

Opening statement by DDG Alejandro Jara

Mr. Radermacher, Director-General of Eurostat

Mr. Draganov, Deputy Secretary-General of UNCTAD

Representatives of national statistical authorities,
Representatives of WTO Members and Observers,
Esteemed experts,
Ladies and Gentlemen,

It is a great honour for me to open this "Global Forum on Trade Statistics", which brings together for the first time trade negotiators and statistical experts under one roof.

This is not as odd as many would think, because, as our DG likes to say, in the end, "trade negotiations are about numbers".

In today's changing economic environment characterized by globalization, the buzzword these days is "evidence-based" policy making.

It is therefore of paramount importance that official statistics provide relevant information which enables policy and other decision-makers to make informed decisions. Without proper "evidence or facts" an analysis of the impact of new agendas or any measure is difficult if not impossible.

Governments and public opinion then react negatively and refuse to cooperate or make it very difficult. Consequently, progress on trade statistics is central to make multilateral progress on trade.

Let me therefore take this opportunity to thank the United Nations Statistical Office (UNSD), Eurostat and UNCTAD for this initiative.

That we work together is also a good demonstration of good governance.

As you may have seen at your arrival, today, the WTO hosts another important meeting, the Trade Negotiation Committee.

This meeting has been called recently, in response to a new momentum in the negotiation of the Doha Development Agenda, and our Director-General Mr. Pascal Lamy has to chair it.

For this reason, he can unfortunately not be here as foreseen but I can assure you that he is very much interested in having the right trade and tariff information to support these negotiations.

On his behalf, it is my pleasure to welcome you all here at the WTO -- and as shown in your Agenda, Mr. Lamy will address this meeting tomorrow afternoon.

The theme of this Global Forum is "Do we have the right numbers?" – In other words, how to develop the statistical base to support our trade activities and agendas, now and in the future.

This also means that this work is an ongoing permanent responsibility.

You may also be aware of the fact that today is Groundhog Day.

Probably you know the film where Bill Murray, the actor, wakes up every morning to the same day and lives again and again the same story -- until he gets his day right.

So let us take this today's event not to stay in the same loop again and again but to get out of it – for some it may mean to get out of their comfort zone.

Let's take this Global Forum as a starting point for not only maintaining very good existing trade statistics systems but for developing a vision for these statistics for the next decade.

Let me now turn to the challenges as we [at WTO] see them against the backdrop of recent economic developments.

How should statisticians navigate between demands pushed on them and their frameworks of statistical systems?

What are the priorities from users' perspective? How can these priorities best be taken forward?"

There are a number of challenges ahead:

First, we need short-term trade statistics:

The crisis revealed that there are not enough short-term trade statistics available that allow to determine how trade is developing by origin and destination for individual products.

While the availability of annual trade data has considerably improved over the last years, *short-term trade statistics (i.e. quarterly or monthly frequency) are less easily available and accessible.*

During the crisis, many policymakers asked for this type of information.

In addition, an understanding of the drop in world trade requires an understanding of how much is due to price changes and how much to volume changes.

Consequently, we must be able to make progress to meet this demand *for short-term trade statistics and an improved availability in foreign trade prices.*

In addition to merchandise trade flows, analysts were looking *into short-term trade in services flows*.

The lack of available short-term trade statistics was even more pronounced in this area than on the merchandise side.

During the crisis, analysts went even as far as asking for "real-time information", at very detailed level to analyse for example how global firms perform.

Because most of these data relate to business operations, they are often obtainable only from non-official data sources.

In order to keep abreast with a fast changing world, *official statistics should develop a closer partnership with other stakeholders and use all existing and relevant data sources, particularly in the trade and business community*.

Second, we need new concepts and definitions that reflect how economic activity today is undertaken:

Some of you may remember that, when the first sign of the financial crisis appeared in 2007 many experts foresaw a decoupling between fast emerging economies and heavily indebted western economies.

In the end, no such decoupling took place showing that while financial regulation is local, markets are global.

The crisis impacted the real economic and trade collapsed worldwide, in developing and developed economies.

A major reason for synchronisation of the trade collapse was the productive interdependency created by international supply chains.

We often say at WTO that global manufacturing blurred the concept of country of origin, and that goods are no more made in Switzerland or made in China, but "made in the world".

Global firms today may have diversified the geographical location of their value chains, from research and development, to logistics and manufacturing; that is, the way modern businesses are run today is very different compared to say 20 years ago.

With the change of business models governing global manufacturing and the localization of firms, we also observe a shift in economic paradigms.

The concept of comparative advantage in final goods, as developed by Ricardo, is no longer fully relevant to explain trade between countries.

Today, international specialization relates to trade in tasks rather than in finished goods, with the result that trade in intermediate goods, such as components, parts or goods for further processing, has grown fast.

In a previous speech I mentioned that "traditional boundaries and distances are collapsing".

We face changes in transportation and communication which result in new business models, matching mass consumer demand in the West with rising manufacturing capacities in emerging countries , making, for example, Asia a global hub of manufacturing (I checked with my statisticians and found that manufacturing accounts for some 80% of Asian exports).

Hence, the way we measure trade today must adapt to the new reality of global production.

We need to have information on the inter-connectivity of national economies, not only through high frequency trade data but also through linking firm activity (production) with export activity (trade).

The perceived gap between traditional official statistics and the productive and financial realities of today is one of the reasons that led to the question of "Do we have the right statistics?"

For example, do official statistics tell us

- "who produces for whom" and "where is the value added created"? if we analyse the real economy, or
- "who finances whom?" if we consider the monetary economy.

I would like to mention a few examples here:

1. In analysing trade, analysts want to know the impact of the fragmentation of production or vertical specialization and understand where value added is created.
2. Trade costs -- trade by mode of transport – would be useful information on the logistics side.

However, this information is not available on a cross-country comparable basis.

3. Trade data and input-output tables are useful tools to trace trends in imported inputs used in domestic production which is exported.

First, many developing economies lack up-to-date economic accounts, and that at a time when linkage between trade and development is crucial in explaining differences in economic growth and job creation.

Second, macroeconomic data are not able to account for the specificity of firms that operate on the export markets -- more detailed micro-data are needed.

4. Trade finance is a key "trade facilitator", especially —but not only— for developing economies.

As I mentioned, we noticed that the information on these flows is often lacking in official statistics and WTO is also active to improve availability of this type of information.

The statistical community is moving ahead to face these new challenges.

The new manuals on trade statistics adopted at the Statistical Commission in 2010 include a number of elements with regard to the concepts for trade in goods and services that take into account changed economic conditions.

It is therefore of paramount importance that countries implement these revisions. But, beyond implementation issues, support is needed for the development of statistical tools at micro level that allows the analysis of interconnectivity of countries and fragmentation of production.

It is also important to assemble political support in order to mainstream and sustain global initiatives like the world input-output database project, supported by the European Union with the participation of several institutions, or the pilot programme led by Eurostat and OECD to link more closely trade and business statistics.

The recent crisis has demonstrated, once again, that policy makers need accurate and relevant statistical information.

Political support for global statistics is as high as never before, and this window of opportunity should be used to promote new concepts and sustain those projects which provide more accurate information of our interconnected world.

Perhaps the solution is not the collection of more data, but to operate a paradigm shift in their packaging and interpretation.

Sir Moser, a renowned statistician, said at the 50th anniversary of the Conference of European Statisticians, "...not so much the production of more data is needed and requested but increasingly, their analysis and interpretation.

Indeed, given that the underlying economic and business models are changing, it is becoming more difficult to interpret current statistics, especially when they remain enclosed in silos, with little interaction between trade, labour, finance or business statisticians.

In an interconnected world, there might be a need for a new statistical instrument to bridge these statistical silos.

My statistical colleagues mentioned to me that such bridges already exist in national accounts, and are called "satellite accounts".

Tourism, one special segment of trade in services, already benefits from this special treatment.

Perhaps it is time to extend to the rest of the export sectors this concept and bring together all relevant information on trade-related activities, from trade flows in goods and services, foreign direct investment and financial settlements, to labour employment in its quantitative and qualitative dimensions.

This is vital to improve global governance and international co-operation.

Such a comprehensive overview would help policy-makers and other stakeholders to appreciate the multidimensionality of international trade and would have the very important advantage of linking the trade policy debate directly to what matters in trade politics – the production of domestic value added and jobs.

I wish this Global Forum lively discussions and a successful outcome with a vision on how to develop further trade statistics that are able to respond to a changing societal and economic environment – providing numbers that count are crucial for a proper analysis of our future.