"What is the value-added of official statistics in the measurement of trade?"
Lunchtime Seminar on International Trade Statistics,
Wednesday 29 February 2012, 13:15 to 14:15
UNSC 2012

Made in the World Initiative

Towards an Evidence Based Trade Policy in the 21st Century

OUTLINE OF THE PRESENTATION

1.The value of statistics: supporting decision making, developing models
2.Trade is changing, trade theory and trade policy are also changing
3.Trade statistics must adapt

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1. Why statistics?

The close relationship between Decision Making, Theory and Statistics

- To ***understand what we see***, we need a model to interpret the information we collect.
- The way ***to collect statistics*** is also closely related to our understanding of the socio-economic reality.
- New ***statistics affect our understanding*** of the reality (the models):
  - falsifying old believes,
  - highlighting new facts.

2: **Trade is changing, trade theory and trade policy are also changing**

The nature of world trade has changed

Countries do not trade home made goods anymore, like in 19th century Ricardo:
From Trade in Goods to Trade in Tasks
Supported by booming trade in intermediate goods (about 60% of world trade, excl. oil and deriv.)

The focus of research in trade economics has shifted:

More than understanding trade flows, the issue is to model **a nexus of**
"Direct investment, trade in tasks and the underlying flows of goods and services
New "new" trade theory emphasizes the role of firms heterogeneity rather than countries' comparative advantages
Trade in tasks is closely related to the **inter-industrial nature of 21st century commerce**

The nature of trade policy has also changed:

Trade and Global Production Networks:
National economies are more inter-dependent
Faster and more systemic transmission of supply shocks (example)
Need for a better global governance

But trade statistics still follow 19th century concepts.

Wrong numbers can lead to wrong perception [e.g., Bilateral (im)balances are overstated]
Wrong numbers lead to wrong decisions

3. Trade statistics must adapt

- ***Product differentiation and firm heterogeneity***: "who trades what?"
- ***Measuring trade in tasks:***
  - tracking flows of intermediate goods
  - allocating value added
- ***The notion of resident vs. non-resident becomes less relevant***:
  - Trade statistics: more than just an input for Balance of Payments.
  - Cross border concepts need to be adapted to evaluate the international strength/weakness balance of any country's industrial sector.
    - *In services, FATS are a step in relativizing the notion of international trade being only "cross-border".*

Conclusions

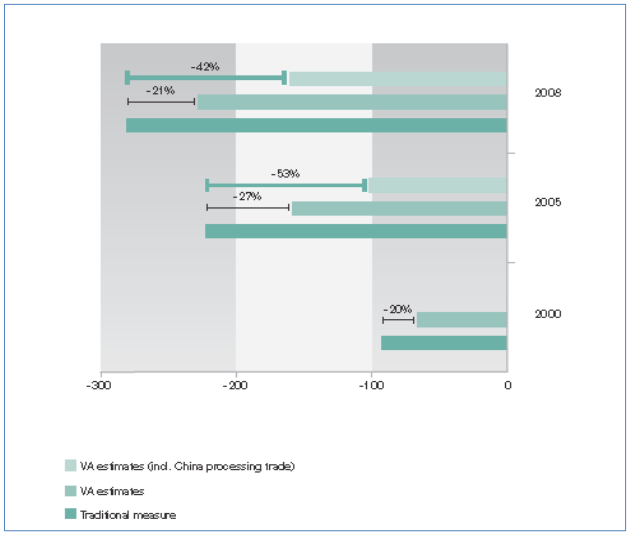
1. *Research and policy making are limited by the availability of relevant and accurate statistics*
   - ✓ *International trade policies hinge on the quality of the data used*
   - ✓ *You can't manage what you can't measure: weakness of decisions based on misleading data*
2. *Multi-dimensionality of trade economics*
   - ✓ *Calls for an inter-disciplinary approach in statistics*
     - ✓ *Particularly between trade and business statisticians*
     - ✓ *Revising the BEC for a better understanding of "intermediates"*
   - ✓ *Calls also for an integrated approach*
     - ✓ *Role of National Accounts in integrating the industrial, financial and economic dimensions of official statistics*
     - ✓ *Linking trade partners' national accounts: towards an "internationalisation of National Accounts"*
3. *If trade is international, policy remains national*
   - ✓ *Calls for a "satellite account" of trade in goods and services, integrating all relevant national dimensions: Economic, financial, social (labour), environmental …*

Examples

Boeing Dreamliner 787

Source:Graphic News

US-China trade balance: Traditional statistics vs. value added terms *(in billions of US$)*



Sectoral transmission of a supply-driven shock emanating from the Japanese industrial sectors
(selected countries and sectors, 2008).

From Japan to: a/	China	Indonesia	Korea	Malaysia	Philippines	Chinese Taipei	Thailand	USA	Average (exported shock) b/
Chemical products	0.7	0.3	2.2	2.1	1.0	3.2	1.0	0.3	1.4
Petroleum and petro products	0.1	0.0	0.0	0.7	0.3	0.1	0.0	0.1	0.3
Rubber products	0.6	0.6	1.7	1.1	1.2	2.6	1.3	0.4	1.3
Non-metallic mineral products	0.5	0.4	0.8	1.3	0.7	1.2	1.2	0.2	0.9
Metals and metal products	1.0	1.4	2.8	4.5	2.2	3.6	2.7	0.4	2.4
Industrial machinery	1.4	4.9	2.9	3.1	2.3	5.0	7.5	0.6	3.5
Computers and electronic equipment	3.6	1.5	3.0	4.3	7.4	5.6	5.7	0.8	3.9
Other electrical equipment	2.3	1.4	3.0	4.3	1.9	5.2	6.3	0.6	3.2
Transport equipment	1.4	1.6	2.9	3.8	2.1	3.4	5.8	1.0	2.8
Other manufacturing products	0.9	1.0	2.7	2.4	1.2	4.2	1.7	0.4	1.8
Average (imported shock) b/	1.2	1.3	2.2	2.8	2.0	3.4	3.3	0.5	2.2

Source: Escaith and Gonguet (2011)