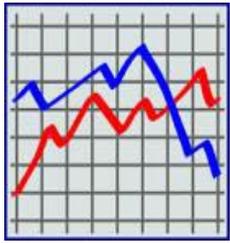


# Developing A System of Extended International and Global Accounts, Steve Landefeld

Background Document: “Report of the Friends  
of the Chair group on the Measurement of  
International Trade and Economic  
Globalization”

<http://unstats.un.org/unsd/statcom/sc2015.htm>

Document: E/CN.3/2015/12



## Response to UNSC 2015 Charge

- Address a multitude of measurement challenges in the area of trade and globalization – in part - through the development of a handbook on a system of extended international and global accounts:
  - This handbook will be designed to provide an overarching measurement framework
  - That addresses measurement challenges associated with trade, financial, environmental, and social integration around the globe.

# What Changed in the International Economy and in Economic Measurement?

- Globalization of production, and income, and spending
- Globalization of finance
- Globalization of natural resources and the environment

# Existing International Statistics Have – In Some Respects- Not Kept Up with Globalization

- These changes have reduced the relevance of existing statistics for policymakers, business, investors, and researchers
- Remain invaluable, but need extension to improve understanding and public policy
- Critical need to “look-through” complex global production and financial transactions
  - Protectionist pressures
  - Financial crisis

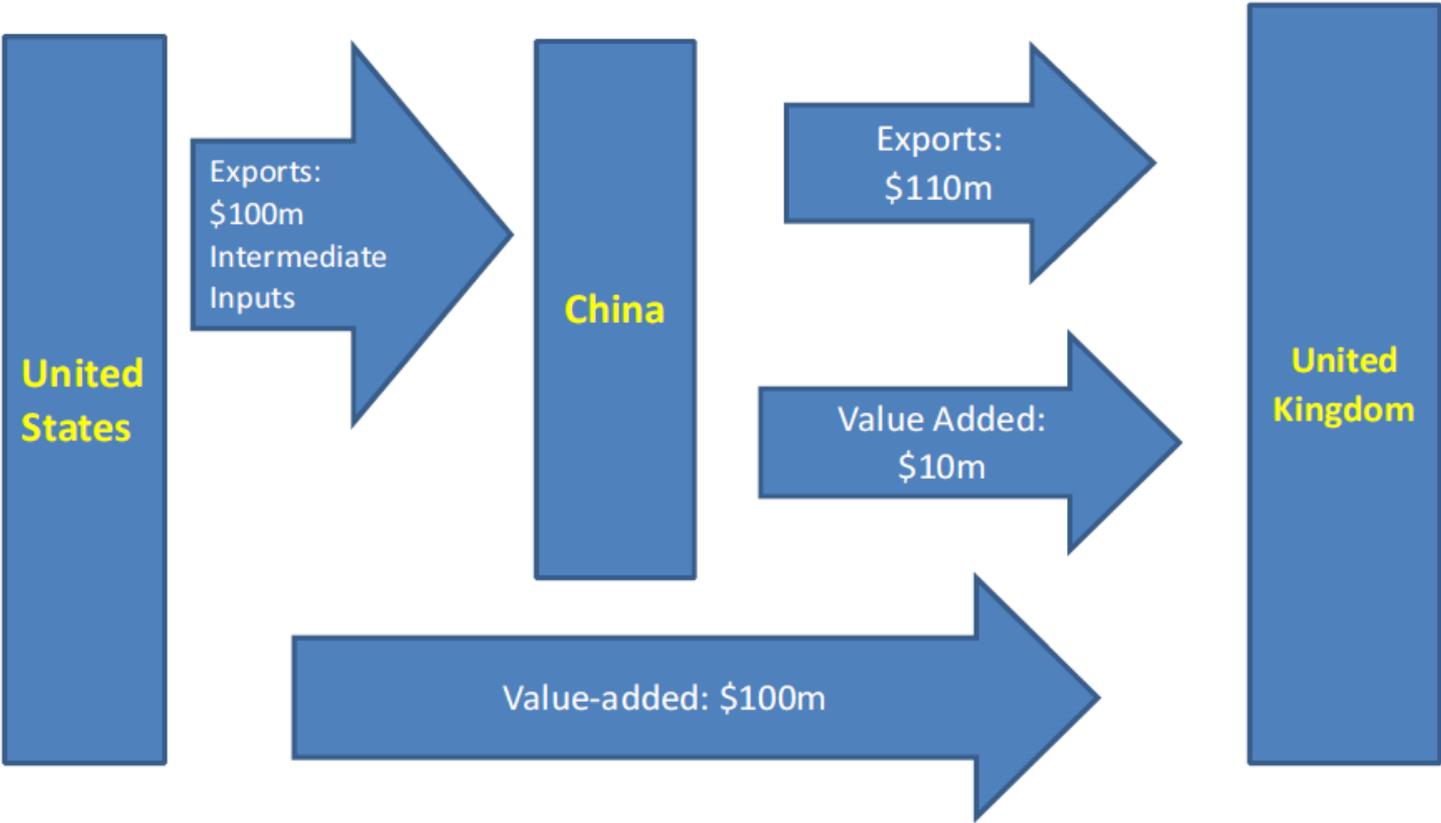
# Accelerating Globalization

- Firms maximize production efficiency and minimize global tax burdens by organizing across national boundaries
  - Advances in technology and communication and reductions in shipping costs have accelerated pace of global production.
  - Increased international trade, global growth, and productivity, but have caused significant problems for the measurement of economic activity.

# Globalization and Double Counting

- Increasing globalization has led to increasing volume of double counting in both the real and financial sector.
  - Traditional trade measures count gross flows as exports and imports each time they cross international borders
  - Gross flows often do not reflect the value-added of the exporting country in the production of the goods or services.

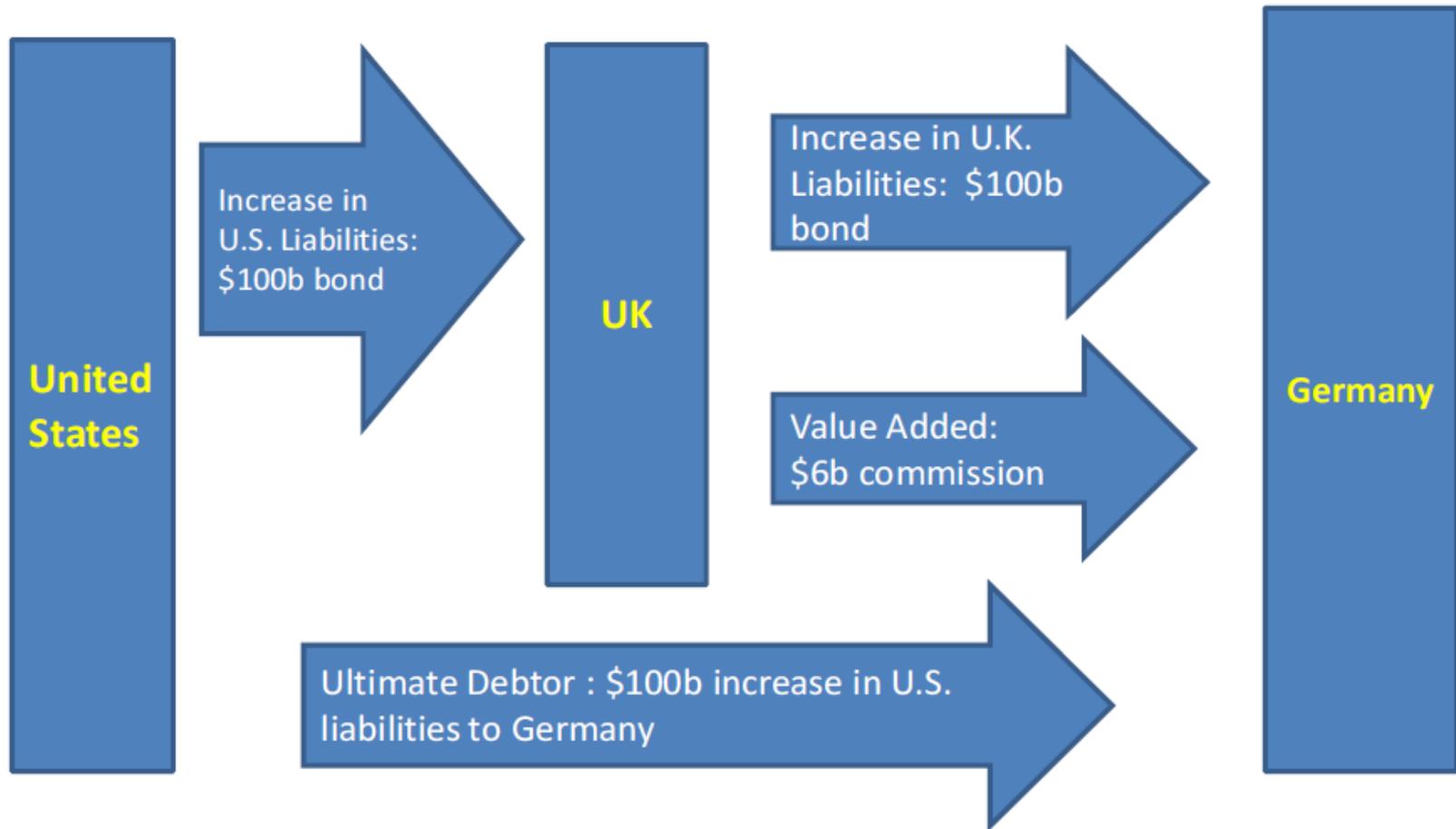
# FIGURE 1: Gross vs. Value-Added Trade Flows



# Integrated Financial Accounts

- Similarly, in the financial sector, increasing complexity and the global nature of financial transactions has resulted in a system where official statistics can provide a misleading picture of the ultimate cross-country financial risk.

# Figure 2 BOP Financial Flows vs. Ultimate Creditor/Debtor



# How Has the Research and Measurement Community Responded to Globalization?

- Case studies (Iphone)
- Studies of MNC's, including ownership-based accounts
- Research on modes of supply, business functions,
- Studies of Vertical specialization
- Use of global I-O accounts to estimate value-added trade
- Development of Integrated real and financial models
- Development of global environmental economic impact models
- Key leadership and research on the part of the official statistical community in various areas ranging from OECD/TIVA and IMF/Financial Gaps to UN/SEEA and UNECE Globalization

# This Research Has Helped Illustrate How Better Data Could Improve Policy

- Better targeting public policy and informing public perceptions:
  - Drilling down beneath gross/counterparty trade and investment flows can provide a more accurate, and relevant picture of the underlying pattern of economic activity across countries.
  - A fuller picture of the critical dependencies and benefits that arise from global production and trade can provide an improved basis for public understanding of the dynamics of global trade and investment and for public policy.

# Areas Where Better Data Could Help Policy

- Trade and Investment Policy
  - Unfair trade practices cases
  - IP Protection
  - Subsidies and loan guarantees
- Tax Policy
- Financial, regulatory, and macro policy
- Environmental and energy policies
- Critical materials, food safety, and national security
- Business and investors
- Public opinions

# Need for a System Extended International and Global Accounts that:

- Provide an integrated, consistent, and comprehensive accounting framework that ties all these new efforts together and links them to the existing core accounts (SNA/BPM).
  - This consistency and drill-down capacity from the core accounts to the extended international and global accounts will significantly improve the relevance of economic statistics.
  - Policymakers, business, researchers, and investors can draw on the large toolkit of analytic tools developed for use with the national accounts.

# Need for an Extended System of International and Global Accounts (cont'd)

- Specifically, these extended, or satellite accounts will provide:
  - An integrated presentation of the SEIGA, SNA, and BOP that supply an integrated international and global framework for decomposition and linkages of production, income, expenditures, assets, liabilities, and environmental-economic transactions across regions, countries, and industries.
  - Additional breakdowns of existing international entries in the core accounts, such as breakdowns of exports and imports by the characteristics of exporters.
  - Global linkages, with alternate scope and concepts to the core accounts, such as global supply and use tables that link to expanded country tables and can provide a decomposition of trade and bilateral balances on a value-added basis.

# Need for a System of Extended International and Global Accounts (cont'd)

- Specifically, these extended, or satellite accounts will provide (cont'd):
  - A framework for developing new measures, without overburdening, or reducing the accuracy or consistency of the core accounts.
    - Issues from the UNECE research agenda that might best worked out in an extended set of international accounts (SEIGA) include factory-less goods producers , economic ownership, governance, and international orientation.

# Work of the FOC

- Outcome of the International Conference on Measurement of Trade and Economic Globalization
- Emphasis on the need to build upon and link to existing core SNA/BOP accounts.
  - Avoid duplication
  - Focus on the maximum bang for the buck: data linking, addressing bilateral asymmetries, indirect estimates, and extended supply and use tables; consistent definitions and concepts (Improvements that benefit core and extended accounts)

# FOC Recommendations Agreed to by UNSC

- Draft a handbook on a system of extended international and global accounts (where international = direct bilateral and global = direct and indirect multilateral).
  - Draw on FOC schematic to guide new system (and handbook)
- Promote global enterprise register
- Improve measures of firm heterogeneity – data linking
- Address asymmetries in bilateral trade and investment
- Mainstream and support development of Global Supply Use Tables and Trade in Value-Added
- Establish an intersecretariat working group for international trade and economic globalization statistics

# FOC Annex Schematic

- Hand – Out of Schematic in Annex of:
- “Report of the Friends of the Chair group on the Measurement of International Trade and Economic Globalization”
  - <http://unstats.un.org/unsd/statcom/sc2015.htm>
  - Document: E/CN.3/2015/12

# Next Steps

- Establish expert group tasked with development of manual
  - Continuation of FOC with options for others to join, while balancing geographical representation
  - Develop terms of reference with:
    - Clear mandate
    - Timetable and list of deliverables
  - Develop an proposed annotated outline based on FOC work and expert group TOR with proposed deliverables (discussion papers, draft chapters, consultation, and revisions)

# Points for Discussion

- Does the schematic classification (hand out from FOC Report) provide a reasonable starting point in developing an accounting structure for the extended system?
- What topics are missing? What should be added? Should any be dropped?
- What broad priorities would national accountants want to convey to the expert group?
- The manual will avoid duplication with other efforts by: 1) focusing on accounting structures, definitions, and links to the SNA and BOP and 2) providing an overview of applications (TIVA, consolidated financial statements, ownership accounts) with links to materials from OECD, IMF, and others. Does that seem like an appropriate balance?