Friends of the Chair Group on Measurement of International Trade and Economic Globalization

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Trade Statistics Branch
United Nations Statistics Division
DESA
Implementing IMTS 2010, MSITS 2010
Global Manufacturing and Outsourcing of Business Functions
Multi-National Enterprises and Foreign Affiliates
Integrated approach of trade and business statistics
Trade in Value-Added: Input-Output Approach and the domestic content of Exports
BACKGROUND documents:

WTO & IDE-JETRO, 2011  *Trade patterns and global value chains in East Asia*


OECD, 2013  *Interconnected economies: benefiting from global value chains*


Commission Decision 44/106 (2013)

- Created Friends of the Chair (FOC) group on the measurement of international trade and economic globalization to:
  - Prepare a **concept paper** on the scope and content and on a mechanism for coordination of the work, taking into account
    - international trade statistics, foreign affiliate statistics, foreign direct investment statistics, measurement of outsourcing of business functions and of other cross-border interdependencies,
    - as well as the research and studies done by Eurostat, OECD, IMF and various working groups
POLICY DRIVERS
Encouraging Trade, Investment, and Competiveness Through More Relevant and Accurate Data

- Better target public policy and inform public perceptions
  - Drilling down beneath gross/counterparty trade and investment flows provides a more accurate, and relevant picture of the underlying pattern of economic activity across countries.
  - A fuller picture of the critical dependencies and benefits that arise from global production and trade provides an improved basis for public understanding of the dynamics of global trade and investment and for public policy.
Incomplete Picture of Dependencies and of “Lost” Jobs, Incomes, and Taxes

- Exporting jobs to China? (OECD estimates)
  - China's bilateral trade with the United States 1/3 smaller on a value-added basis than on official gross flows
  - One third of the content of China's exports comes from foreign inputs.
    - Assembly and processing of electronic components and products contributed to rise in the foreign content of Chinese exports from 12 percent in 1995 to 33 percent in 2009
Trade and Investment Policy

- Examples where value-added data would help
  - EU trade sanctions against footwear made in Asia when as much as 80% of the valued-added from Asian-made footwear estimated to originate in EU.
  - U.S. great concerns over trade with China and “offshoring”
    - U.S. value added in Chinese imports, other country value-added in Chinese imports; and
    - U.S. domestic services value-added in final sales of imports
GLOBAL VALUE CHAIN ANALYSIS
Figure 1. Global Value Chains: from apparel to electronics
VIII  Trade in Value Added

Box 1. Measuring trade in value added

The Trade in Value Added initiative factors out the double counting implicit in current gross flows of trade and instead measures the flows of value that is added (labour compensation, taxes and profits) by a country in the production of any good or service that is exported.
Figure 11
Bilateral trade flows between China, the United States and Japan, 1995 versus 2009, by type of good (percentage)
Costa Rica’s Position in the Medical Devices GVC

- Research & Product Development
  - Prototype
  - Regulatory Approval
  - Process Development
  - Sustaining Engineering

- Components Manufacturing
  - Software Development
  - Electronics development
  - Precision metal works
  - Plastics extrusion & molding
  - Weaving/Knitting Textiles

- Assembly / Production
  - Assembly
  - Packaging
  - Sterilization

- Distribution & Marketing
  - Wholesale distributors
  - Doctors & Nurses
  - Hospitals (Public/Private)
  - Individual Patients

- Post-Sales Services
  - Training
  - Consulting
  - Maintenance, Repair

Input Suppliers
- Resin
- Metals
- Chemicals
- Textiles

Main Segments: Exports
- Capital Equip. US$32.5 million
- Therapeutics US$301 million
- Disposables US$575.5 million
- Instruments US$270.5 million

Number of Firms
- 0 - 5
- 6 - 10
- 11 - 15
- 16 - 20

13
Improving Data Availability – By linking Trade data and Business Register

- Since May 2012, UNSD works with INEC to link the Business Register of Costa Rica (maintained by INEC) with the detailed Customs data (processed by the Customs administration in cooperation with INEC).

- The cooperation has resulted in the creation of a first micro-level dataset for the monthly trade statistics of December 2011-April 2012.

- Improved micro-level dataset on monthly trade statistics for June - December 2012.
<table>
<thead>
<tr>
<th>Main activity</th>
<th>All Business Register</th>
<th>Exporting enterprise</th>
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<tbody>
<tr>
<td></td>
<td>No. of firms</td>
<td>No. of employees</td>
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<td>02 Forestry and logging</td>
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<td>1,567</td>
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<td>C Manufacturing</td>
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<td>144,706</td>
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<td>10 Manufacture of food products</td>
<td>1,078</td>
<td>48,328</td>
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<td>14 Manufacture of wearing apparel</td>
<td>559</td>
<td>7,949</td>
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<td>25 Manufacture of fabricated metal products</td>
<td>441</td>
<td>6,043</td>
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<tr>
<td>26 Manufacture of computer, electronics</td>
<td>40</td>
<td>6,531</td>
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<tr>
<td>27 Manufacture of electrical equipment</td>
<td>37</td>
<td>4,477</td>
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<tr>
<td>G+H Transport, warehousing, and support activities</td>
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<td>201,935</td>
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<td>Wholesale trade, except motor vehicles</td>
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<td>58,966</td>
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<td>47 Retail trade, except of motor vehicles</td>
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<td>Other activities</td>
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<td>318,907</td>
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<td>Hotel and Restaurants</td>
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<td>Professional and scientific services</td>
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<td>Social and Health services</td>
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<td></td>
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<tr>
<td>Unknown activity</td>
<td>2,988</td>
<td>15,771</td>
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FOC MEETING IN
AGUASCALIENTES, MEXICO
2 OCTOBER 2014
International Conference on Measurement of Trade and Economic Globalization
Organized by UNSD and INEGI in cooperation with OECD, WTO and EUROSTAT
Aguascalientes, Mexico, 29 September – 1 October 2014
The conference started with

- the purpose (in terms of **policy**) and objective (in terms of **measurement**) of ongoing efforts
- highlighting the relevance of the **interconnectedness of countries** for production of goods and services, creation of jobs and generation of income, and for the corresponding use of natural resources

Thereafter, the conference went systematically through items of the future work programme

- **economic ownership** in global production networks
- associated **transfers of intellectual property products**
Other issues:
- the need for a **global register of enterprise groups** and the allocation of ultimate controlling institute,
- the **classification issues of economic activity and business functions** within the context of firm heterogeneity with respect to their involvement in global value chains, and
- the **influence of firm heterogeneity** on the construction of Supply-Use tables for a global SUT
- the compilation of a global SUT also requires addressing the existing **asymmetries in merchandise trade, trade in services and FDI/FATS**.
- Finally, further work on micro-data linking, including TEC (trade by enterprise characteristics), STEC (trade in services by enterprise characteristics), and the efforts on **linking of trade with the business register**.
Future work programme in this field

- Preparation of a **Handbook of a System of Global Accounts**;
- Work on a (global) **Enterprise Group Register** was supported with some scepticism about the feasibility (the Wiesbaden group);
- Work on Enterprise Classification and Firm Heterogeneity. Full support on moving this forward in two directions:
  - ISIC and Business Functions (Eurostat and UNSD)
  - TEC, STEC, trade by business statistics, and micro-data linking (Eurostat, UNSD and OECD)
- Asymmetries
  - Bilateral merchandise trade statistics
  - Bilateral trade in services statistics
  - FDI/FATS
Future work programme in this field

- Continuing **development of global SUT** was supported as collaboration among the international organizations, notably Eurostat, OECD and UNSD. OECD underlined that the TiVA project and a project to compile global SUTs for multi-purposes should be regarded as one and the same project.

Coordination

- Create **ISWGTEG for monitoring and coordination of ongoing work**, and
- Establish a **UN Expert group for the purpose of preparing a Handbook on System of Global Accounts**
Report to the Statistical Commission

- Introduction and Background
- Conceptual Framework
  - System of Global Accounts
- Schematic Framework
  - Existing concepts and definitions (SNA) and programme of work
  - Extended concepts and definitions (SGA) and programme of work
- Work Programme
- Coordination
Thank you for your attention