PROJECT DATA SHEET

Project Data Sheets (PDS) contain summary information on the project or program: Because the PDS is a work in progress, some information may not be included in its initial version but will be added as it becomes available. Information about proposed projects is tentative and indicative.

PDS Creation Date	–
PDS Updated as of	31 Mar 2014

Project Name	Global Supply Chains and Trade in Value Added
Country	Regional
Project/Program Number	46196-001
Status	Approved
Geographical Location	–

In preparing any country program or strategy, financing any project, or by making any designation of, or reference to, a particular territory or geographic area in this document, the Asian Development Bank does not intend to make any judgments as to the legal or other status of any territory or area.

Sector and/or Subsector Classification	Industry and trade / Industry and Trade Sector Development
Thematic Classification	Economic growth
Gender Mainstreaming Categories	–

FINANCING

Type/Modality of Assistance	Approval Number	Source of Funding	Approved Amount (US$ thousand)
Technical Assistance	8127	Technical Assistance Special Fund	500
TOTAL			**US$ 500**

SUMMARY OF ENVIRONMENTAL AND SOCIAL ISSUES

Environmental Aspects

–

Involuntary Resettlement

–

Indigenous Peoples

–

STAKEHOLDER COMMUNICATION, PARTICIPATION, AND CONSULTATION

During Project Design

–

During Project Implementation

–

DESCRIPTION

The fragmentation of production processes and the rise of global supply chains (GSC) since the 1980s have become increasingly important factors in linking developing countries to international production networks and markets. Today, a large share of production within GSC takes place in developing countries, especially in East and Southeast Asia. Strategy 2020 emphasizes the [&] great promise that regional cooperation and integration activities present for accelerating economic growth, raising productivity and employment, reducing economic disparities, and achieving closer policy coordination and collaboration in support of regional and global public goods [&]. This technical assistance (TA) contributes to this strategic priority by shedding light on poorly understood aspects of the regional integration of production and by raising the capacity of Asian Development Bank (ADB) to formulate policy advice on the basis of state-of-the-art data and methods for the analysis of GSC in the region. In cooperation with partner organizations, such as Organisation for Economic Co-operation and Development (OECD), World Trade Organization (WTO), Institute of Developing Economies-Japan External Trade Organization (IDE-JETRO), the Fung Global Institute (FGI), and the Asian Development Bank Institute (ADBI), this TA will facilitate ADB s establishment as a contributing member within the nascent research consortium focusing on these issues.

PROJECT RATIONALE AND LINKAGE TO COUNTRY/REGIONAL STRATEGY

The international fragmentation of production has created the need for new measures of trade that account for the value that is actually added by a country to the goods or services it exports, net of the imported value of intermediate parts and components (trade in value added). By contrast, traditional trade statistics reflect gross value, thus double-counting the value of intermediates as they cross international borders multiple times. As a result, international trade statistics provide an inaccurate picture of trade involving heavily networked economies. For example, domestic value added is estimated to account for roughly 60 percent of the exports value of People s Republic of China (PRC) while its trade surplus with the United States is thought to be overestimated by about 40 percent . Only by duly accounting for trade in value added (TVA) can ADB research and policy advice be made reflective of the economic and social implications of production networks in the region. Moreover, TVA analysis informs forecasts and estimates on the impact of foreign demand or supply shocks as they propagate through GSC, such as were triggered by recent natural disasters in Japan and Thailand, or such as threats posed to regional growth by the unresolved Euro Area crisis. Analytical issues in relation to GSC and TVA concern mainly the measurement of global supply chains and vertical specialization (the foreign value added embedded within exports). The main approaches are: (i) input-output analysis, associating inputs with industry outputs and identifying the source of those inputs; (ii) defining product categories using some descriptors like parts and components ; (iii) firm level data on foreign inputs, tracking both foreign input purchases and exports by firms have become available; (iv) processing trade data, available for some countries, notably PRC and Mexico, where trade statistics are reported separately for firms that are officially designated as export processing; (v) multinational firm data, especially datasets that provide information on affiliate sales or intra-firm trade. This TA will compare the strengths and weaknesses of these approaches with special reference to Asia s role in GSC. A further issue concerns the assessment of the determinants and structure of GSC. Such analysis typically has used measures of vertical specialization, or value added trade, as the dependent variable in regression analysis focused on understanding if trade of this sort behaves differently from other trade, e.g., is more sensitive to trade costs. The literature is still extremely thin on these issues and this TA can do much to shed light on the drivers and impediments to GSC and TVA in Asia. Finally, there is a key issue concerning offshoring and its effects on firms and labor markets. Such analysis has to rely mainly on firm level data, which is becoming increasingly available.

Because these datasets also include firm level characteristics and are in some cases linked to employment databases, analysis can now go much further in understanding why individual firms choose to produce with foreign value added, and how this affects their outcomes, for example in terms of productivity or wages.

DEVELOPMENT IMPACT

DMC policymakers' greater awareness of GSCs in national economic growth and development

PROJECT OUTCOME

Description of Outcome	Progress Towards Outcome
GSC TVA book is referred within and outside ADB	–

OUTPUTS AND IMPLEMENTATION PROGRESS

Description of Project Outputs	Status of Implementation Progress (Outputs, Activities, and Issues)
Dissemination of GSC TVA book	Progress since Q3 2013: The TA Conference was held in Hong Kong in December 2013 to discuss the final papers. The event was well-attended by trade experts. The manuscript was submitted to the publisher in December 2013. The book publication and book launch will be held in the second half of 2014. Research activities in collaboration with Fung Global Institute are ongoing. Additional country case studies on GSC and TVA were commissioned in Q1 2014. These background papers, together with the text based from the GSC TVA book, will serve as inputs for the Asian Development Outlook 2014 Update theme chapter, to be launched on September 2014.

BUSINESS OPPORTUNITIES

Date of First Listing	10 Jul 2012
Consulting Services	To be determined
Procurement	To be determined
Procurement and Consulting Notices	http://www.adb.org/projects/46196-001/business-opportunities

TIMETABLE

Concept Clearance	–
Fact-finding	

—

Management Review Meeting	–
Approval	–
Last Review Mission	–

MILESTONES

Approval No.	Approval	Signing	Effectivity	Closing		
				Original	Revised	Actual
Technical Assistance 8127	03 Aug 2012	–	03 Aug 2012	31 Aug 2014	–	–

TA AMOUNT (US$ THOUSAND)

Approval Number	Approved Amount	Revised Amount	Total Commitment	Uncommitted Balance	Total Disbursement	Undisbursed Balance
Technical Assistance 8127	500	500	325	175	261	239

CONTACTS AND UPDATE DETAILS

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Responsible ADB Division	Macroeconomics and Finance Research Division
Executing Agencies	–

LINKS

Project Website	http://www.adb.org/projects/46196-001/main
List of Project Documents	http://www.adb.org/projects/46196-001/documents