The European Commission’s science and knowledge service

Joint Research Centre

OVERVIEW OF CONCEPTUAL FRAMEWORK OF GVC ACCOUNTING Discussion

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Handbook on Accounting for Global Value Chains
Meeting of the Expert Group on International Trade and Economic Globalization Statistics
Rome, May 7-9, 2018
Overview of Conceptual Framework Of GVC Accounting

1. Data framework: Role of E-SUTs and GVC-SUTs in the Handbook
2. Empirical data challenges
3. Use of GVC SUTs for policy analysis
Relevant features for GVCs (and footprints) merged and hidden across products and industries throughout the SUTs, such as:

- Size of firms
- Exporter status
- Ownership status
- Global manufacturing firm
- Processing firm
- Firms operating in FTZs
- Business functions
- Factory less producers
- and others (e.g. KLEMS)...

OECD ICIO (TiVA), WIOD, EORA, EXIOBASE, (KLEMS)
Inter-country SUTs

E-SUTs

Different perspectives

GVC SUTs

non GVC

food

textile

car
**GVC SUTs**
- Specific GVC (car, food...)
- Co-location, EU, regions...
- Business functions (industry)
- More detailed product levels
- Governance
- Coordination across NSIs

**E-SUTs**
- No specific GVC
- Global focus
- Business functions (industry)
- Less detailed product level
- No explicit governance
- Use of shares over SUTs

**GVC specific analyses (micro)**

**GVC specific analyses (macro)**
How should this new GVC accounting framework report the close inter-connection between E-SUTs and GVC-SUTs?

1. More **recognition of the previous work** on E-SUTs (TiVA initiative) precursor of GVC SUTs
2. Recognition that the **E-SUTs is generally conceived for a macro perspective** and GVC SUTs from a more micro/specific GVC chain perspective, presenting different features
2. Empirical data challenges of GVC SUTs

- Estimation of **missing import trade flows** and domestic **trade and transport** margins
- **Processing firms** and **merchanting** activities
- International transport and insurance costs (**CIF-FOB**)
- Reconciling **trade asymmetries** (**OECD TiVA**)
- **Direct purchases** abroad
- Building up GVC-IOTs or use **GVC-SUTs for analysis**
- **Coordination across NSIs**: data and methodology
- Consistency with national totals: **discrepancies**
3. Use of GVC SUTs for policy analysis

✓ **Multiregional Input-Output Analysis** (MRIO) has become a crucial tool to analyse GVCs at macro level (using available world IO tables: OECD-WTO TiVA, WIOD...):
  ✓ Decomposition of gross exports: DVA, FVA, DC
  ✓ Measurement of trade in value added terms (RCA)
  ✓ Forward/backward participation in GVCs
  ✓ Upstreamness/downstreamness & average length
  ✓ Productivity analysis: K, L (KLEMS)

✓ **Bring MRIO to the analysis of specific GVCs**

✓ Standard MRIO (TALES) and/or **Supply-Use Based Econometric IO multipliers**
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Thank you!!