Extended Supply-Use Tables for Internationally Integrated Economic Accounts

UNECE: GROUP OF EXPERTS ON NATIONAL ACCOUNTS

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Global Value Chains have rebounded

Foreign Value Added Content of Exports
…with MNEs at the fore

Gross Value Added of Foreign Affiliates (% of total gross value added, 2011)

ISIC Rev 4: B to N ex K – Mining, manufacturing, business services excluding finance and insurance
But ....

- Increasing interconnectedness and role of MNEs...

- ...creates increasing measurement complexities...
..and although the response has been significant...

- ‘Double’ counting of trade flows
- ‘Double’ counting of FDI flows
- Exporting firms
- Improved efforts in FATS
- Improved guidance on Trade in Services
- Separate accounts with/without SPEs

- Reinforced by improved accounting standards
  - 2008 SNA and BPM6

- And guidance
  - Globalisation in the NA, TF on Global Production, Compilers Guides on Merchandise Trade and TIS

- TiVA
- BMD4
- TEC
..it remains fragmented..

• ‘Disconnected’ sources

<table>
<thead>
<tr>
<th>Business registers</th>
<th>Trade Registers</th>
<th>Admin data</th>
</tr>
</thead>
<tbody>
<tr>
<td>SBS, NA, FATs? FDI, TiS?</td>
<td>Merchandise, TiS?</td>
<td>?</td>
</tr>
</tbody>
</table>

• With the potential to create confusion...
  – TEC foreign owned firms vs FATs
  – NA exports vs Merchandise trade
  – FATs vs FDI
  – Tourism statistics vs non-residents expenditures
  – TEC exports vs NA exports........
  – Not to mention bilateral international asymmetries in all fields...
..and quality (heterogeneity) remains an issue

Large and foreign owned firms are more export intensive

Large and foreign owned firms are more export intensive

And more import intensive.....
...particularly with the blurring between services and income...

And the interpretability of affiliate flows – As value-added doesn’t always stick

Ireland’s VA to Export (TiVA) ratios with and without reallocated income flows
• What are the upstream spill-overs of FDI, in particular for SMEs?
• What is the real scale of international inter-linkages - Trade in Income as opposed to TiVA?
• Are MNEs more productive and do they create more jobs than domestic equivalents...and why?
• With so much heterogeneity, how can we improve the quality of TiVA estimates?
• Are exporters more productive than non-exporters?
• What is the ratio of corporate taxes to value-added in MNEs – compared to non MNEs?
Especially (but not exclusively) in affiliated transactions (MNEs)
- Trade in intellectual property products
- Transfer Pricing
- Operational leasing
- Debt interest payments

And new types of firms
- Factoryless producers, processors, SPEs
An Interconnected (Fragmented) World requires an Interconnected (Integrated) approach

• Extended Supply-Use Tables
  – An approach to bring together ‘disparate’ statistics under a common coherent umbrella
  – A mechanism to respond to policy demands related to globalisation
  – Without increasing response burdens
    • Given increased momentum by the UNSC endorsement of the Recommendations of the FOCG on International Trade and Economic Globalisation

• Expert Group on Extended SUTs
  – 1st meeting in Aguascalientes: October 2014
  – 2nd meeting planned October 2015
  – A number of countries producing provisional results
    • China, Costa Rica, Mexico and United States
  – But on-going support needed to maintain momentum
Expert Group on Extended SU tables

- To create an integrated economic accounting framework for globalisation – as part of staged approach......
- More detailed SU tables:
  - Imports
    - With all products at fob and separate column for residents expenditure abroad
    - Broken down by firm characteristics – and used to inform import flow tables
  - Industries
    - More heterogeneity: Foreign/Domestic MNE/Domestic, Export/non-export, S/M/L
  - Exports
    - Broken down by firm characteristic
      - In the export column but also as an ‘of-which’ of output
    - With non-residents expenditure and re-exports separately identified
  - With transparent adjustments for some non-observed items (e.g. own account agricultural production)
  - Jobs by industry row
  - Emissions by industry row
  - With new rows for property income flows: interest, distributed income of corporations, reinvested earnings on FDI, Investment income disbursements
  - And, for ‘fiscal optimisation’: current taxes on income, wealth etc
## EG E-SUTS: Links to ‘TEC’ type data: Use Table

<table>
<thead>
<tr>
<th>Reference Year</th>
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<tr>
<td>ISIC Code equivalent</td>
<td>Product</td>
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<tr>
<td>ISIC ?</td>
<td>Product (Industry) 1 Non-Exporter Exporter Non-Exporter</td>
</tr>
<tr>
<td>ISIC ?</td>
<td>Product (Industry) 2 Non-Exporter Exporter Non-Exporter</td>
</tr>
<tr>
<td>Total Imports</td>
<td></td>
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<tr>
<td>Total Intermediate consumption at purchasers prices</td>
<td></td>
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### Gross Value added - Basic Prices
- Gross Operating surplus
- Mixed Income
- Compensation of Employees
- Other Taxes on Production
- Other subsidies on production

### Total Output at Basic Prices
- exports by product
  - Primary product
  - Other products
  - Product (Industry) 1
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- own-account production of:
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  - R&D
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**Total Intermediate consumption at purchasers prices**

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<tr>
<td>other</td>
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<tr>
<td>Household final consumption</td>
<td>NPISH</td>
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More generally....and in an ideal world?

<table>
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<tr>
<th>Foreign Owned</th>
<th>Domestically owned MNE</th>
<th>Domestic Owned</th>
</tr>
</thead>
<tbody>
<tr>
<td>With high Export orientation</td>
<td>With low Export orientation</td>
<td>With high Export orientation</td>
</tr>
<tr>
<td>‘Exporters’</td>
<td>‘Non-Exporters’</td>
<td>‘Exporters’</td>
</tr>
<tr>
<td>Low import orientation</td>
<td>High import orientation</td>
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of which
  Interest
  Distributed Income of Corporations
  Reinvested Earnings on FDI
  Investment Income Disbursements

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Current taxes on income and wealth
  Employment
  Employees
  Hours worked
  Co2 emissions

<table>
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<tr>
<th></th>
<th>Industry 1</th>
<th>Industry 2</th>
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<tbody>
<tr>
<td></td>
<td>Foreign</td>
<td>Domestic</td>
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<td>Exporter</td>
<td>Non-Exporter</td>
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...an illustration of why this matters
...TiVA 2015 for China..
..and what might be possible…..

SME upstream value-added and MNEs, 2009

SME domestic value added exports via large enterprises, % industry total

Foreign affiliate share of domestic value-added, % industry total

Chemicals
Computers
Motor vehicles