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DEPARTMENT OF ECONOMIC AND SOCIAL AFFAIRS

STATISTICS DIVISION

United Nations Statistical Commission

Expert Group on International Trade and Economic Globalization Statistics

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Opening Statement

Stefan Schweinfest, Director
United Nations Statistics Division

Dear Ambassador,

Dear Ladies and Gentlemen,

Dear Colleagues,

I am very honoured to address you for the opening of this seminar on the “Impact and Measurement of Economic Globalization”.

I would like to especially thank Ambassador Donoghue for hosting this event. I have good memories of having the honour of sharing the podium with the Ambassador, when he so skillfully navigated all of us through the discussions on the formulation of the Sustainable Development Goals and Targets. I was – of course – only there when the discussion was touching upon the SDG indicators, but I want to thank the Ambassador for always being a strong supporter of measurement, data and statistics as an integral part of the Sustainable Development Agenda.

The economic dimension is one of the pillars of the SDG framework and creating value added and employment through economic growth and globalisation is certainly a facilitator for the achievement of the SDGs.

As the event this morning is also the opening of the second meeting of the UN Expert Group on international trade and economic globalization, I want to specially welcome our expert colleagues from around the world. As we can see from the set-up of this session, the discussions will be both on the policy perspective of the globalization of production and the measurement challenges arising from the global fragmentation of production of goods and services. In this opening statement, I would like to make some brief remarks on the background and context of the work of this group.

“The Irish case”

There is of course a good reason why the Permanent Mission of Ireland to the UN is today’s host: Not only is Michael Connolly of the Central Statistics Office of Ireland the Chair of the afore mentioned expert group, but CSO Ireland also had to go through a heated summer this year, because of the significant revision of its GDP numbers caused by the movements of economic assets directly related to economic globalization.

Michael will speak later this morning about the specifics of this “Irish case”. I would like to point out that my office fully supports the firm and consistent stance taken by our colleagues in Ireland. They applied the existing international recommendations as they relate to the System of National Accounts 2008 and the calculation of the GDP. CSO Ireland used all its very detailed business and trade statistics to arrive at the revised GDP figures, and published these in July of this year.

Given the unexpected double digit increase in the volume of GDP, many national and international economists criticized this growth in GDP and called it unreasonable. CSO Ireland explained in detail on several occasions how it had compiled its macroeconomic statistics and underlined that it was merely complying with the internationally agreed recommendations.

The life of a national statistician can be tough at times, and we admire CSO Ireland in the way it developed a fully transparent communication strategy and created the space for dialogue with its users.

As Michael will explain, the impact of large and globally operating multi-national enterprises can have a significant impact on a small open economy like Ireland. By extension, such impact of economic globalization can take place in other economies of similar or smaller size as well.

We can learn from this Irish experience in explaining the conceptual and analytical relevance of the measurement of globalization in the national accounts when economists will tell you that these kinds of shifts in GDP undermine the usefulness of the GDP as reflection of the state of the overall economy.

“Measurement of economic globalization”

So, do we need to change the measurement of the national economy due to the impact of globalization?

One part of the answer is that this double digit change in GDP is still a rare phenomenon, and also CSO Ireland will tell you that they expect such shift to happen very rarely. So, we do not have to panic.

Nevertheless, the statistical community needs to act and the UN Statistical Commission did establish the expert group to strengthen the conceptual and analytical relevance in the measurement of economic globalization in extended national accounts supported by integrated business statistics. Here we can build on the recognition by the Statistical Commission of the important role of Global Value Chains in the fragmentation of production and the consequences for measuring trade, income, jobs and use of natural resources.

Policymakers and trade negotiators need to understand the cross-country benefits and risks by being able to “look through” the ownership and governance structures of the firms in the global value chains. Official statistics should measure the specific contributions firms operating in other countries are making to production networks involving their own domestic firms.

The Global Value Chain approach was suggested by the international statistical community as the preferred way of measuring the interconnectedness of economies with respect to growth, productivity and international competitiveness and the creation of jobs, value added, trade and income. The activities involved in GVCs can be grouped into broad stages of production from upstream research and design, through manufacturing, to downstream logistics, marketing and sales.

In a GVC, many of the tasks are “offshored”, either through an enterprise’s own affiliates located in foreign countries or through independent contractors. It is this newly emerged international economic integration of production and trade, and their governance that has to be better measured and analyzed, including with respect to the benefits, costs and risks associated with engaging in GVCs, especially also for developing countries.

Tim Sturgeon of the MIT Industrial Performance Center and Steve Landefeld, former Director of the US Bureau of Economic Analysis and our consultant for the UN Handbook, will explain more about the GVCs.

“National perspective”

Dear colleagues,

I would like to conclude with a few words on how the UN Statistical Commission operates with respect to the development of new ways to measure, in this case, economic globalization.

As I mentioned, the Commission established our expert group on international trade and economic globalization statistics in 2015, and many of its members are in this room today. The Commission requested that the expert group prepares a Handbook on measurement issues of economic globalization with recommendations on what to measure and how to measure it. The audience for such recommendations consists of national statisticians. The aim is that the recommended statistics will support national policy decisions on jobs, growth and productivity in a global economy characterized by industry specific global value chains. In other words, the Handbook will have a national perspective on the statistics and indicators derived from extended national accounts and integrated business statistics.

I explicitly mention this, since substantial efforts have taken place over the last decade to develop a World Input-Output Table database with 43 countries and a OECD/WTO Trade-in-Value-Added database with 61 countries. These efforts are certainly relevant for global and regional policies, and they will be described in the Handbook as well.

However, the recommendations in the Handbook will have a national perspective, answering questions such as: which GVC industries are specifically important for the national economy, what needs to be measured for this purpose and how can it be measured in an internationally comparable manner?

This cross border measures will give rise to new statistical challenges. For instance, given the cross border nature of the operations of multinational enterprises, data sharing with important partner countries for the production, income and financial accounts of a particular cross border value chain may become necessary and practices have to be established to make the data sharing for statistical purposes secure and compliant with the statistical legislation and codes of practices

Let me stop here, I wish you all very fruitful discussions today and hope that the work of the expert group advances well over the next days.

Thank you your attention