Draft Action Plan on the Strategic Framework on Measurement of APEC TiVA Under GVCs

Purpose: Consideration
Submitted by: China
Draft Action Plan on the Strategic Framework on Measurement of APEC TiVA under GVCs
Proposed by China and US

I. Background

The emergence of global value chains (GVCs) has provided a catalyst for accelerating change in the landscape of cross border trade and investment, with major, far-reaching influence on enterprises as well as governments. Today, economic globalization has expanded significantly in the form of GVCs. Trade and investment in APEC and production networks in Asia-Pacific region have become an important part of GVCs.

Analysis of GVCs and the measurement of Trade in Value Added (TiVA) would better reveal economic performance of economies engaging in GVCs, and the potential benefits and challenges from new policies. Therefore, the analysis of GVCs and the measurement of TiVA can reveal potentially important aspects of policy and identify strategic implications for decision makers in the public and private sectors of APEC economies. These efforts could contribute significantly to the promotion of trade and investment facilitation, help mitigate systematic risk, extend Asia-Pacific regional production networks, advance supply chain connectivity, and enhance APEC’s leadership role in manufacturing and sustaining APEC economic growth. Obtaining GVC data relevant to policy is critical for the APEC economies to better understand effective policy environments for faster, more inclusive economic growth. Tracking the accumulation of costs in trade requires the identification and collection of additional data on global value chains in the APEC region, which could be a complementary to the information gathered under the strategic framework.

In 2013, APEC Leaders agreed to promote GVCs development and cooperation among the APEC region on the basis of work on connectivity. In 2014, at the MRT in Qingdao, China, Ministers approved the APEC Strategic Blueprint for Promoting Global Value Chains Development and Cooperation and the Strategic Framework on Measurement of APEC TiVA under GVCs. APEC economies agreed to facilitate the measurement of TiVA for the APEC economies, with an aim to supporting improvements of policy making, enabling private and public stakeholders to benefit from GVCs, and adapting innovative approaches for advancement and expansion of GVC methodologies and applications. The measurement of TiVA among APEC economies would be based on and linked to the WTO-OECD TiVA database. Given the technical complexity of building such a database, a core Technical Group will be established for the life of the project that will draw upon experts from APEC member economies, academic experts, and interested international organizations such as the WTO, OECD, Asian Development Bank, the World Bank, and the United Nations. The Technical Group will be chaired by experts from China and the United States and group will coordinate the work on the database and will report regularly to the CTI.

II. Objectives
Based on the *Strategic Framework on Measurement of APEC TiVA under GVCs*, and working with experts in member economies through the Technical Group, and international organizations such as WTO, ADB, and OECD, the specific objectives of the work plan over next four years are as follows:

1. Complete the construction of core APEC Supply-Use Table (APECSUT) under the *Measurement of APEC TiVA under GVCs*.

2. Using the APECSUT core database, Technical Group members and experts from WTO, ADB, and OECD work to complete an *APEC TiVA Database*, as well as related *Economy Notes* to ensure effective documentation and replicability. The indicators reported in the APEC-TiVA database will be drawn from standard, recognized indicators available in the academic literature and the WTO-OECD database. These efforts can provide a model for further expansion of the core WTO-OECD global database on TiVA, which will allow APEC economies to provide leadership in enhancement of this global public good. Future work of member economies on voluntary basis could build on efforts that the WTO and UNCTAD have advanced on the impact of the regulatory environment and NTMs on trade and investment.

3. Determine the strategy for *APEC TiVA Database* that can be integrated into the *WTO-OECD TiVA Database*.

### III. Tasks

1. Collect detailed SU and IO tables from APEC economies and determine the industry aggregation (*major economic sector*) to be used in constructing a long time series of APEC SUT.

2. Complete the data collection and reconciliation of *Trade in Goods* by each member economy of APEC, at a level of detail consistent with WTO-OECD TiVA requirements.

3. Complete the data collection and reconciliation of *Trade in Services* by each member economy of APEC at a level of detail consistent with WTO-OECD TiVA requirements.

4. Complete the data collection and reconciliation of *Socio-Economic Account* (KLEMS) by each member economy of APEC.

5. Explore the data collection of FDI flows and, within value added, the allocation of profits to domestic and foreign firms.

The above items include information necessary to complete the construction of a WTO-OECD TiVA consistent APEC SUT and also include complementary
information on FDI.

6. Using firm level data (business registers, census, surveys, trade registers), assess the feasibility of producing additional breakdowns of major economic sectors that reflect the degree of integration of firms within global value chains – for example on the basis of: ownership (domestic/foreign), export intensity exporters/non-exporters), production model (processing, non-processing), etc.

7. Integrate the results of the exercise on firm level data within available national SU and IO tables. Complete the construction of APECSUT by major economic sector, and APECSUT by major economic sectors with Enterprise Heterogeneity.

The above 2 items are consistent with ongoing efforts to enhance the core WTO-OECD TiVA database.

8. Complete the APEC TiVA Database as well as related Member Economy Note.

9. Complete the integration of the APEC TiVA Database with the WTO-OECD TiVA Database.

IV. Timetable

Phase 1 (August to November, 2014)
Establish Technical Group for the measurement of APEC TiVA under GVCs in early November 2014.

Phase 2 (November, 2014 to October, 2015)
Start a pilot data collection and reconciliation program in November 2014 and complete in October 2015, including trade in goods and services, social economic accounts, and heterogeneity of enterprises as well as the construction of IOT or SUT and working with the guidance and technical support of the Technical Group to provide capacity building to the other member economies of APEC.

Phase 3 (November, 2015 to October, 2017)
Start up the data collection and reconciliation by all other member economies in November 2015 and complete in October 2017, including trade in goods and services, social economic accounts and heterogeneity of enterprises as well as the construction of IOT or SUT. Again, technical support will be provided by the Technical Group during the process. Explore the data collection of FDI flows and, within value added, the allocation of profits to domestic and foreign firms.

Phase 4 (November, 2017 to May, 2018)
Start up the data reconciliation of APEC TiVA Database as well as the construction of two types (standard and heterogeneous enterprise) of APECSUT by the Technical Group in November 2017 and complete in May 2018.

Phase 5 (May to November, 2018)
Complete the construction of the APEC TiVA Database and related Economy Notes as
well as the integration with the *WTO-OECD TiVA Database*.

**V. Mechanism**

1. **The Leadership**
   All activities related to the *Strategic Framework on Measurement of APEC TiVA under GVCs* will be overseen and led by the Committee of Trade & Investment (CTI) of APEC.

2. **The Technical Group**
   To assist economies in implementing measurement of APEC TiVA under GVCs, and advance the work on measurement of APEC TiVA under GVCs in a systematic manner, a Technical Group would be established under the CTI framework. The Technical Group will hold 1-2 meetings each year during the first two years, and then likely declining to 1 per year during the last 2 years. Each member economy could nominate 1-2 representatives as contact points on a voluntary basis to participate in the Technical Group by September 15, 2014. The Technical Group would also work closely with experts from outside stakeholders such as the WTO, UNCTAD, OECD, G20, the World Bank Group, the IMF and the ADB, as well as research institutions across the globe.

3. **Capacity Building**
   In order to enhance the capacity of APEC economies on various aspects of measurement of APEC TiVA under GVCs, APEC would launch focused, and action-oriented capacity building program that is tailored to each economy’s needs. APEC would also strengthen cooperation with the ADB and other international institutions, to seek outside resources and technical assistance. Lessons learned from each particular capacity building program will be identified in order to guide developments elsewhere. Special resources might be devoted to identifying best practice and report writing on lessons learned.

**VI. The Funding**

The funding on measurement of APEC TiVA under GVCs will based on Public-Private-Partnership (PPP) mechanism, the sources will be from:

1. **APEC Funds** to support the data collection, reconciliation, and construction of *APECSUT, APEC TiVA Database* and related *Economy Note* as well as the integration with the *WTO-OECD TiVA Database*. APEC economies are encouraged to provide financial support and expertise to the afore-said activities on voluntary basis.

2. **APEC welcomes public and private sectors in and out of APEC to sponsor on measurement of APEC TiVA under GVCs.**