North and Asia on the formation of GVCs? To what extent do SMEs participate in GVCs? What learning mechanisms and productive and technological feedbacks operate in different types of GVCs? Have national and local innovation systems in the regions contributed to learning and innovation in GVCs? What is the role of policies to influence these processes?

To provide some answers to these important questions and to promote dialogue among researchers, policymakers and other stakeholders, four international organizations (ECLAC, IDB, OECD and WB) and Colegio de México organize this joint conference on Latin America’s Prospects for Upgrading in Global Value Chains. Its main purpose is to take stock and expand the range of empirical and institutional analyses on the participation and upgrading of Latin American firms in global value chains, including policies that promote this goal.

Organizers: Rene Hernandez, Jorge Mario Martinez and Nanno Mulder (ECLAC), Juan Blyde and Carlo Pietrobelli (IADB), Koen de Backer (OECD), Daniel Lederman and Jamele Rigolini (World Bank) and Gerardo Esquivel (Colegio de Mexico).

Day 1: Wednesday, 14 March

9.15 – 9.45  Opening remarks

Hugo Beteta (ECLAC), representing all international organizations
Representative of Colegio de México
9.45 – 10.40  
**Keynote:** Gary Gereffi (Duke University)  
**Chair:** Hugo Beteta (ECLAC)

10.40 – 11.00  
**Coffee Break**

11.00 – 13.00  
**Session 1:** Global Value Chains: A Global Perspective  
**Organizer:** OECD  
**Chair:** Dirk Pilat (OECD)  
**Discussant:** William Powers (US Trade Commission)

The past decades have witnessed a strong trend towards the international dispersion of value chain activities such as design, production, marketing, distribution, etc. Different stages in the production process are increasingly located across different economies and intermediate inputs like parts and components are produced in one country and then exported to other countries for further production and/or assembly in final products. The development of global value chains (GVCs) has to a large extent contributed to the growing importance of emerging countries in the global economy.

The globalisation of value chains raises some major policy challenges for OECD countries as well as emerging countries because of the new opportunities and challenges created by globalisation. Better policy evidence is necessary to examine the position of countries within international production networks and to explore which policies are needed to benefit from the new international organisation of productive activities. Existing data are not enough to analyse GVCs in more detail; e.g. international trade suffer from a significant bias due to the double (or multiple) counting of intermediate inputs. The joint OECD-WTO initiative aims to produce ‘trade in value added’ that capture only the domestic value that countries are adding to goods and services and hence will give a better picture of the integration of countries in GVCs.

Hubert Escaith (WTO) and Sebastien Miroudot (OECD): "Revisiting Trade in a Globalised World: Trade in Value Added"

Koen De Backer (OECD) and Sebastien Miroudot (OECD): “Mapping Global Value Chains”

Marcel Timmer and Gaaitzen de Vries (University of Groningen, WIOD): “Incomes, Trade and Consumption: A Global Value Chain Analysis”

13.00 – 15.00  
**Lunch**

15.00 – 17.00  
**Session 2:** Domestic Factor Markets in light of Global Value Chains  
**Organizer:** World Bank  
**Chair:** Daniel Lederman (World Bank)  
**Discussant:** Gerardo Esquivel (Colegio de Mexico)

There are abundant analyses about the advent of Global Value Chains (GVCs) characterized by the fragmentation of production across borders. However, there is relatively less analysis of the implications of GVCs for factor markets. The World Bank’s proposed session focuses on factor market implications of GVCs. These range from analyses of how international integration of production chains affects labor market outcomes, to the impact of multinational activity on domestic factor markets, to the extent to which the type of trade allows, through knowledge spillovers, for enhancing factor productivity. The proposed
session would consist of three papers, for which half an hour presentation will be scheduled, and of a
discussion of half an hour led by a discussant that will review the three papers.

David Kaplan (IDB), Daniel Lederman (World Bank) and Raymond Robertson (Macalester
College): “Are Mexican and U.S. Workers Complements or Substitutes?”

Laura Alfaro (Laura Alfaro (Minister of Planning and Economic Policy, Costa Rica and Harvard
University): “Selection, Reallocation, and Knowledge Spillovers: Identifying the Impact of Multinational
Activity on Aggregate Productivity”

Augusto de la Torre (World Bank) and Tatiana Didier (World Bank): “Made in China: Is LAC Benefitting
from Global Value Chains?”

17.00 – 17.30 Coffee

17.30 – 19.00 Policy Panel

Chair: Rene Hernandez (ECLAC)

Members:
- Laura Alfaro (Minister of Planning and Economic Policy, Costa Rica and Harvard University)
- Luis de la Calle (Director of De la Calle, Madrazo, Mancera Consulting, former Undersecretary of Trade Negotiations, Mexico)
- Hernando José Gómez (Director of the Office for the Use and Implementation of the FTA with the United States, Colombia)
- Anabel Gonzalez (Minister of Foreign Trade, Costa Rica)
- Lorenza Martinez (Undersecretary of Industry and Trade, Mexico)

19.00 - Cocktail

Day 2: Thursday, 15 March


Organizer: IDB
Chair: Mercedes Araoz F (IDB)
Discussant: Carlos Montalvo (TNO)

Empirical studies and casual observation suggest that countries in Latin America and the
Caribbean (LAC) lag behind other regions, particularly East Asia and Central East Europe, in
taking advantages of the fragmentation of production processes and the emergence of global value
chains (GVCs). The burning question is: why? Based on case study analyses, this session
examines the main challenges faced by firms in LAC with regard to joining and profiting from
GVCs; it places these challenges in a wider context by considering them within the conceptual
framework of GVC governance theory, and comparing them to the challenges and opportunities
experienced by firms in other regions of the world; it examines whether there is a “policy space”
to support the insertion of LAC firms in GVCs and what this means in practice, and explores
the role of some practices, particularly in the area of innovation policy, on the functioning of GVCs.
Global Value Chains (GVCs) and Global Production Networks (GPN) increasingly dominate the international trade and production in Latin America, with highly variable outcomes in terms the participation of small and medium sized enterprises (SMEs) and territories. Evidence shows that regional value chains and regional integration in general tend to include more SMEs and territories than value chains involving firms outside the region. Therefore strengthening regional value chains and promoting the inclusion of global value chains in the region may be a powerful tool to promote their equality dimension. This session will present several case studies on this issue.

René A. Hernández and Luis Riffo (ECLAC): “The Impact of GVCs on Local and Regional Development”

Jorge Mario Martinez (ECLAC) and Guillermo Zuniga (ECLAC consultant): “SME Participation in Central American Value Chains”


Sonia Lehmann (GIZ) and Peter Richter (GIZ): “ValueLinks Applications in Latin America - Promoting Competitiveness and Inclusion of Farmers and Small and Medium Enterprises”

14.00 Closing Remarks