



Contribution from OECD to the Seminar on ITS: Finding answers for a changing world, new challenges and opportunities

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New challenges and opportunities

- Trading tasks
- Goods for Processing-the measurement problem
- Development needs and responses
- A specific development: linking trade and enterprise statistics
- Another challenge: the measurement of multinationals

Trading tasks

- International production networks trade “tasks”, not goods or services separately
- ...but the methodological frameworks still treat them separately!
- ...and the new revisions are in “dissonance” (WTO term) with each other
 - Because of stricter application of change of ownership principle
 - Different valuation (customs gross recording vs. SNA-based BOP)

Trading tasks (cont'd)

- Less emphasis on physical movement of goods (change of ownership)
- ...but increasingly international production is organised without change of ownership (supply chains)
- Do we measure correctly what's added to economies through trading? No.
- One example: the iPhone- manufactured in China, measured at customs with, say. 280\$ per unit, but value added in China is just 5 \$

Goods for processing (GfP) is the “culprit” for statistical measurement

- Intermediate inputs are growingly important for large trading nations due to fragmentation of supply chains
- But the “value added content” of trade flows is not captured
- To make things worse, GfP moves now from goods to services – what will be the role of customs? There will be a recording problem due to data gaps

Development needs and responses

- The separation into goods and services becomes increasingly blurred for some categories of products.
- OECD has, therefore, embarked on a project to combine them into one product/industry classification
- Such a unified classification could better serve trade analysis
- Preliminary results will be presented this year to the Task Forces and to OECD WPTGS meeting

Development needs and responses

- Value-added content of bilateral trade flows, not customs-based recording at gross value
- Linking to national input-output matrices necessary to differentiate domestic from imported contents in national outputs
- Ambitious project, undertaken by OECD and WTO, and specialised research institutions (WIOD project)

Development needs and responses

- A supplementary view, based upon I-O, value-added based, approach would help to better identify the “true” interconnection of the international production process
- But I-O data is hard to get and not very up-to-date
- Disaggregated data would be needed, but, again, is difficult to compile
- A stocktaking of current research will be presented this year in Vienna within the framework of the WIOD project

Another development: linking trade and enterprises statistics

- Different classifications (activity versus products) have for a long time impeded a combined approach
- OECD and Eurostat have, since 2002, embarked on a major project to merge the two.
- Starting point is to merge trade and business registers
- Based upon the merged registers (thus allowing to have the same statistical unit), very promising results have been obtained in EU and OECD countries outside the EU

Another development: linking trade and enterprises statistics

- The result of this undertaking primarily allows to have enterprise statistics by economic size class (SMEs and larger enterprises)
- ...and, in addition to the economic characteristics, to identify the trade component of enterprises
- This “Trade by Enterprise Characteristics” database is becoming a major tool for policy makers
- It allows to distil concentration patterns across sectors, enterprise size classes, to identify trading patterns (export market niches) and to formulate SME-specific policies
- The databases obtained are truly “micro-based”, since based upon the merged trade and business registers

Another special measurement challenge: multinational enterprises (MNEs)

- An increasing proportion of value added, trade, R&D etc. is carried out through MNEs
- For instance, in the US, MNEs counted in 2006 for almost 30% of value added, 60% of trade, and 80% of R&D
- MNEs operate internationally, not within national boundaries, and “internalise” international productive activities, valued according to specific rules (transfer pricing)
- There is a “systemic” conflict between MNEs and statistical reporting needs (which MNE would like to lay open its global strategies, including tax minimisation strategies, its transfer pricing rules, etc.?)

Another special measurement challenge: multinational enterprises (MNEs)

- As a result of MNE strategies, GDP may not always reflect the actual location of their productive activities
- Statistical challenges stemming from the modus operandi of MNEs are manifold:
 - Location
 - Valuation
 - Direct investment strategies, etc.
 - Who controls what?

Another special measurement challenge: multinational enterprises(MNEs)

- An additional statistical unit is needed: the enterprise group
- Path-breaking work has been done in France (but also in some other countries) to address this issue: the implementation of MNEs as statistical unit in the statistical system
- Eurostat has launched an ambitious project : The EGR (enterprise groups register)
- A worldwide (?) EGR would be a powerful tool for better understanding the nature and effects of MNEs activities
- As for TEC described before, such a statistical development for MNEs starts where it should start: registers

Thank you!

Questions?

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