

Session VIII – Dissemination and the use of international trade statistics

The use of trade data in trade policymaking

Dr. Mia Mikic

Trade and Investment Division, ESCAP

mikic@un.org

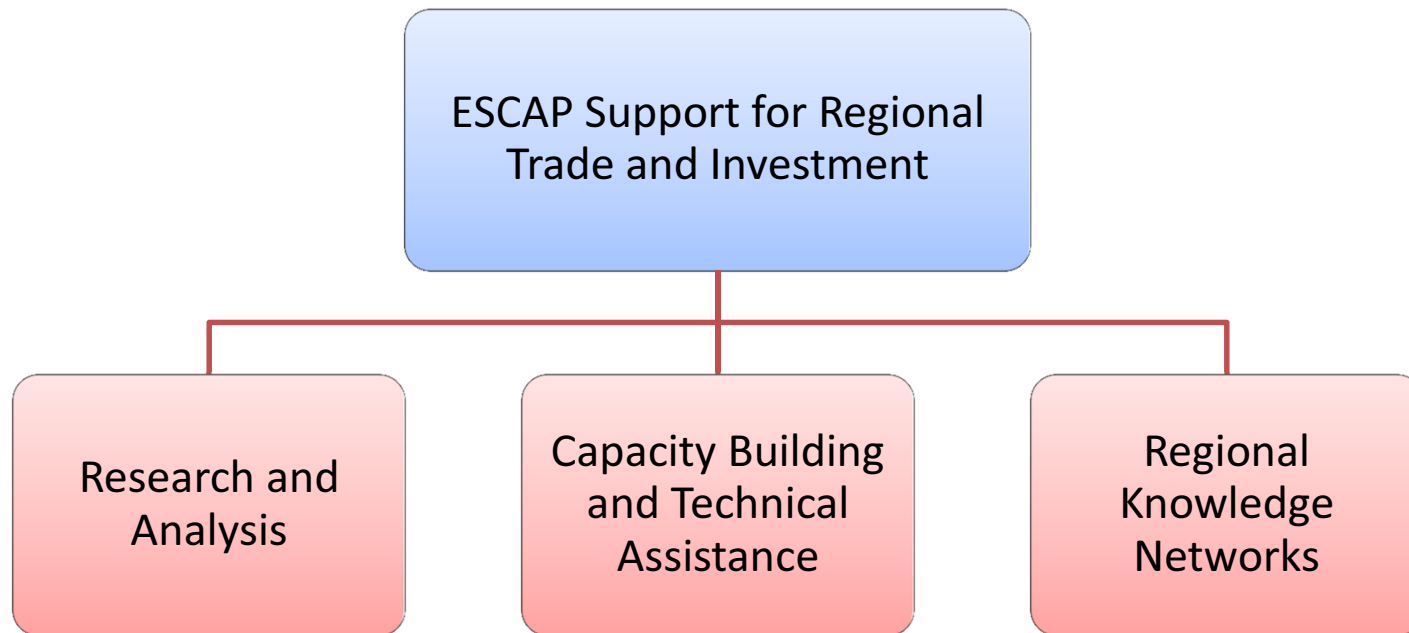
With contribution of Stefano Zenobi and Witada
Anukoonwattaka

United Nations Economic and Social Commission for Asia and the Pacific

ESCAP is the regional development arm of the United Nations, playing a unique role as the only intergovernmental forum for all countries and territories of Asian and the Pacific region.



ESCAP's work on trade and investment



Agenda

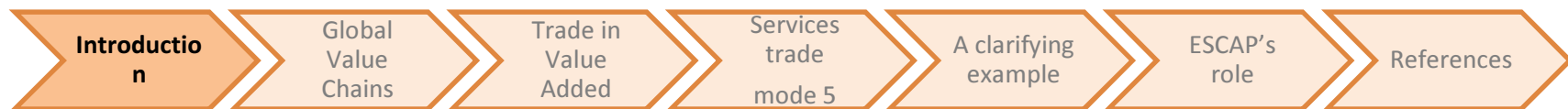
- Introduction – demand of policymakers and the shifting needs for trade statistics
- Implications of Global Value Chains to the needs for trade statistics
- Trade in Value Added – domestic and foreign value added
- Services supply – need for “Mode 5”
- A clarifying example
- ESCAP’s role
- References

Introduction –

what do the policymakers want?

- As ESCAP, we are requested real-time, understandable and problem specific analysis
- Grounded in data and numbers, providing deep details
- To support tailor-made decisions on the problems that policymakers face.

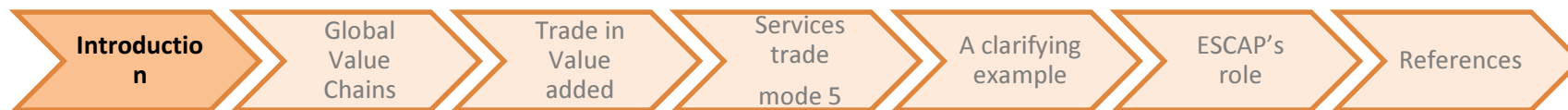
Policymakers need to understand impact of their policies in the short term and in the long term



Introduction –

Policy questions

- impact of their policies in the short term and in the long term
 - E.g. *Is Cambodia's national industry harmed from import of steel? Should it impose an antidumping measure, safeguard measure or some other form of a protection?*
- Sources of competitiveness
 - E.g. revealed comparative advantage or concentration/diversification indices?
- The real effects of trade on development



Introduction – *the data needs for answering those policy questions*

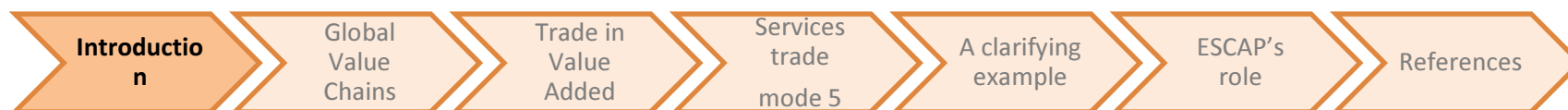
Traditional needs:

- “exports and imports” of goods and services

The Global Value Chains (GVCs) has changed production and trade patterns completely

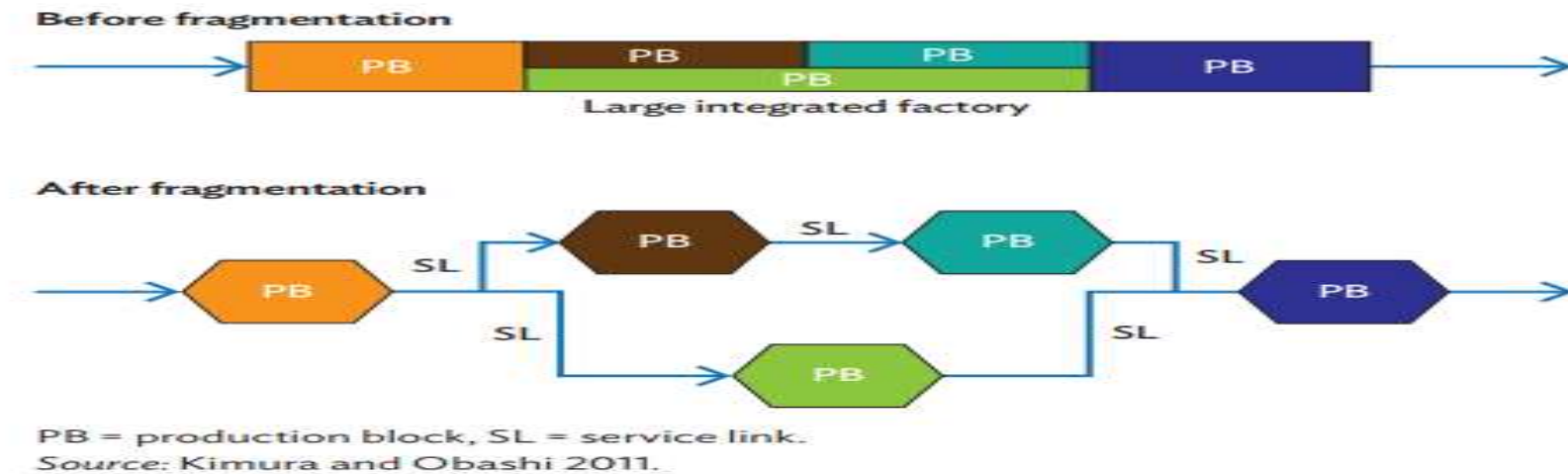
The current needs :

- “Domestic and foreign value added” in exports --- **Trade in value added**
- Manufacturing-service linkages--- **Services supply: mode 5**



Global Value Chains – *What are they?*

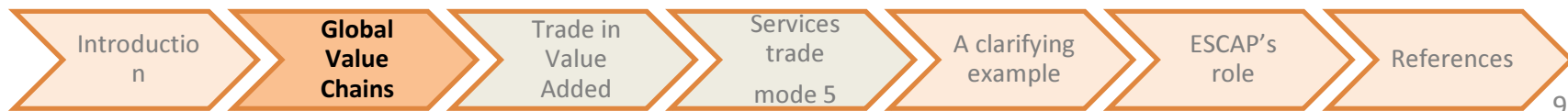
- A GVC describes the full range of activities around the world that firms and workers perform to bring a product from its conception to end use, including design, production, marketing and distribution.
- Often, these phases are associated with different values added.



Global Value Chains –

Implications to trade statistics

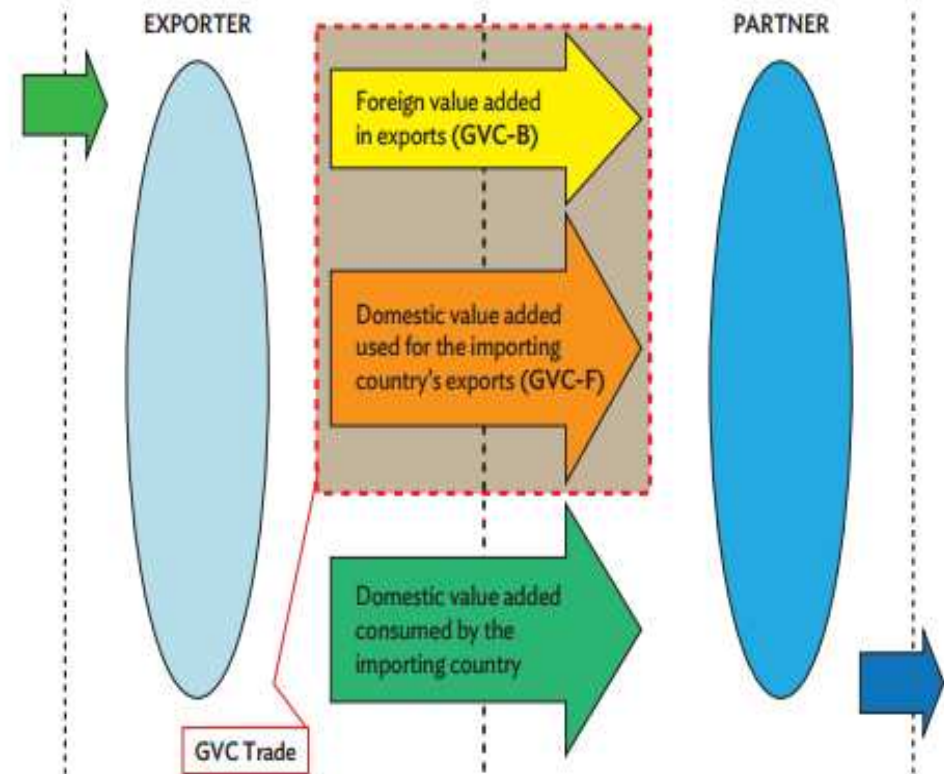
- Traditional export data becomes inappropriate to indentify specialization and competitiveness of a country, contributors to the country's export performance, and the contribution of trade to countries' well-being.
- The proliferation of GVCs have made the decomposition of gross exports into domestic and foreign value added becomes necessary.
- The growing of service content in manufacturing exports



Trade in Value Added

The statistical needs

- The backward and forward linkages in GVCs implies measuring trade in value added and requires Inter-Country Input-Output (ICIO) table.



GVC = global value chain.

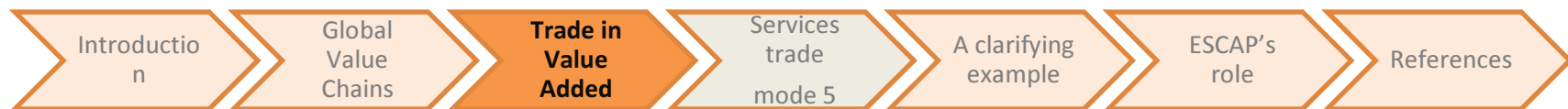
Source: Ma and Van Assche, unpublished.



Trade in Value Added

The reality

- The current attempts to construct Inter-Country Input Output table which is a platform for estimating trade in value added are OECD, EORA, WIOD, and GTAP
- Issues are around the quality and the coverage of ICIO tables
- There are huge data gaps especially for low income countries
- The preconditions to enhance the quality as well as the coverage of ICIO are the availability and the coherence of national I-O tables.

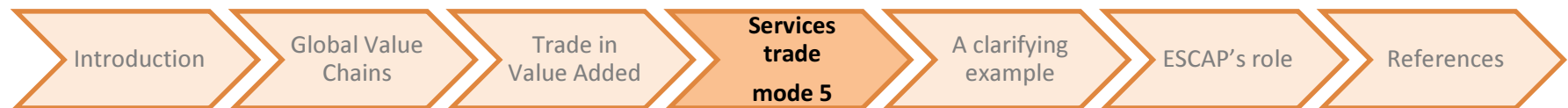


Services supply “mode 5” –

Concept

- Mode 5 is a proposal and it refers to services that are traded while embedded into products.
- These services are common in high value, technological products and make up a big share of the value added.
 - E.g. *the operative system installed in a laptop*

Mode 5: services make up a high share of value added of many products, yet they are not distinguished from a manufacturing value

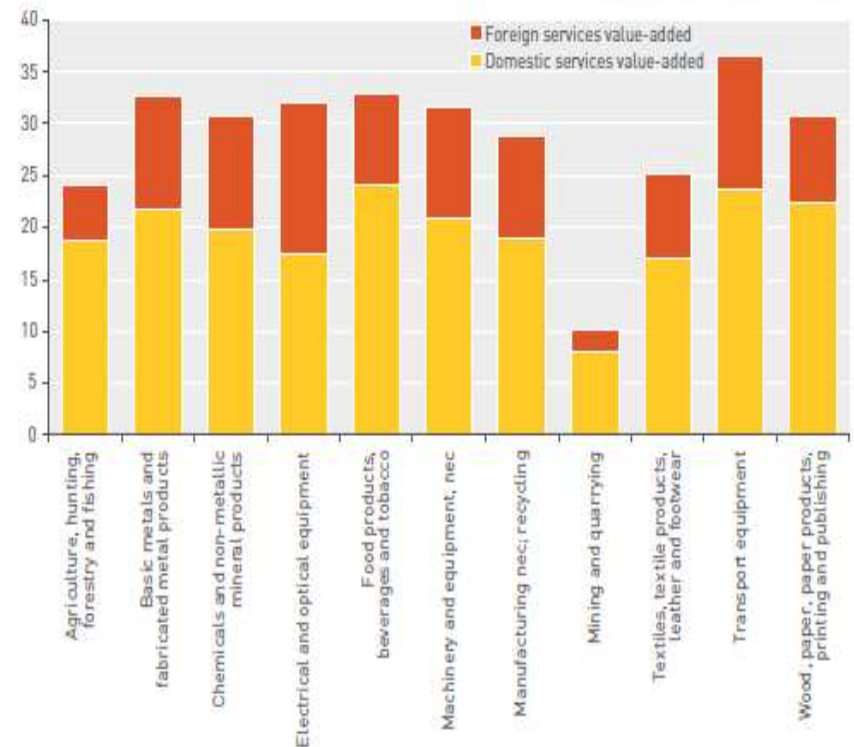


Trade in Value Added- *Services trade “mode 5”*

“ The expansion of global value chains involving several Asia-Pacific economies has contributed to services such as business services, communication and transportation becoming a critical component linking and facilitating international production networks for industrial exports. While the role of services value-added in industrial exports has been increasing, detailed evaluation is still unavailable to many economies due to limited availability and reliability of data.” (APTIR 2014, p.30)

FIGURE 2.6

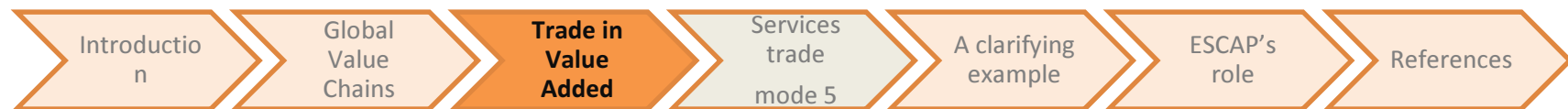
Services content in gross exports, by industrial sector, 2009
(Percentage of global export value)



Services trade: mode 5 – *Policy implications*

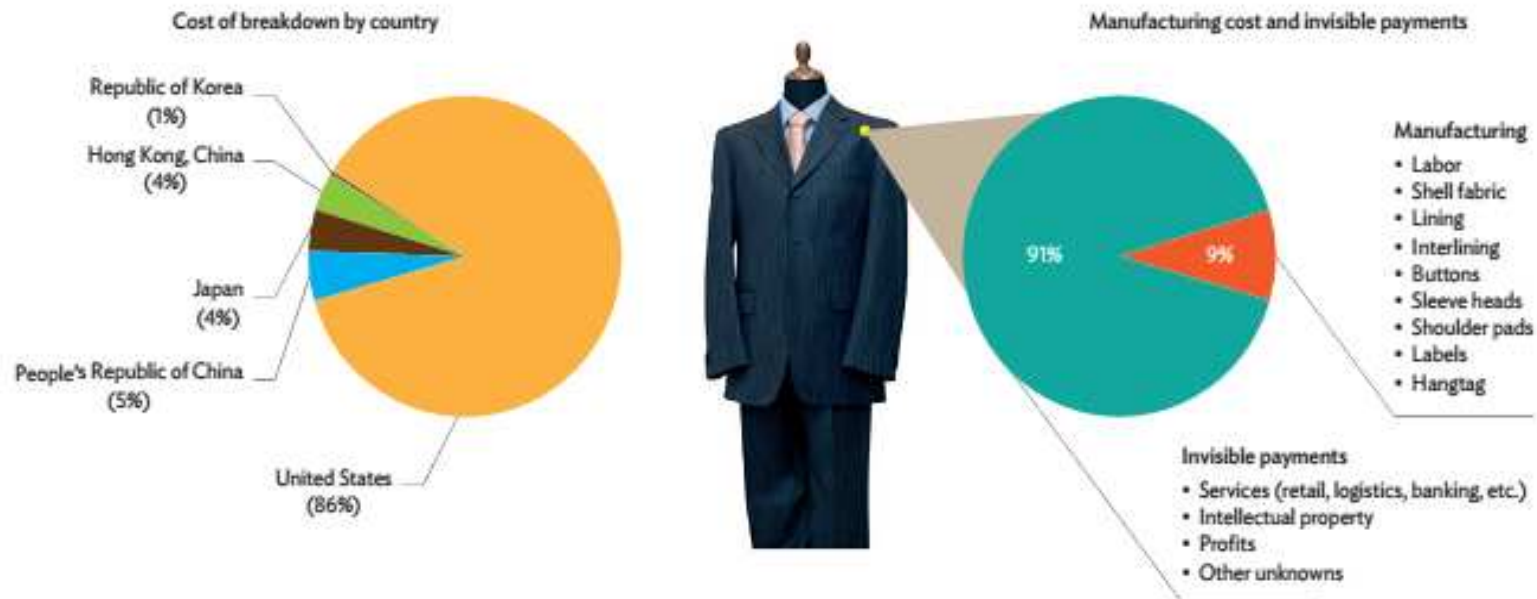
- This may change the perception of the relative competitiveness of developed and developing countries given by export statistics.
- Also, services embedded into products are subject to the GATT and tariffs on goods (AG and NAMA) apply to them.

Policymakers have to consider services in products in their decisions in field such as competitiveness growth and tariff applications

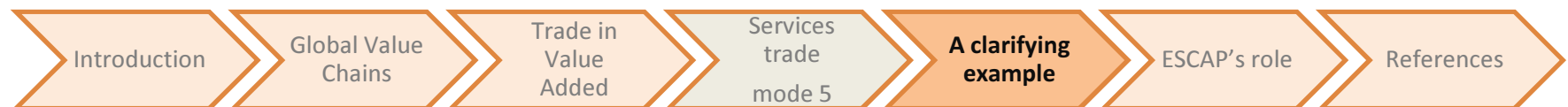


A clarifying example

The US retail value of the jacket is 425\$, yet only 14% originated in Asia while the rest is from the US. Also, only 9% or 38\$ are from manufacturing



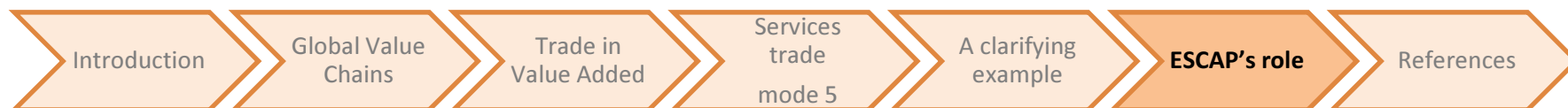
Source: Low, 2013 Services and value along supply chain



ESCAP's role

- ESCAP is constantly engaged in providing insights to policymakers of developing and least-developed countries of the region.
- Capacity building as well as research are a priority.
- Still, we rely heavily on external sources of data which are needed for our analysis and to inform the process of policymaking.

ESCAP needs reliable data to base its results on. Disseminating high quality studies to policymakers is essential for directing development.



References

Dicken, P., (2011) Global Shift, 6th Edition, Mapping the Changing Contours of the Global Economy, Guilford Press, New York

Jansen, R., Loranger, A., Da Pont, M., Kroese, B., Lemmers, O., Hoekstra, R., (2014) Measuring International Trade and Economic Globalization, Paper prepare for the IARIW 33rd General Conference

Asian Development Bank, (2014), Asian Development Outlook 2014 – Asia in Global Value Chain, ADB, Manila

Jansen, R., (2011) The Fragmentation of Global Production and Trade in Value-Added - Building on existing measures of Cross Border Trade, Note presented at the Workshop on the Fragmentation of Global Production and Trade in Value-added, 9-10 June 2011, World Bank, Washington DC

Cernat, L., Kutlina-Dimitrova, Z., (2014) Thinking in a box: a mode 5 approach to service trade, Chief Economist Note, European Commision, Brussels

UNCTAD, (2013) World Investment Report 2013 – GVCs: Investment and Trade for Development, Geneva

Low, P. 2013. Services and Value Along Supply Chains. Issue Brief 2013/01. Fung Global Institute. <http://www.fungglobalinstitute.org/en/services-and-value-along-supply-chains>



Thank you for
your attention
Q&A
www.unescap.org