Mapping Global Value Chains and Measuring Trade in Tasks

“Looking at Trade Analysts’ Expectations”

Hubert Escaith
Export-Led Growth and Development: What may affect Overall Export Performance?

- **Supply side factors:** Gains in industrial or systemic competitiveness (GVC insertion; trade and transport facilitation); relative prices; supply shocks; B2C and B2B export promotion; ...

- **Demand side factors:** Global/Regional/Domestic Business Cycles; Market Access (MFN and Preference margins); RTAs, FDI and Trade creation/deviation; trade in varieties and change in consumer preferences ...
What could bring a Global Value Chain Approach to Trade Statistics?

• **From Statistics to Knowledge**: “If our aim is to understand firms and consumers’ behaviour rather than simply to record it, we want to know about actors and interactions, clusters and neighbourhoods, organization and social control” (adapted from Freeman, 2004: “The development of social network analysis”)

• **Global Governance and Evidences Based Decision Making**: From “International Trade Statistics” (a simple “one to many” perspective) to “Global Trade and Production Statistics” (an hyper “many to many” approach: many actors, many flows –merchandises, services, investment, income,...)
Do we have a choice?

• Not really in my view!

If Curiosity Killed the Cat...

Lack of Curiosity Slowly Kills Official Statistics
The theoretical frameworks
relevant models

1. Network economics
   - Networks of differentiated agents: who you are connected with is very important
   - From graph theory (nodes, vertex, oriented graphs) to Markov or Bayesian chains.
   - From graphs to linear algebra: IO matrices
     - Flows indicator (strength and length)
     - IO and National Accounts: Physical, financial and income (factor) circuits

2. Trade Theory: the new and the “new” new trade theories
   - Importance of specialization and agglomeration effects (territorial dimension)
   - Importance of product differentiation and firm heterogeneity (the death of the representative agent)

3. Business School Models: what is a value chain?
   - Notion of cluster (lead-firms and suppliers; networks and territories, once again)
   - Competitive vs. comparative advantages; role of services as enablers/enhancers
   - Corporate Social Responsibility: socio-economic dimension at local (micro) level.

4. Development Economics
   - Importance of product and functional upgrading (product classification by technological content; strength and length of inter-industrial linkages)
   - Importance of social upgrading (trade and employment; tasks and skills; socio-economic dimension at sectoral and macro levels)
What should be counted?

A proper mapping of global trade today: collecting information on

- **Actors:**
  - Firms and households (both producers and consumers, resident and non-resident)

- **Flows:**
  - Goods and services (intermediate, final);
  - Factors and income (value-added disaggregation: labour content); FDI (financial flows); non-economic costs (e.g., environment and CO2; water content)

- **Operational and governance aspects:**
  - Trade and transportation costs (e.g., Trade Facilitation)
  - Other transaction costs (e.g., Non Tariff Measures)
  - Corporate ownership and intra-firm trade
How can it be counted?

1. Mapping the flow of intermediate goods and services
   - Revisiting traditional data with a new mind-set
   - Potential and Shortcomings:
     - Understanding flows: the role of classifications: BEC (end-use), Rauch (market-power); Lall (technological content)
     - Actors (sectors, firms): remains a black-box, need for additional (sectoral/micro) approaches

2. Supply Use Tables, International Input-Output and Trade in Value-Added
   - SUTs as the basic building block (e.g., OECD Extended SUT Initiative)
   - International Input-Ouput Tables and Trade in Value-Added
     - From Academia to Official Statistics (2001-2012)
     - Future extensions (coverage, disaggregation, socio-economic accounts)

3. Trade by Firm Characteristics
   - Linking trade and business statistics (EUROSTAT; OECD)
   - Extensions to “trade in business functions” (outsourcing/offshoring)
   - Complementarity with Input-Output Analysis:
     - Examples of China and Mexico in the new OECD-WTO TiVA database
Conclusions

New challenges for Trade and (inter)National Accounts Statistics in the 21st Century

• FIRMS ARE BECOMING INCREASINGLY GLOBAL WHILE INTERNATIONAL TRADE HAS AN INCREASING IMPACT AT A LOCAL LEVEL
  – From International to Global Statistics
  – From Balance of Payments and Custom Statistics to firm-level and socio-economic data

• WHAT SHOULD BE COUNTED?
  – The “trade-investment” nexus: FDI and Ownership
  – Trade and Income Flow: wages, profit, taxes
  – Satellite accounts: socio-economic data, environment accounts
  – The territorial dimension: “Trade and the City”

• HOW TO MAP AND MEASURE?
  – New Ways of Milking the Old Trade Statistics Cow
  – Measuring Trade in Value Added
  – Linking Trade and Business Statistics

Searching for an integrating framework at the UN Statistical Conference (and elsewhere...)
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