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**Items for information: international trade and economic globalization statistics**

## Report of the Expert Group on International Trade and Economic Globalization Statistics

### Note by the Secretary-General

In accordance with Economic and Social Council decision 2016/220 and past practices, the Secretary-General has the honour to transmit the report of the Expert Group on International Trade and Economic Globalization Statistics. The Expert Group was created in 2015 with the task of preparing a handbook on a system of extended national accounts and integrated business statistics. In the handbook, the measurement of interconnectedness of economies is dealt with by properly accounting for global value chains while maintaining the perspective of the national statistical system. The report provides information on progress made in the preparation of the handbook. The Commission is invited to take note of the report.

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\* E/CN.3/2017/1.



# Report of the Expert Group on International Trade and Economic Globalization Statistics

## I. Introduction

1. Economic globalization has created new opportunities for businesses to organize their production chains more efficiently. This has increased the complexity of compiling economic statistics, as it is more difficult to break down production activities on a country-by-country basis. There is a need to understand the cross-country benefits and risks by being able to “look through” the global firms in the global value chains and see their contributions in the production networks of resident enterprises in multiple countries. These emerging global production arrangements pose challenges to macroeconomic and business statistics, including the supporting business registers. The challenges include the choice of the statistical unit, the classification of the (global value chain satellite) accounts, the implementation of the principle of economic control and ownership, and the recording of domestic and cross-border transactions and positions in national accounts and balance of payments statistics.

2. In its decision 46/107, the Statistical Commission established the Expert Group on International Trade and Economic Globalization Statistics to address these measurement challenges. The main task of the Expert Group is to develop a handbook that will address the global value chain-related classifications and the integration of the economic, environmental and social dimensions of trade and globalization as an extension of the System of National Accounts 2008 (2008 SNA)<sup>1</sup> and the System of Environmental-Economic Accounting 2012, supported by an integrated framework of business and trade statistics.

3. The handbook will build on existing work by the Economic Commission for Europe (ECE), the Organization for Economic Cooperation and Development (OECD), the World Trade Organization (WTO), Eurostat and others, as described in previous reports to the Commission on this topic in the past four years ([E/CN.3/2013/7](#), [E/CN.3/2014/7](#), [E/CN.3/2015/12](#) and [E/CN.3/2016/23](#)). The Commission also agreed with the proposed development of a global enterprise group register to help national statisticians to better understand business strategies and the international trade and foreign direct investment relations between enterprises in compiling cross-border macroeconomic statistics.

4. Both the global value chain perspective and the perspective of the national data compiler are fundamental to understanding the composition of the handbook. Manuals developed in the context of the Commission are generally meant to assist and guide data compilers from a national perspective. However, with the realization of the cross-country impact of global value chains on the economic structure of partner countries, a multi-country perspective for those national industries that are included in major global value chains is encouraged in the handbook. The global value chain approach also promotes a global enterprise perspective and builds on the integrated collection of business statistics from large enterprises for a select set of global value chain-related economic activities, including trade in intermediate

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<sup>1</sup> United Nations publication, Sales No. E.08.XVII.29.

goods and services and foreign direct investments, especially by large multinational enterprises. In addition to promoting the integration of business, trade and investment statistics at the microeconomic level — nationally and between the main economic partner countries — intercountry supply and use tables, as well as intercountry input-output tables, can help to chart and understand relations at a macroeconomic level. To properly and correctly measure the cross-border statistics, some data-sharing with important economic partner countries may be necessary.

5. With regard to the macroeconomic accounts, the work of the Expert Group is being undertaken in close cooperation with two other initiatives, namely, the Trade in Value Added project of OECD and WTO, which develops estimates by constructing global input-output tables to reflect the increasingly global nature of production driven by global value chains; and the Full International and Global Accounts for Research in Input-Output Analysis project to establish an annual estimation of European Union intercountry input-output tables and a five-yearly benchmark production of European Union intercountry supply and use tables and input-output tables.

6. In section II of the present report, an overview of the handbook is provided, while in section III the related work reported by the Inter-Agency Task Force on International Trade Statistics is briefly described.

## **II. Handbook entitled “Accounting for global value chains: a system of extended national accounts and integrated business statistics”**

7. The Expert Group held two meetings in New York in 2016 devoted to the preparation of the handbook. The first meeting was held from 26 to 28 January, at which the terms of reference of the Group, as well as its programme of work, were discussed. The outcome of the meeting was provided in a background document<sup>2</sup> to the report of the Secretary-General (E/CN.3/2016/23) to the Commission at its forty-seventh session. The second meeting was held from 29 November to 1 December.<sup>3</sup> The Group reaffirmed that the growth in economic globalization and the fragmentation of production called for an enlarged set of economic accounts and business statistics that could provide accurate, timely and relevant macroeconomic and business statistics from a global value chain perspective.

### **A. Objective of the handbook**

8. As explained by the Duke University Center on Globalization, Governance and Competitiveness,<sup>4</sup> the global economy is increasingly structured around global value chains that account for a rising share of international trade, global gross

<sup>2</sup> Available from <http://unstats.un.org/unsd/statcom/47th-session/documents/BG-2016-23-international-trade-and-economic-globalization-statisites-E.pdf>.

<sup>3</sup> See <http://unstats.un.org/unsd/trade/events/2016/nov-newyork/default.asp>.

<sup>4</sup> Gary Gereffi and Karina Fernandez-Stark, “Global value chain analysis: a primer”, 2nd Ed. (Durham, North Carolina, Duke University, 2016). Available from [www.cggc.duke.edu/pdfs/Duke\\_CGGC\\_Global\\_Value\\_Chain\\_GVC\\_Analysis\\_Primer\\_2nd\\_Ed\\_2016.pdf](http://www.cggc.duke.edu/pdfs/Duke_CGGC_Global_Value_Chain_GVC_Analysis_Primer_2nd_Ed_2016.pdf).

domestic product and employment. The evolution of global value chains in diverse industries, such as agrifood, textiles and apparel, automotive, electronics, tourism and business services, has significant implications in terms of global trade, production and employment and how developing-country firms, producers and workers integrate into the global economy. Global value chains link firms, workers and consumers around the world and often provide a stepping stone for firms and workers in developing countries to participate in the global economy. For many countries, especially low-income countries, the ability to effectively integrate into global value chains is a vital condition for economic development. This supposes an ability to access global value chains, to compete successfully and to “capture the gains” in terms of national economic development, capability-building and the generation of more and better jobs to reduce unemployment and poverty. Thus it is not only a matter of whether to participate in the global economy, but also how to do so gainfully.

9. By explicitly taking into account the increasing importance of global value chains, the extended national accounts and integrated business statistics will better inform public policies and business decisions on issues related to, for example, growth and productivity, domestic and foreign share of the value added generated, and domestic and foreign labour and capital used in the production of goods and services. The handbook will provide a national perspective on globalization on the basis of a global value chain model that describes the regionally integrated decomposition of specific global value chain industries in a multi-country supply chain of goods, value-adding services and institutional arrangements. This will then allow for an integrated presentation of production, income, assets, liabilities and environmental-economic transactions by partner country for those global value chain industries that play a significant role in the national economy, resulting in global value chain-specific multipartner supply and use tables and related accounts.

10. The handbook provides a high-level overview of how economic statistics can be made more accurate and relevant in measuring the effects of globalization in national accounts and business statistics. It builds on existing standards, guidelines and research, gives an overview of them and directs the reader to the more detailed background materials. It will also be helpful to a wide range of compilers in offering alternative solutions, such as indirect estimates using existing data and the use of mixed data. The handbook should also make clear that within the overall framework, countries can flexibly (in a modular fashion) implement the recommendations in accordance with their national priorities. Duplication will be avoided as much as possible across the chapters of the handbook, while self-contained chapters on the different aspects of macroeconomic accounting and business statistics will be provided.

## **B. Outline of the handbook**

11. The handbook is divided into five parts and a research agenda. The first part documents the policy, business and statistical motivation of the global value chain approach for measuring trade and globalization. It will show the growth in global value chains, their impact on the relevance and quality of economic statistics (that is, value added share, double counting and asymmetries) and the need for a national perspective on the multi-country production processes of global value chains.

12. In the second part, the general statistical framework of the extended national accounts and integrated business and trade statistics will be presented. Details and explanations will be provided about extended global supply and use tables and global value chain-specific multipartner supply and use tables; an extended productivity framework using the “KLEMS” model; extended environmental-economic accounts; and extended capital and financial accounts. The latter extension builds on and links to the work conducted in the Data Gaps Initiative of the Group of 20 (G20) on cross-border financial linkages, risk and vulnerability. The capital and financial accounts also describe the conceptual issues around global multinational enterprise statistics, since these enterprises are the leading actors of globalization. The second part finishes with a chapter in which special topics, including those not resolved under the research agenda of the ECE “Guide to measuring global production”, are discussed.

13. The third part of the handbook is aimed at deepening understanding of global value chains, which is the central theme of the handbook. It describes step by step the global value chain approach, the granularity of product and industry classifications of supply and use tables and the sequence of accounts needed to address firm heterogeneity and the integration of global value chain accounts in regional and global accounts, and the firm-level and microlevel data needed to compile a global value chain. The application of the global value chain model through a number of multi-country case studies for selected global value chain industries will also be illustrated.

14. Part four deals with a framework of integrated business, trade and investment statistics for global value chain-specific industry accounts. The framework describes the extension of business registers (in particular for large corporate firms), with additional breakdowns of the characteristics of these global value chain-related firms, such as size (in terms of income, employment or capital), trade intensity, ownership through foreign direct investment and international sourcing of business functions. Attention will be given to the harmonization of multinational enterprise and foreign affiliate statistics, especially among countries that are partners in economically important global value chains, by developing databases for these “large cases” units. In part four, methods to improve the quality of core business statistics are also discussed, among other methods, by resolving bilateral asymmetries in merchandise trade, trade in services and foreign direct investment.

15. In the final part of the handbook, the applications of the measurement framework and its various extensions in terms of deriving estimates for the value added, jobs, the use of capital and the use of natural resources, among other things, are described. The public policies that will be supported by the extended accounts are also described. Policies that will be discussed include those in the areas of trade and development, taxes, monetary and financial stability, labour markets and the environment.

### **C. Timeline for preparing the handbook**

16. The preparation of the handbook will be driven by an editorial board, which includes the Editor of the handbook, the Chair of the Expert Group and, as secretariat, the Statistics Division of the Department of Economic and Social Affairs of the Secretariat. The first drafts of chapters are due to be submitted by April 2017. However, some of the chapters will rely in part on new research or the synthesis and

review of a large volume of new material. For those chapters, partial drafts or annotated outlines are due to be submitted by April 2017 and complete drafts by June 2017. Revised drafts should be available for broader review by the end of September 2017, and a final draft of the handbook is expected to be submitted to the Commission in March 2018.

### **III. Related work reported by the Inter-Agency Task Force on International Trade Statistics**

17. Traditionally, the Inter-Agency Task Force on International Trade Statistics reports separately to the Statistical Commission under the agenda item on international trade and globalization statistics. However, for the present session, only a summary of main points of the most recent meeting of the Task Force is presented to inform the Commission.

18. The most recent meeting of the Task Force was held in New York on 10 and 11 October 2016. The main substantive agenda items included the measurement of digital trade; the reconciliation of trade asymmetries; trade in services by modes of supply; and statistical capacity-building. The Task Force acknowledged the growing importance and policy relevance of digital trade and the need for a conceptual measurement framework. It welcomed the G20 request to OECD to reinforce efforts in this area, in collaboration with other international organizations, for the formulation of a typology of digital trade and a more comprehensive action plan for statistical development. The Task Force expressed its appreciation for the collaborative project by the United Nations Conference on Trade and Development, the Universal Postal Union, WTO and OECD to measure cross-border e-commerce transactions. It supported the continued coordination of these activities and agreed to organize a meeting on the subject in 2017.

19. The Task Force identified the reduction of bilateral trade asymmetries as a key priority for further work, encouraged bilateral reconciliation studies and welcomed the work of OECD and WTO, in collaboration with other international organizations and countries, to develop global benchmark databases on balanced merchandise trade and trade in services statistics, which will be released by the end of 2016. The Task Force also welcomed the work on trade in services statistics by mode of supply by Eurostat, the United States Bureau of Economic Analysis and the Central Bank of Germany, as well as the activities planned by WTO to develop a global analytical data set on trade in services by mode of supply in collaboration with OECD and other interested organizations. Lastly, the Task Force reviewed upcoming technical capacity-building activities related to trade and concluded that the increased participation of regional organizations in the Task Force would further enhance coordination.

20. The Commission is invited to take note of the present report.

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