

Framing the Macro and Satellite Accounts Perspective to Economic Globalization

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The Paradigm Shift:

The Old and New World of Production and Trade

- **New conceptual framework**

GVC model is a useful tool to determine complex industry interactions of global production, link geographically dispersed activities and actors of **a single industry**, and determine the roles they play in economies.

- **Size matters:** Global value chains (GVCs) account for a rising share of international trade, GDP, employment and use of natural resources

- **Shift in trade policy:** Protection of the domestic producers from external competition through tariffs to protection of the consumer, workers and environment by diminishing the difference in the product, labor and environmental standards.

The Paradigm Shift:

The Old and New World of Production and Trade

- **Implications for official statistics:** combining *international accounts* with cross border transactions between countries with *global accounts* describing the inter firm and intra firm networks as a global assembly line of globally produced goods and services.
- understanding the functional and geographical unbundling of production
- Supply-chain trade should be not viewed as standard *trade in parts and components* rather than in *final goods and services in end markets* governed by a single industry

The Paradigm Shift:

The Old and New World of Production and Trade

How trade is to be understood

- Trade between countries turned into global production systems – made in the world
- Nations do not trade but firms trade
- Firms along the domestic, regional and global value chains have to be mapped and analyzed – traders, retailers, producers, lead firms capturing the gain: revenue, profit and employment
- Fundamental trade off in supply chain fragmentation is between specialization gains and coordination costs

The Paradigm Shift:

The Old and New World of Production and Trade

How trade is conducted:

- Lower entry level for firms to participate in global markets: less own competence required in technology, skills and capital
- Network firms look for opportunities in economic (product, process, price, market and market share) upgrading
- Regional value chains allow for regional integration with focus on near markets, e.g. focus of ASEAN, NAFTA, EU, SADC, etc.

The Paradigm Shift:

The Old and New World of Production and Trade

How trade is governed

- Inter-firms relationship between lead and supporting firms in GVC are governed by different structures to address complexity of information and knowledge, degree of codification and capacity of supplier
- Tariffs are rationalized
- Non-tariff measures related to standards for protecting consumers are becoming more important. Private standards are more important than public standards. Buyer and producers driven supply chains are seeking harmonization of standards

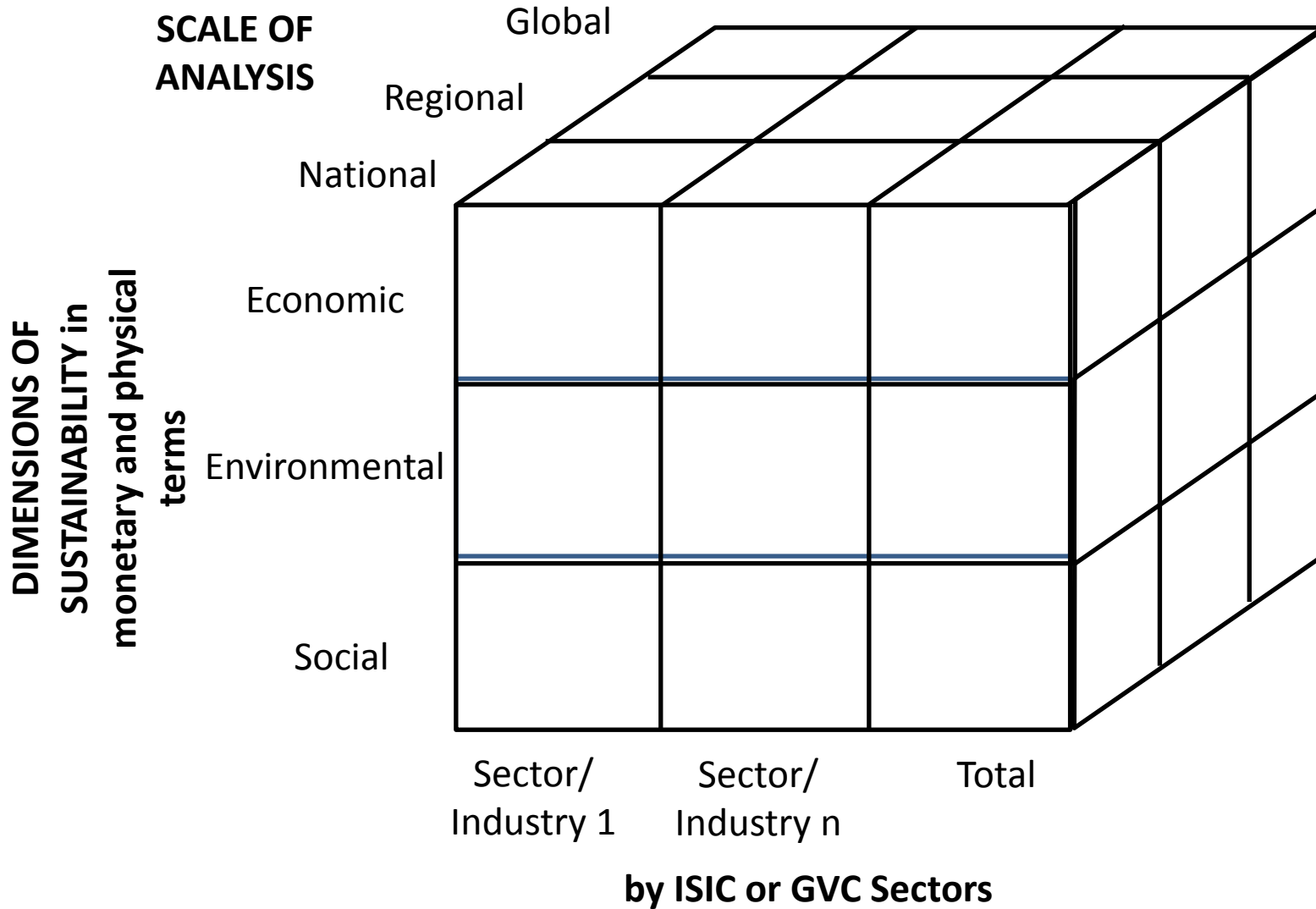
Recognition of Economic Globalization and Global Accounts

- 2007 ISIC Rev 4 Strict ownership principle whether ISIC manufacturer versus ISIC wholesaler
- 2008 SNA – Introduction to globalization in goods for processing, merchanting, IPP, SPEs
- 2009 WIOD data base, EC Project on MR IO tables
- 2009 Exiopol, EC project on EE-MR-Input Output Tables
- 2009, European MEETS program including EuroGroup Register
- 2010 Global Inter-Country Input-Output table, Koopmans, Wang and Wei
- 2011 The Impact of Globalization on National Accounts (UNECE, 2011)
- 2011 IDE Jetro/WTO report on Tiva analysis
- 2012 System of Environmental Economic Accounts (SEEA -2012)
- 2013, OECD/WTO Trade in Value added Data base
- 2015, Guide to Measuring Global Production (UNECE, 2015)

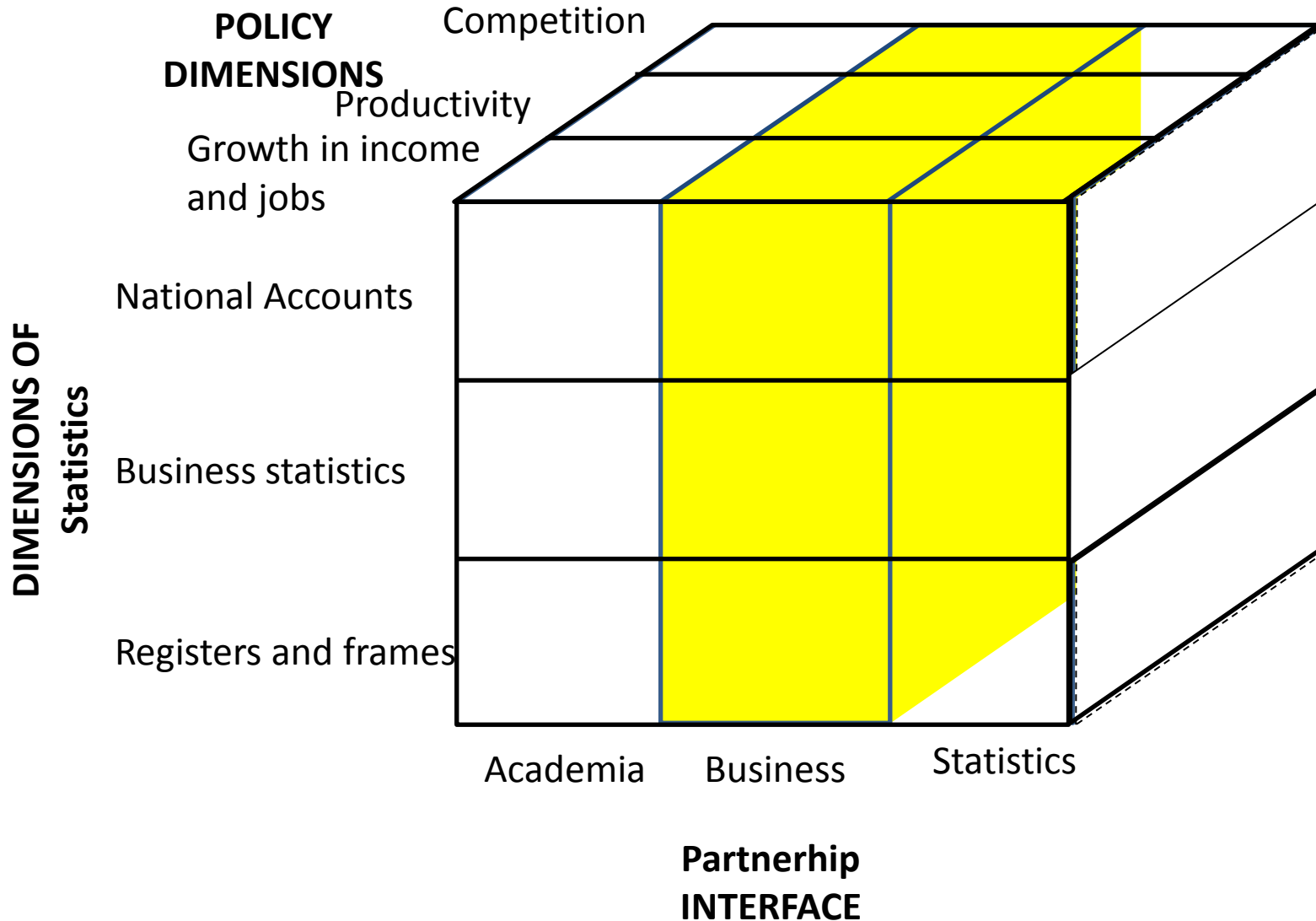
Recognition of GVCs

- 1990s “buyer-driven” and “producer-driven” modes of global commodity chain governance, work by G. Gereffi.
- 2000, workshops on value chains held in Bellagio, Italy
- 2005, G. Gereffi, J. Humphrey and T. Sturgeon, Governance of the global value chain – theoretical framework
- 2009 Capturing the gains project, economic and social upgrading in global production networks
- 2009 Jason Dedrick study on the ipod
- 2013 Sturgeon report Global Value Chains and Economic Globalisation
- 2014 Duke Global Summit, Governance and development in a value chain world – globalvaluechain.org

Dimensions of the Global Accounts



Policy, Science and Statistics Interface



Global Macro Accounts : A simplified two country (global) IO table

		Country 1		Country 2		Country 1	Country 2
		Industry 1	Industry 2	Industry 1	Industry 2	Domestic Final Demand	Domestic Final Demand
Country 1	Industry 1	A_{11}	A_{12}	M^2_{11}	M^2_{12}	D_1	MD^2_1
	Industry 2	A_{21}	A_{22}	M^2_{21}	M^2_{22}	D_2	MD^2_2
Country 2	Industry 1	M_{12}	M_{12}	A^2_{11}	A^2_{12}	A_{11}	D^2_1
	Industry 2	M_{21}	M_{22}	A^2_{21}	A^2_{22}	A_{21}	D^2_2
Taxes less subsidies on product		TP_1	TP_2	TP^2_1	TP^2_2	DTP	$D^2 TP$
Value-added at basic prices		V_1	V_2	V^2_1	V^2_2		
Output		O_1	O_2	O^2_1	O^2_2		

Global GVC related Satellite Account

A simplified two country global Accounts Supply and Use Table

		Products		Industry		Final use		Exports	Output
		<i>Country 1</i>	<i>Country 2</i>	<i>Country 1</i>	<i>Country 2</i>	<i>Country 1</i>	<i>Country 2</i>		
Products	<i>Country 1</i>			D	M	D	M	D	D
	<i>Country 2</i>			M	D	M	D	D	D
Industry	<i>Country 1</i>	D	0						
	<i>Country 2</i>	0	D						
Import		M	M						
Trade and Transport		D	D						
Value added				VA	VA				
Output		D	D						

Global Accounts

Macro versus GVC Satellite Accounts

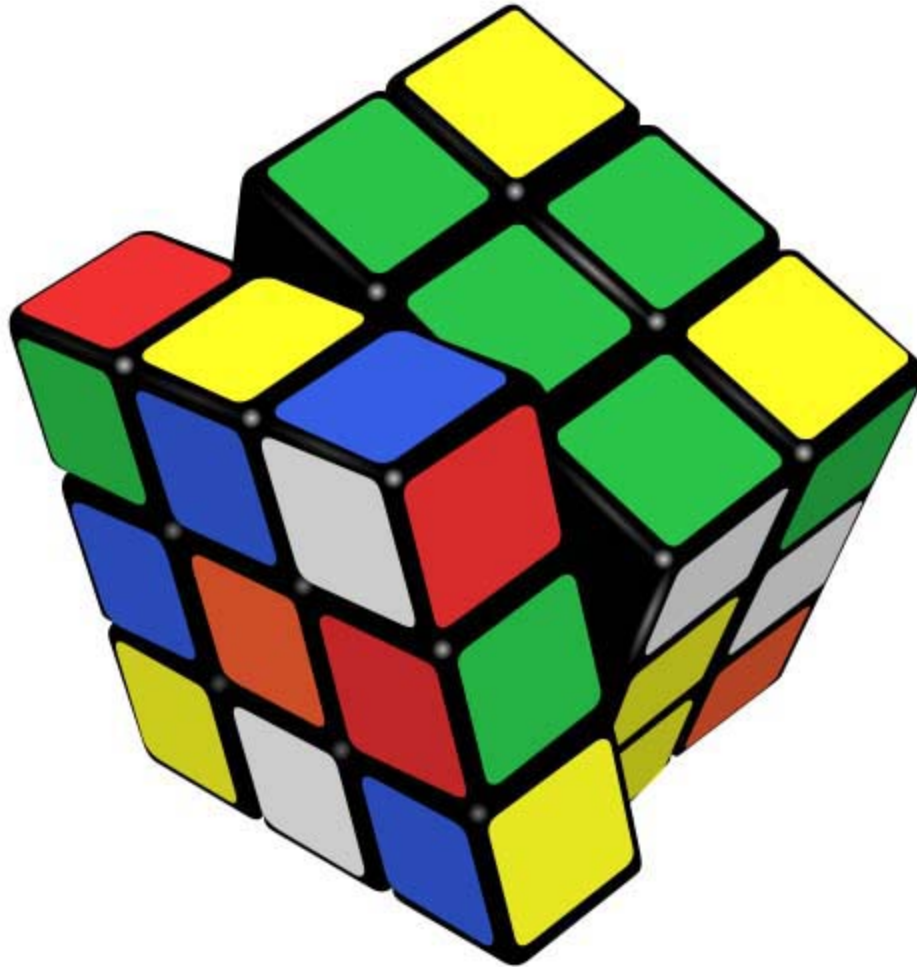
Macro TiVA related global accounts

- OECD/WTO updates data bases since January 2013 with broadening of industries and countries
- Standardization of national IO tables
- Mechanical adjustment for trade-asymmetries and import matrices
- Analytical TiVA related key global account aggregates and international accounts aggregates (TEC/STEC) by countries
- Quality improvements through proposed extended IO tables

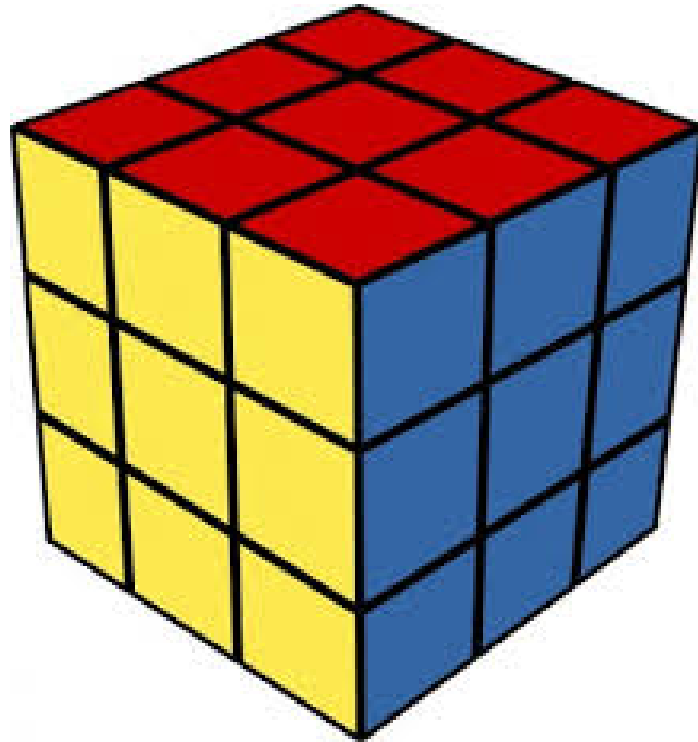
GVC Satellite Accounts

- Projects on national GVC sector Satellite compilation to be launched – standardized
- Build on robust GVC conceptual model
- Well documented GVC sector case studies – textile and apparel, electronics, automobile, aerospace, tourism, agri food , etc.
- Benefits: address trade asymmetries, clarify FGP, CM, address income flows related to IPP, clarify FDI relationships, etc.
- Quality statistics from international and global accounts

Compilation of Global and International Accounts with Global IO Tables and GVC sector Satellite SUTs



Completing the Extended International and Global Accounts



Handbook on System of Extended International and Global Accounts (SEIGA)

SEIGA

Macro –
national and
global
accounts

Policy Questions

Methodology and units

Classifications

Source data

Key aggregates

Quality

GVC Satellite

National and
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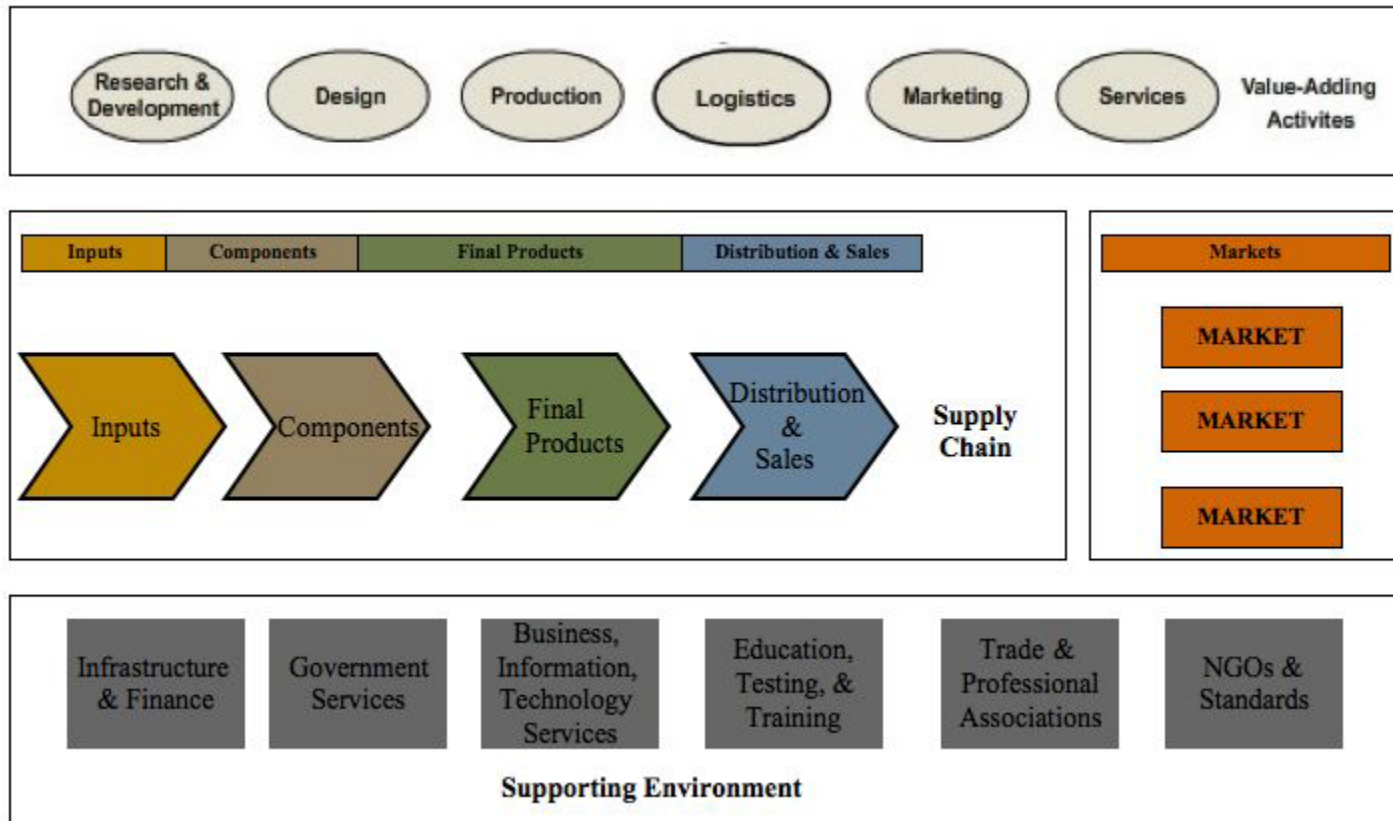
Quality

The Concept of Global Value Chain

- The value chain describes the full range of activities, business functions, institutional environment and governance of the value chain required to bring a product or service from conception through the different phases of production, delivery to final consumers, and the final disposal after use

Four Parts of Value Chain Model

for I/O structure, geographic scope and supporting environment



Thank you

