



United Nations Statistics Division

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Globalization and Global Crisis:
The Role of Official Statistics

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Official Statistics**

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Globalization and Global Crisis: The Role of Official Statistics

The title for today's session is Globalization and Global Crisis. This title juxtaposes two phenomenons with quite different timelines. Globalization is a long term phenomenon that has been underway for a long time, although arguably accelerating in recent years. The Global Crisis on the other hand is a cyclical phenomenon; at least we all hope so.

While it is clear that there is a need for statistics to shed light on both and that the need for statistics on globalization is of an ongoing nature, it is not so clear if the data needs of the current crisis are ongoing or short term. Today I will focus largely on the needs associated with globalization with some concluding remarks on the needs of the current crisis.

Global economic activity has seen rapid increases in the flow of capital, goods, services and people. Rapid advances in communication, transportation, technological change, free trade and financial reforms have for many years been fostering increased specialization of production activity, and this trend continues. The advances that have led to this increased level of international activity also allow these activities to be realigned in much shorter time frames than was previously the case. Thus the patterns of economic transactions are more fluid than in the past and statistical programs will have to consider this overall challenge. Adding to these changes, the aging of the population in western countries has encouraged immigration to these countries and capital outflows to emerging economies.

The same factors have also led large firms, particularly multi-national firms, to reorganize how they manage their operations. Firms are increasingly focusing on supply chain management and the choice between make or buy for intermediate inputs and, increasingly, service inputs. Within the make-buy decision are decisions on the location of supply, domestic or international. When these global value chains are based on arms length transactions traditional statistical measures may suffice, but when complex sets of transactions exist within a single multi-national, measurement is more challenging.

It seems all of the factors of production are more mobile – even fixed capital as we hear stories of whole production lines being disassembled and moved to locations where labour is available at lower cost.

The increased levels of international economic activities have raised challenges for official statistics:

- Innovations in legal structures and financial instruments make it more challenging to understand the risks associated with international investments and the potential rapidity with which capital can flow in or out of a particular economy.
- The ‘knowledge economy’ in addition to simply being more global, relies more on intangible assets for which locating the asset in a specific country is itself challenging. That in turn, makes the reconciliation of associated service and income transactions very challenging.
- Goods move across borders often between units of the same multi-national enterprise raising questions about the prices at which these transactions take place.
- Goods can also move across borders through multiple steps in a complex production process but never change ownership, not only raising questions about the prices used to record these movements, but also clouding our view of the service transactions involved.

- The range of services traded internationally has grown rapidly in recent years. The examples of call centres and bookkeeping services done overnight on the other side of the world come to mind, but the world is moving to very sophisticated examples such as remote surgery using highly sophisticated robotics. Capturing these economic transactions as they race across the internet is a growing challenge.
- And of course, migration patterns both temporary and “permanent” are changing also. Some of this is associated with the delivery of services, but also, skilled persons from a wide variety of professions can easily find demand for their services in many parts of the world. Also, it is increasingly common to have people residing in one country but working in another part of the world. These can be short term arrangements or contracts that last for years – our capacity to distinguish is often lacking.
- The growing levels of migrants may also be establishing a world where residence is seen less and less as a “permanent” arrangement with a growing proportion of populations ready to move to and from various economies. We increasingly see migrants that have done well returning to their country of origins when opportunity arises.
- With the presence of increased numbers of temporary workers and migrants, remittances to less developed countries have become a major source of funds for many economies. These are often very poorly measured.

The international statistical community has progressed in a number of these areas:

- There has been progress in developing data on international debt, and balance sheet data is increasing being provided on an international scale. For the first time this year, the IMF felt that there was sufficient data reported for International Investment Positions to attempt to bring them together into one world table.
 - While this is evidence of an encouraging trend, the results are still far from robust enough to be called fully satisfactory.

- The recent decisions on the conceptual treatment of goods for processing¹ raises the awareness of the challenges these transactions raise, but there are still major unresolved challenges in implementing these measures.
- Reporting on international trade in services has improved in recent years and efforts to bring this material together, for example at the OECD, have provided information on these important world flows.
 - However, sorting out the interactions between these services and the associated flows of persons remains a challenge for measurement.
- While migration data are available, the return flows and on migration from countries is not well understood and flows of temporary employees not always treated consistently.
- Recent years have seen improved awareness and thus improvements in the data on remittances; however, further progress is needed. The current economic downturn may see remittances drop rapidly and it is not clear if current statistics will provide sufficient information to inform us of the impacts of these events.

Many of these developments pose very difficult measurement challenges. I would like to discuss three - intentional financial flows, international labour and data on the global activities of multi-nationals.

The current crisis has shown the crucial nature of data on international financial transactions. The speed with which these activities take place leaves many of our traditional statistical data collection processes struggling to keep pace. In this arena timeliness is essential and while the data in these areas are often quite timely, they may still seem to be about the past given the rapid pace of change possible in financial markets.

¹ Goods sent internationally as part of a production process and recorded in international customs documents but where no change in ownership occurs.

Given the increased scrutiny of the financial sectors of economies around the world arising from the current crisis, there is some expectation that there will be heightened regulation. Should we, as statisticians, be endeavoring to bring our capacity to develop standards and information structures to bear, and combining this with updated electronic reporting to statistics authorities – central statistical offices and central banks – to improve the availability of data around the world? Increasing the cooperation and data sharing between statistical offices and central banks may also be a key ingredient in improving the overall level of information and coherence of the information for this sector of the economy.

The market for many types of labour inputs is more and more international if not truly global. Increasing numbers of persons have the ability to work in multiple economies, some due to the fact that they have multiple citizenships. Do we need more information on how these persons can effect the flow of labour resources across borders as economic conditions evolve in different parts of the world?

Improved data on out migration and on migration would seem to be increasingly important if we are to understand how the labour supply is likely to evolve over the coming years. Additional data on how effectively these mobile labour resources are integrated into different economies would also seem crucial. Do international statistical organizations have a role to play in developing international comparisons to inform policy makers on the challenges of an international labour market?

The role of multi-nationals in the world economy is well recognized, with the largest accounting for more economic activity than many smaller economies. While there has been progress in measuring their activities this has been accomplished within the context of national statistical programs.

Flows between subsidiaries of a single multinational can raise many of the measurement challenges already mentioned.

- Valuation of cross border goods and service transactions.
- Lack of change of ownership when goods flow.
- Cross border movements of persons between production units.
 - Can be either service delivery or labour inputs?
- Of course financial transactions within the multi-national can take a number of different and often complex routes.

Each of these measurement challenges is difficult to deal with but in the case of large multi-nationals, the combination of many such challenges in a single entity raises the level of uncertainty about our overall understanding of their economic activities in specific countries and certainly at a global level.

The current crisis has seen fiscal and monetary authorities in many parts of the world working together, but given that our main economic statistics are national rather than global, do they have the information they need to properly assess the global needs and coordinate their policy initiatives?

Do we need to provide timelier and better integrated global economic information?

Do we need to better understand the role of the large multi-nationals, and to do that, do we need an international body to collect information on their world wide activities?

As promised at the outset, I would like to return to the needs of the current global crisis. First, I would like us all to remember that the shock that created this crisis is in the past. We may be tempted to look for ways to strengthen the data concerning the particular shocks associate with this crisis but these shocks may never repeat themselves.

As official statisticians we must in the short run focus on what is needed to help policy makers deal with the results of the shock – the crisis itself. Given the speed with which events are unfolding and the new global linkages that have become increasingly apparent, it seems that a priority should be to focus on more timely data to help policy makers with the challenging short term decisions that they are currently facing.

In closing, let me reiterate my concern that we not direct scarce resources to measure the phenomenon of the past but concentrate our efforts on the immediate and future needs of our users.