

**Second Meeting of the UN Committee of Experts on
Business and Trade Statistics
New York, 11-13 June 2019**

Draft Terms of reference of the
Task Team on Globalization and digitalization

Task Team on Globalization and Digitalization

Team Lead: Canada

Members of the Task Team: Australia, Austria, Brazil, Denmark, France, Indonesia, Mexico, United Kingdom, Sweden and Switzerland, OECD, Eurostat, IMF, UNECE, UNCTAD and UNSD

Mandate

The Task Team will focus on fostering collaboration and integration of programmes relevant in the area of Globalization and Digitalization. The Task Team promotes an integrated approach to globalization and digitalization issues, in light of the key role played by digital technologies in enabling the global goods flow. To a large extent multinational enterprises have been the beneficiaries, as well as the creators, of digital technologies and therefore they will be the primary unit of observation in the context of the Task Team's work. However, it is recognized that small and medium enterprises (SMEs) are important contributors to the Global Value Chain and therefore need to be examined in the context of globalization and their use of digital enablers to carry out their activities. The Task Team will as far as possible not delve into specific issues which are currently the subject of other fora or field experts. It will explore broad issues which are seen as fundamental pieces in ensuring that the phenomena of globalization and digitalization are reflected by the statistical system in a coherent, accurate and systematic manner.

There are numerous connecting elements between the work of this Task Team and that of the other four Task Teams¹ reporting to the Committee. The Task Team on Globalization and Digitalization will leverage as much as possible the activities of the other teams to ensure coherence and avoid duplication of work. It will work with the **Task Team on Wellbeing and Sustainability** to illuminate the link between firms adopting digital technologies and working within global value chains, and the ability of meeting the Sustainable Development Goals. The use of Business Registers to establish reliable frames will benefit from the research of the **Task Team on Exhaustive Business Registers** on developing guidance for making the registers more inclusive in a rapidly changing economy

The determinations of the **Task Team on Business Dynamics, Demography and Entrepreneurship** into the need for international harmonization for countries outside of the OECD and EU related to the drivers of business activity, such as Innovation and Communication Technology (ICT), e-commerce, globalization and employment will fit into the classification review which the Task Team on Digitalization and Globalization is planning to undertake.

¹ See Appendix A.

The Handbook and supporting documentation which will be prepared by the Task Team on Globalization and Digitalization will serve as important tool for developing statistical capacity in developing countries, complementing the work of the **Task Team on Capacity Building**.

The mandate of the Task Team fits within the overall mandate of The United Nations Committee of Experts on Business and Trade Statistics which is a statistical entity of the United Nations Statistical Commission and is mandated to provide coordination and guidance for the development of business and business-related statistics.

It is expected that the Task Team will complete its mandate within two years from its inception.

Identification of relevant and emerging topics in the area

There are a myriad existing and still emerging topics related to how the statistical system will take into account the digitalization of many transactions and services and the global integration of trade, investment, information technology and culture. Below are a number of examples of some of the most cited ones:

- The evolution of the sharing economy as enabled by the internet (seamless flow of production between the corporate and household sectors)
- The impact of digital platforms on international trade
- The impact of digital platforms on domestic consumption
- The impact of digital platforms on employment
- The transformation of, and consumption of cultural goods (streaming, downloading, etc.)
- The transition from acquiring tangible assets to buying services (technology hardware, etc.)
- The impact of the digital platforms on privacy and security
- Shifts between market and non-market activities such as the provision of training.
- The impact of globalization on firms' behavior and organization
- Fragmented production processes as a result of globalization
- The role of innovation as driver for digitalization
- The role of digitalization as driver of innovation
- The relation between globalization and digitalization of economic and social activity and the ability to meet the Sustainable Development Goals (SDGs)

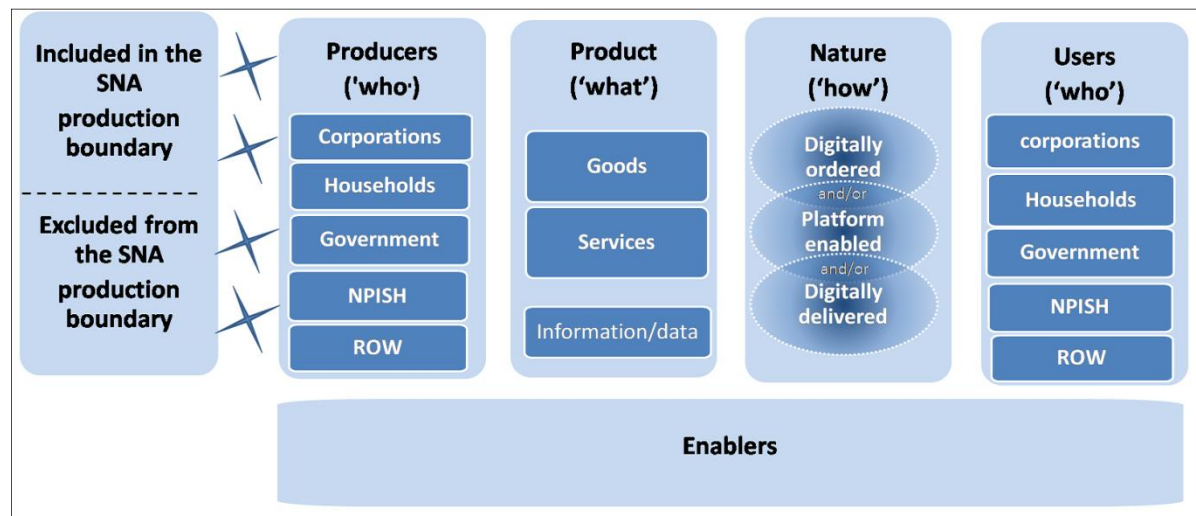
New conceptual and classification schemes

Current classification systems developed to classify firms by industry, products, services and jobs, were conceived in a world that preceded the digital revolution. It is not always clear whether new classification categories are required or, for example in the case of intermediation platforms, where new ways of providing a service or a product should be classified.

The OECD advisory group on measuring GDP in a digitalized economy provides a useful conceptual framework which embeds the digital aspect into the producer-consumer model while mapping it into the SNA broad framework².

This is a high-level portrait and more work needs to be done at the detailed classification level to:

- Identify instances where the existing classifications (ISIC, NAICS, NAPCS, etc.) need to be updated
- Classify the enablers, goods and services which have emerged as a result of digitalization



A number of specific classification issues have been identified with respect to:

- Firms retailing via brick and mortar versus e-commerce firms
- Web based or web delivered content and media
- Digital intermediation platforms

The Task Team will focus on resolving classification issues related to the points listed above. More specifically the team will look into whether the way in which a product is delivered impacts the classification of the firm, whether distinctions should be made between electronic and non-electronic versions of products, the bundling of services and the place of the intermediation platforms in the classification system. There may also be a need to consider how classifications can support analysis of globalization issues given the different roles that firms have in the supply chain.

Main measurement challenges

The digital economy has created a new host of measurement challenges (see list below) for statisticians, as well as putting into question some of the established measures. That refers both to the new phenomena

² See the OECD paper titled “Towards a Framework for Measuring the Digital Economy” prepared for the 16th Conference of IAOS and authored by Nadim Ahmad (OECD) and Jennifer Ribarsky (U.S. Bureau of Economic Analysis)

which statistical systems are called upon to identify, classify and account for, but also the practices, namely data sources, required to carry out these tasks. It is becoming increasingly evident that the standard practice of conducting surveys is both inadequate and inefficient for capturing the impact of digitalization on the economy and society. Therefore, identifying new data sources (including administrative) and modalities of accessing, processing and tabulating these data has become a critical element of meeting these measurement challenges. Finally, it is equally evident that traditional dissemination and communication fall short of users' needs as well as the statistical community's need of remaining relevant and visible in today's media. Gathering and documenting country best practices will be a focus of the Task Team:

- Accounting for the sharing economy in the estimation of GDP and labour market participation
- Improving the measurement of investment in intangibles (data, R&D, software, innovation)
- accounting for industries such as digital platforms
- scoping concepts/industries affected by artificial intelligence and robotics
- accounting for shifts between market and non-market activities such as the provision of training.
- Accounting for e-commerce in the CPI and PPI (internet versus brick and mortar prices, sharing economy prices, timely inclusion of prices for new digital products and services, adequate quality adjustment)
- Measuring trade in value added and cross-border transactions
- Measuring trade in services
- Measure the value and use of digitally delivered content and media
- Measuring employment and household income in the context of the sharing and gig economy
- Measuring digital risk (preventing and recovering from cyber attacks, trust)
- ICT usage
- “Data on data” and investment in cloud computing

Although in recent years significant steps have been taken to improve the international standards (e.g. the harmonization of the 2008 SNA and BPM6) and measurement methods when it comes to recording the transactions of enterprises participating in global production, there is still much work left to do. National Statistical Institutes (NSIs) need to keep track of the changing forms of global production and their effects on international trade relationships. It is important to identify best practices developed by countries and agree internationally on the practical guidelines needed in order to foster international comparability.

Building on work done by expert groups such as the **Expert Group on the Impact of Globalization on National Accounts** and the **Task Force on Global Production**, the Task Team will delve into the following:

- How to make use of the Business Register to identify firms involved in global production
- The use of dedicated surveys to measure global production
- Review and document national best practices in identifying the existence of factoryless goods producers
- The use of **Large and Complex Enterprises Units** for observing and measuring global production
- The link between global production and attaining the SDGs

Description of timing and deliverables

Below is a preliminary list of actions the Task Team intends to develop; the expected results as well as a preliminary list of deliverables associated to a time schedule not exceeding two years.

Deliverables

Actions	Results	Deliverables	Due date
<p><u>Concepts</u></p> <ol style="list-style-type: none"> 1. Review the existing conceptual work on measuring the digital economy by gathering documentation on work done to date. 2. Develop the first draft of the Handbook outline. 	<p>Lay out the landscape, identify where work is, or has been done; identify the existing gaps</p>	<p>Report, in the form of a presentation, to the June meeting of the Committee.</p>	<p>June 2019</p>
<p><u>Standards</u></p> <p>Study the current conceptual issues related to: digital transactions (intermediation platforms) and digital products and services (intermediated and non-intermediated).</p> <p>Use the existing Glossaries on statistical terms referring to trade and globalization as a point of departure;</p>	<p>Propose updates to ISIC and recommendations to classify firms participating in global production, and products and services which are the result of a globalized and digitalized economy.</p> <p>Enlarge the list of definitions already developed.</p>	<p>Set of recommendations on required updates to standard classifications.</p>	<p>End of 2019</p>
<p><u>Data and infrastructure</u></p> <p>Record current best practices from NSOs in terms of data sources and data "collection" methods and approaches for measuring the digital economy and global production. Include the use of the Business Register as an important repository and source of information.</p> <p>Conduct research into various aspects of accounting for e-commerce into the CPI and IPPPI (internet versus brick and mortar prices, sharing economy prices, timely inclusion of prices for new</p>	<p>Develop link to the statistical infrastructure system and recommendations on how it needs to evolve if it is to meet the needs of measuring the digital economy and global production.</p> <p>Provide practical advice on how to quality adjust for digital products and services and on data sources which can be used to this end.</p>	<p>Report and recommendations on best practices for measuring the global and digital economy, including filling existing data gaps. Some specific recommendations will focus on:</p> <ul style="list-style-type: none"> - Use of the BR as the backbone for identifying digital and GVC firm participation - Data exchange and data sharing for MNEs - Use of LCUs for measuring global production 	<p>June 2020</p>

<i>digital products and services, adequate quality adjustment)</i>		- <i>Recommendations on further experimentation with respect data sources and methods for quality adjustment for prices</i>	
<u><i>Bring together the:</i></u> - <i>Recommendations on the Conceptual framework</i> - <i>Recommendations for updating the statistical classification systems</i> - <i>Recommendations for data sources and infrastructure</i> - <i>Etc.</i>	<i>One document outlining the framework as well as practical recommendations for countries on meeting the measurement challenges associated with digitalization and globalization.</i>	<i>Statistical Handbook on the Measuring of the Economy in a Digitalized and Globalized World</i>	<i>End of 2020</i>

APPENDIX A:

Task Team	Mandate
<i>Task team on Well-being and Sustainability</i>	The task team will focus on aspects of well-being and sustainability from an enterprise perspective and identify how business statistics can be improved for a better measurement of the impact of business activities in these areas.
<i>Task team on Exhaustive Business Registers</i>	The task team will focus on two main aspects: developing guidance relevant for developed and developing countries for making business registers more inclusive, even in a rapidly changing economy; and fostering and providing guidance on the use of statistical business registers to establish reliable statistical infrastructure
<i>Task team on Business Dynamics, Demography and Entrepreneurship.</i>	The Task Team is expected to look further into the need for international harmonization for countries outside of the OECD and EU related to the drivers of business activity, such as Innovation and Communication Technology (ICT), research and

	development, e-commerce, globalization and employment.
<i>Task team on Capacity building (leaving no one behind)</i>	The task team aims to integrate efforts by international and regional organizations in conducting assessments, developing guidelines or training materials for the establishment, maintenance and improvement of the SBR