



**Latin America/Caribbean and Asia/Pacific  
Economics and Business Association**

An initiative of the Inter-American Development Bank and the Asian Development Bank Institute

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Regional Integration Behing the Border –  
Applying a value chain approach

*Grant Aldonas*

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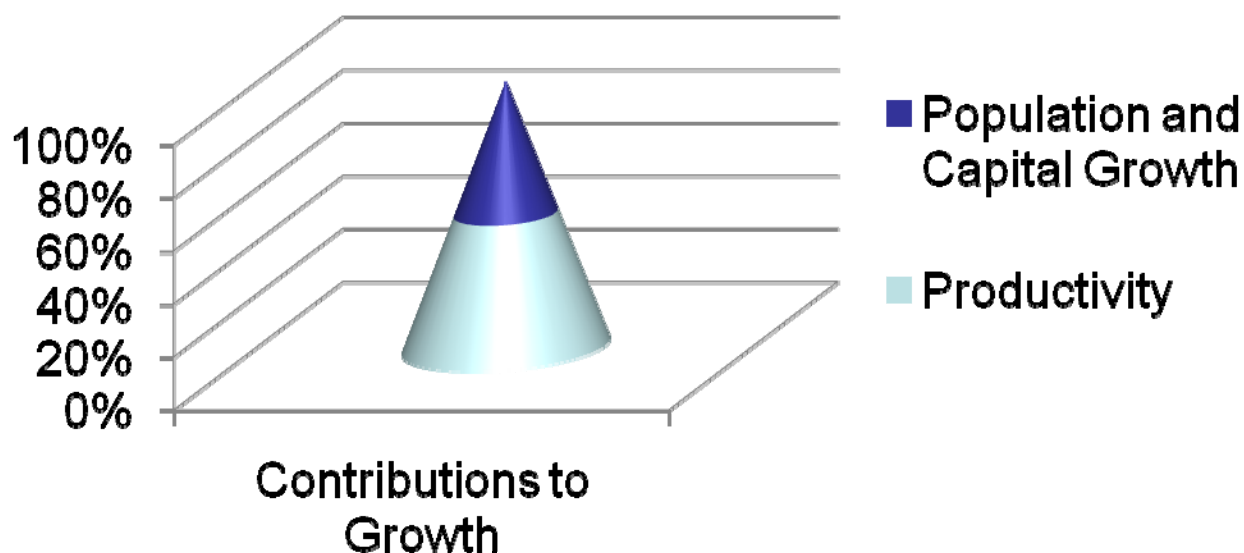
# Regional Integration Behind the Border – Applying a Value Chain Approach

Presentation by Grant D. Aldonas  
LAEBA Conference, Singapore, July 15,  
2009.



# Connecting People to Markets Matters

- Raising productivity key to economic growth, development, and rising standard of living
- Productivity growth explains 50% of U.S. GDP growth





# Connecting People to Markets Matters

- Raising productivity requires opportunity to specialize, which requires the freedom to engage in exchange





# Connecting People to Markets Matters

- Freedom to engage in exchange requires a connection to markets – locally, nationally and globally





# Regional Integration Helps

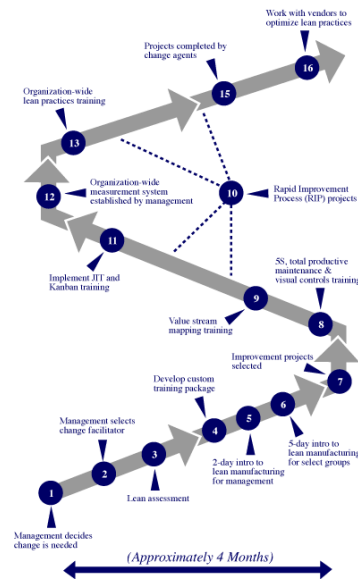
- New market opportunities create further opportunities for specialization, higher productivity, and climbing the value chain



# Regional Integration Helps

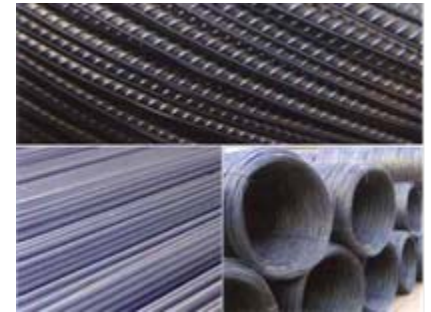
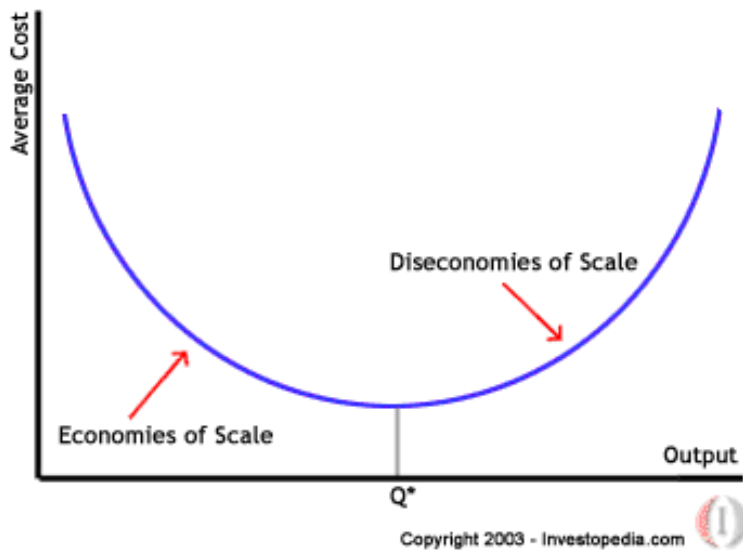
- Access to new markets encourages acquisition of new technologies and business processes; upgrading of skills

*THE LEAN PROCESS*



# Regional Integration Helps

- Wider market access creates opportunities to take advantage of scale

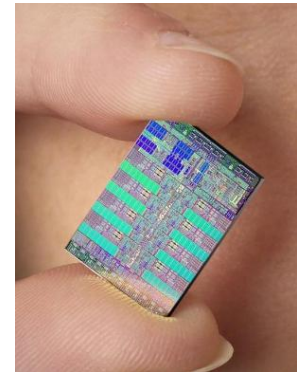
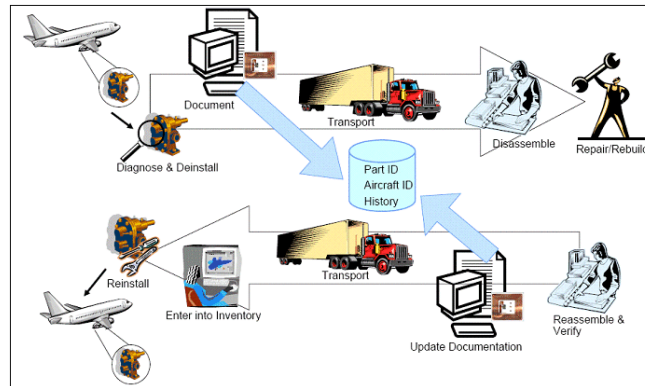






# Gateways to Global Markets

- Globalization cuts cost of participating in world markets



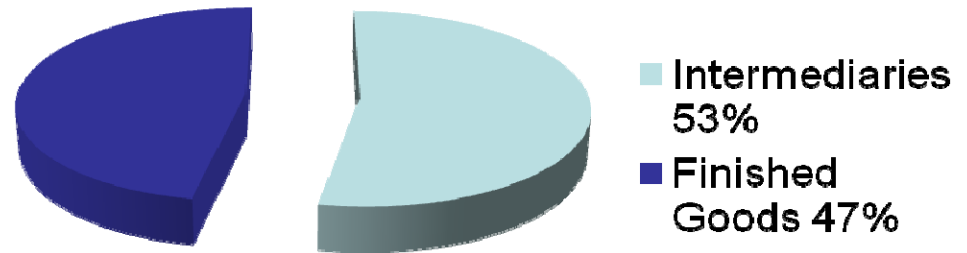


# Gateways to Global Markets

- Permits organization of production on a global basis and allows global sourcing



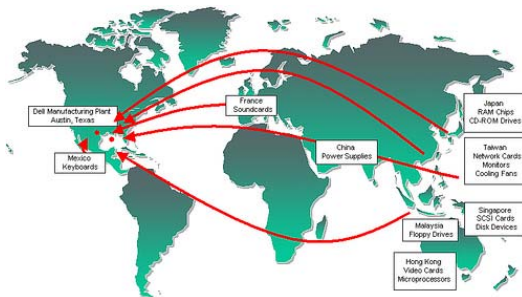
**Composition of World Trade, 2003**





# Gateways to Global Markets

- Operating a global supply chain has become a competitive necessity

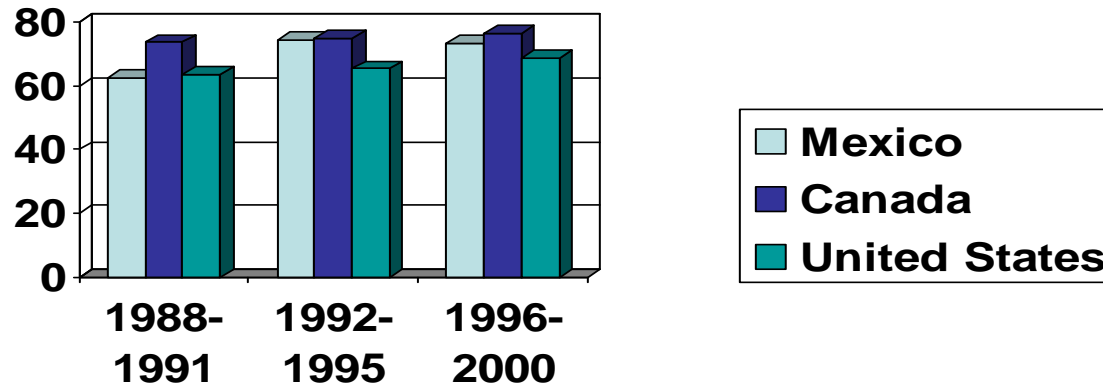




# Gateways to Global Markets

- Global value chains account for rising percentage of trade

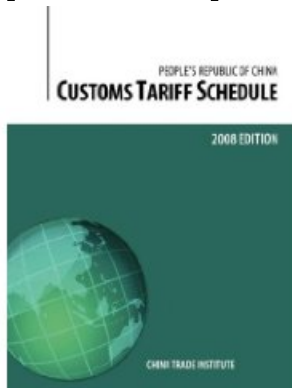
**North American Intrafirm Trade as a Percent of Total Manufacturing Trade**





# Redefining Market Access

- Access no longer purely a question of lowering traditional trade barriers in principal export markets

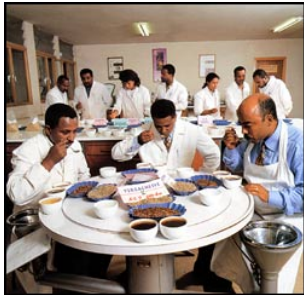


AP Photo



# Redefining Market Access

- Rise of global supply chains presents challenge of meeting buyer's standards in terms of quality, consistency, and time to market





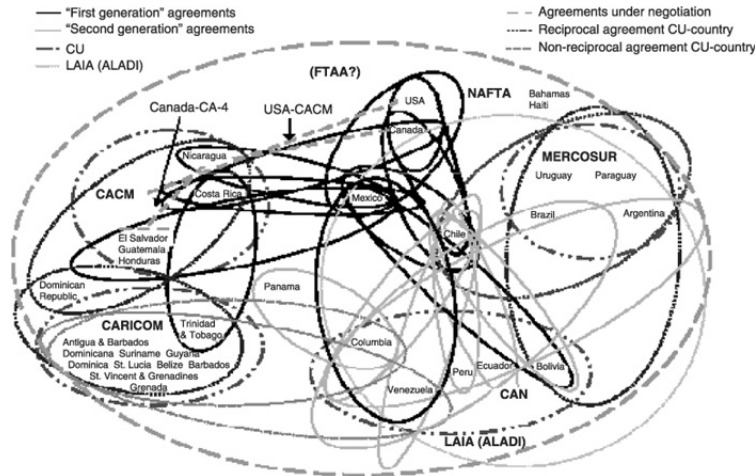
# Redefining Market Access

- Regional integration strategy should facilitate connection to global supply chains that shape global markets today



# Redefining Market Access

- Highlights importance of both regional integration and a strategy for the region's place in the global economy





# Redefining Market Access

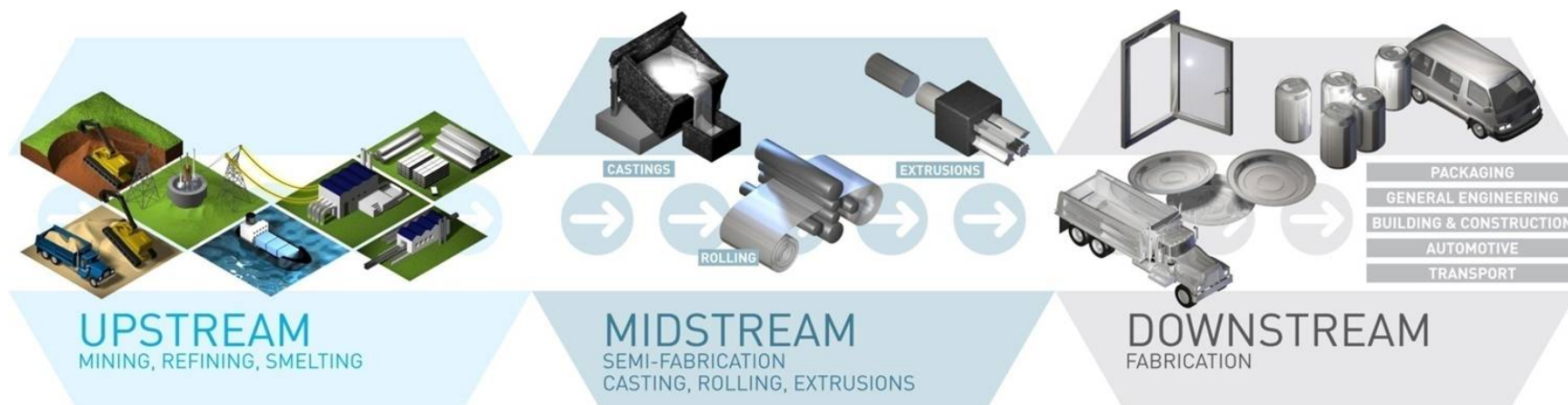
- Advantage to first-movers on a bilateral or regional basis





# Applying a Value Chain Approach to Integration

- Adopting the tools of global business to analyze competitive strengths and weaknesses





# Applying a Value Chain Approach to Integration

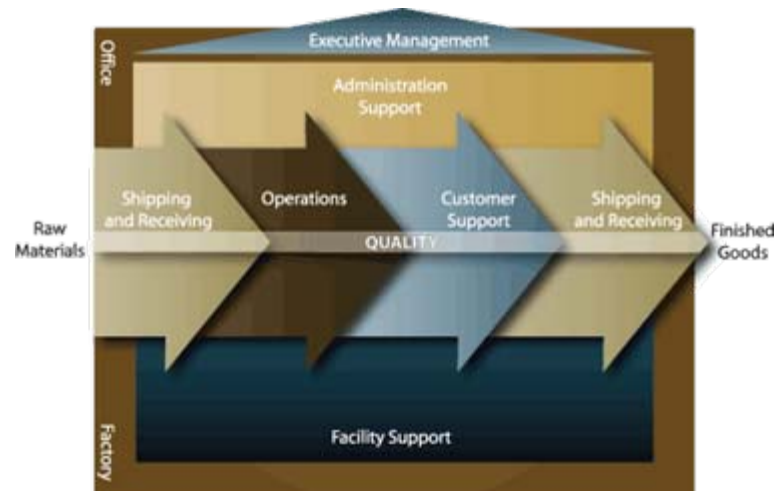
- Basic tool involves mapping supply/value chain that links producers to local, national and global markets, both as producers and as consumers





# Applying a Value Chain Approach to Integration

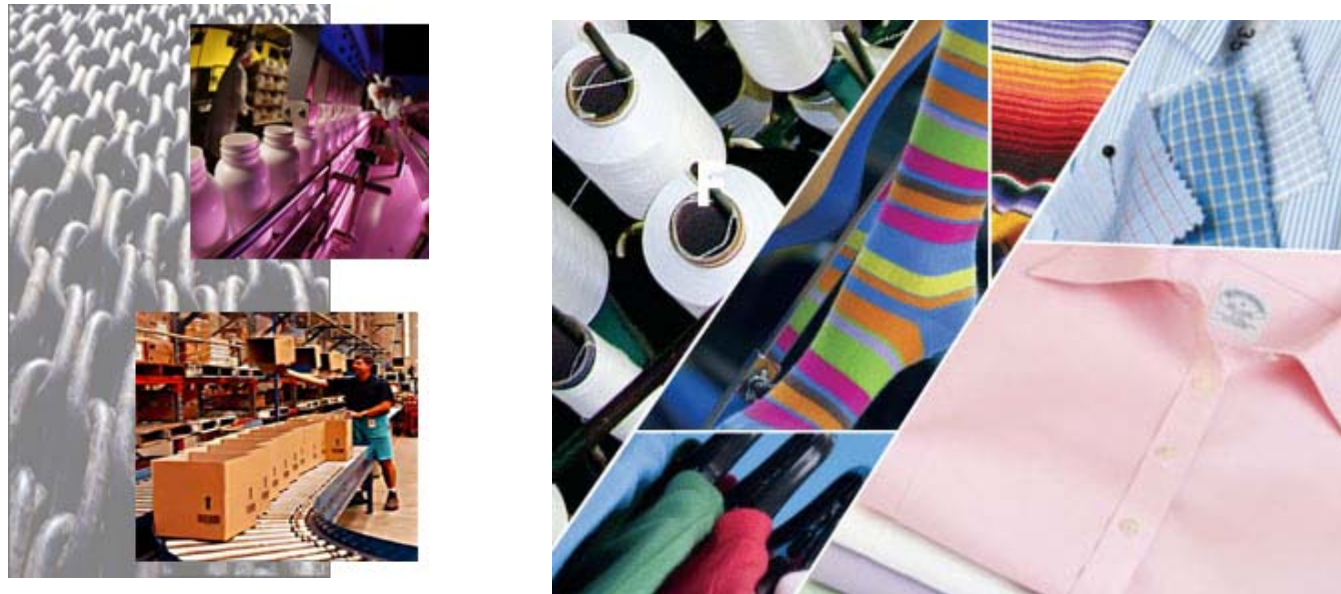
- Involves drawing a map of physical and institutional geography





# Applying a Value Chain Approach to Integration

- Mapping supply chain that provides inputs to local producers due to impact on costs





# Applying a Value Chain Approach to Aid for Trade

- Mapping individual steps in producing goods for target market and obstacles encountered





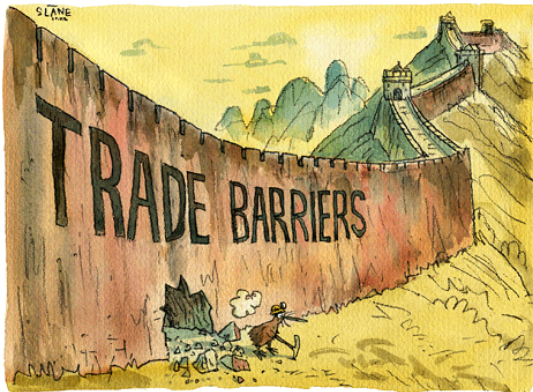
# Applying a Value Chain Approach to Integration

- Measuring obstacles in terms of time to market



# Regional Integration Behind the Border

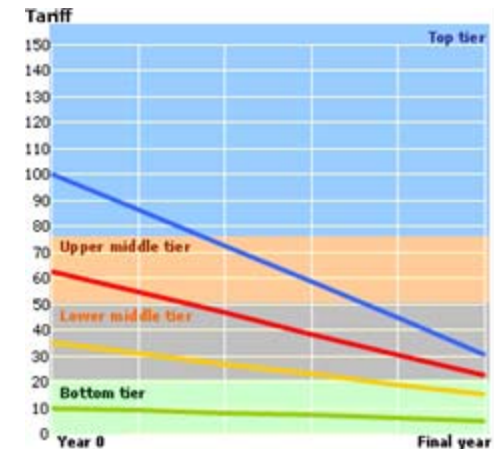
- Value chain map identifies barriers that prevent people from connecting to markets





# Regional Integration Behind the Border

- Examining where internal institutional reforms and improvements in physical infrastructure would facilitate integration and access to global markets





# Regional Integration Behind the Border

- Measuring obstacles in terms of common measure (e.g., time to market; impact on cost) helps identify priorities for action





# Regional Integration Behind the Border

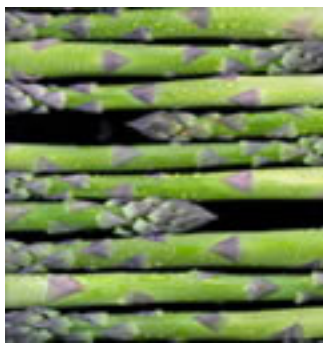
- Creates a basis for combining regional integration with development goals
- Identifies where reforms or investment in infrastructure would have greatest impact





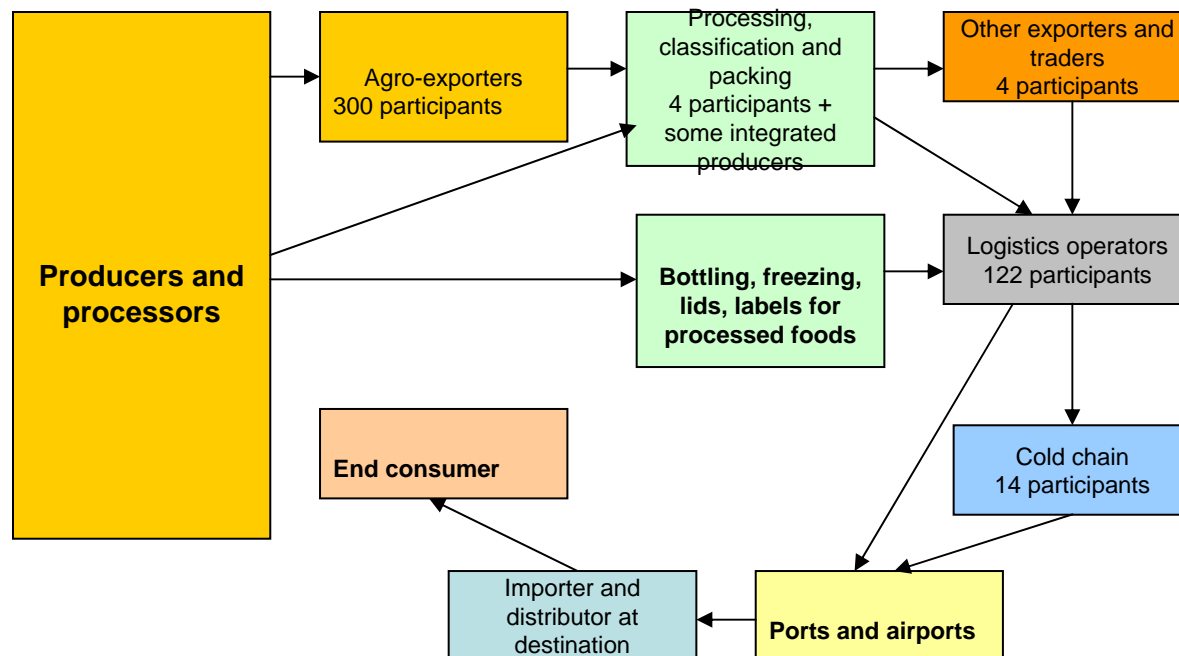
# Case Study: Peru's Perishable Agriculture Products

- Already a well-developed sector
- Success with products like asparagus offers example of how producers overcame obstacles to market access/how government facilitated market access



# Case Study: Peru's Perishable Agriculture Products

## Outbound Value Chain





# Case Study: Peru's Perishable Agriculture Products

- Areas for improvement – Time to import (25 days)/export (24 days); cost (over US\$800 per container)
- Each day lost represents a loss of 1% in export trade generally (3-6% loss in the case of perishables)





# Peru's Perishables – High Impact Interventions

- Eliminating barriers to exports (trade negotiations/cooperation on trade facilitation)





# Peru's Perishables – High Impact Interventions

- Upgrading producer's skills/adopting business models that allow producers to take advantage of scale







# Peru's Perishables – High Impact Interventions

- Institutional improvements (i.e. reducing number of documents; steps in process)

Table 1: The Enabling Trade Index 2008



Country/Economy	OVERALL INDEX	
	Rank	Score
Jamaica	66	3.80
Nicaragua	67	3.78
Ukraine	68	3.77
Peru	69	3.76
Sri Lanka	70	3.75
India	71	3.74
Kazakhstan	72	3.73
Albania	73	3.72
Morocco	74	3.71
Colombia	75	3.70



# Peru's Perishables – High Impact Interventions

- Physical infrastructure at ports for handling perishables/improvements in customs processing

