



# **Measurement framework for international trade and economic globalization**

**Group of Experts on National Accounts**

**18-20 May 2016**

**Geneva, Switzerland**

**Herman Smith**

**United Nations Statistics Division**



# Outline of Presentation

- Introduction
- Measurement challenges
- Handbook
- Organization of work
- Next steps



# Introduction

- Globalization not new, but there has been a dramatic increase in the share of global trade in the World GDP
- Increased international trade, global growth, and productivity cause significant problems for the measurement of economic activity
- The 1st Meeting of the Expert Group on International Trade and Economic Globalization Statistics was held in NY in Jan. 2016 to initiate the work



# Measurement issues

- Double counting in both the real and financial sector
- Gross flows often do not reflect the value-added of the exporting country in the production of the goods or services
- Increasing complexity and the global nature of financial transactions have resulted in a system where existing statistics can provide a misleading picture of the ultimate cross-country financial risk



# Measurement issues

- Existing international statistics and standards in some respects didn't keep up with globalization
- Despite these issues, the existing national and international accounts continue to provide essential data to guide macroeconomic and other policies.



# What to Do?

- Should not overburden existing accounting frame works by trying to address the measurement issues posed by globalization
  - would reduce their usefulness for key fiscal, monetary, regulatory, and other policy issues.
- The solution is to develop a set of extended satellite accounts to complement core accounts and address policy questions and needs
- Handbook to provide guidance on these satellite accounts



# Handbook - coverage

- policy and statistical motivation of a global value chain (GVC) approach for measuring trade and globalization
- general statistical framework of extended national and global accounts
- GVC satellite accounts based on extended national and multi-country GVC industry related SUTs and IOTs
- framework of integrated business, investment and trade statistics, their classifications and requirements for the national and global business registers
- meant for the national data compilers and what they can actually do
- only marginally go into all the balancing adjustments that international organizations or academic institutions have to undertake to make the global IO table work



# Handbook – statistical framework

- The general statistical framework
  - Build on the existing statistical standards and international recommendations
  - Cover global SUTs and IOTs with reference to various existing applications
  - Address data challenges such as the proportionality assumptions and bilateral asymmetries
  - Describe integrated business, investment and trade statistics



# Handbook – central theme

- The GVC approach describing the components of the GVC model:
  - the input-output relationships of production in the GVC from concept and design to end market
  - the business arrangements in the GVC through sourcing of business functions
  - the governance relationships including foreign ownership
  - the institutional and regulatory environment for global production, investment and trade.



# Handbook – GVC satellite accounts

- Extended national and GVC industry related SUTs
  - goods and services producing activities
  - supply and use of intermediate products,
  - their final outputs in the end markets
  - heterogeneity of firms, in terms of ownership, size class and trade intensity
- A few detailed examples of GVC satellite accounts
- The exact title of the Handbook is still open for discussion, but around concept of GVC



# Current outline of the handbook

- Part I Global Value Chains and Economic Statistics
- Part II General Statistical Framework for a System of extended national accounts and integrated business statistics
- Part III Extended Supply and Use tables for Specific Global Value Chain Industries (UNSD/Academic TBD?)
- Part IV Framework of Integrated Business Statistics: (UNSD/EUROSTAT)
- Part V Applications and extensions



- Chapter 1: Policy and statistical motivation
- Chapter 2: Overview of the System
- Chapter 3: Extended Supply and Use Tables
- Chapter 4: Extended Productivity (KLEMS) Accounts
- Chapter 5: Extended Environmental-Economic Accounts.
- Chapter 6: Extended Capital and Financial Accounts
- Chapter 7: Specific statistical issues related to firm heterogeneity related to globalisation
- Chapter 8: Special accounting topics
- Chapter 9: Global Value Chains Case Study Approach
- Chapter 10: Standardization of GVC industry modules and their application in regional and global accounts
- Chapter 11: Improving Accuracy and Resolving Bilateral Asymmetries
- Chapter 12: Extending Existing Data through Data Linking and New Collections
- Chapter 13: Global Accounts
- Chapter 14: Policy Uses of the Extended Accounts
- Chapter 15: Extended Global Accounts for the Environment



# Organization of work

- A core editorial board including Steve Landefeld as the Editor, Michael Connolly as Chair, UNSD as Secretariat
- Statistics Canada, BEA and Statistics Italy, IMF, OECD and Eurostat already volunteered contributions on some of the topics
- UNSD, with the help of others, to prepare the template for case studies for a few GVC industries and the corresponding modalities of bringing communities and information together



## Next steps

- A draft outline of the Handbook was circulated for comments
- UNSD to prepare a proposal on the preparation of satellite accounts for a few GVC sectors
- Meetings scheduled for later this year
  - A Forum around the theme of adequately measuring GVCs to support sustainable development policies
  - Next Expert Group
- Handbook to be finalized by mid-2018 after a global consultation for submission to the Statistical Commission in 2019



**Thank you**