Closing the gaps between trade theories, trade policies and global production statistics

ECE/CES/GE.20/2015/15

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The theoretical framework

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-Output 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...)
# Measuring internationalization and globalization

**UN-Statistical Conference  Friend of the Chair Report, 2015**

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