Statistics Iceland

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Measuring economic globalisation: Introduction by the discussant

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Measuring economic globalisation

• Five papers
  • Data reconciliation, consistency, integration, data needs
    – Bill Keating, Ireland: The consistency of data for multi-national enterprises
    – Gosse van der Veen, Netherlands: Integration of microdata from business surveys and the social statistics database
    – Patrick Aubert, Roland Rathelot and Patrick Sillard, France: Off-shoring and job losses in French industry
  • E-commerce
    – Nina Djahangiri and Peter Hackl, Austria: Measurement of e-commerce
    – Martin Lundø and Jens Thomasen, Denmark: Developing the e-commerce concept
Irish paper

- Evaluation of the weight of MNC’s in national statistics
- Inconsistent data in different returns
- Globalisation causes increasing difficulties in monitoring and classifying flows across national boundaries
- National boundaries of little relevance to MNC’s, central units may not attribute costs correctly, sensitivity regarding confidentiality and reconciliation
- Added difficulty with late revisions
Irish paper 2

- Consistency unit for national accounts and economic statistics
- Feasible undertaking owing to availability of data on trade and BoP and access to tax records
- Allows reconsiliation of operating surplus and primary income at a very detailed level, monthly but mostly annual comparisons and reconsiliations
- Consistency unit brings together a wide range of data for top exporters – data from Intrastat system of great importance
- Main objective to compile national statistics with full range of data by examining consistency across surveys and administrative records
- Important issue: Observed prices and values in company accounts are adhered to unless there are special
Dutch paper

• The aim of Statistics Netherlands is to map coherent information of effects of globalisation in terms of welfare, growth and employment
• Regular statistics insufficient – incoherence between economic and social statistics
• The Dutch projects aim at integrating micro data within a controlled and standardised environment
• Combining different databases containing different types of data:
  – Both census type or total count data from administrative records and survey data
  – Both economic and social data on businesses and individuals
Dutch paper 2

- Databases at four different levels:
  - Enterprise groups: data on balance sheets and international trade
  - Enterprises: data on production, turnover, expenditure on innovations
  - Jobs: data on wages and insurance
  - Persons: data on individuals and households

- Varying degree of coverage, high for administrative registers, low for surveys

- Two publication lines:
  - Globalisation indicators
  - Studies based on integrated micro data from administrative registers and business and social surveys

- Several challenges: conceptual and methodological issues, problems of organisation and demands for dissemination
French paper – INSEE research report

• Measuring off-shoring and job losses resulting from globalisation using different methods
• Two basic problems: how to define off-shoring and which measurement tools can be used
• Direct measurement can only be indicative
• Available studies insufficient and may be misleading
• Other approaches:
  – Macro economic – employment content or general equilibrium models
  – FDI using micro and macro data on capital flows
  – These approaches are found to be insufficient
French paper 2

- New micro economic approach based on industrial imports
- Definition: Off-shoring if domestic production is replaced by foreign production owing to decisions to relocate or subcontract abroad
- Use of various data sources from different inventories and registers (business, social security, employment, customs data) – involves cross referencing and integrating into coherent data sets
- Various outcomes - throw light on incidence, impact (e.g. by sectors, regions, skill levels of employees) and off-shoring methods used
- Outcomes are estimates – only possible to
Discussion

- Different approaches, scope and aims
- Irish consistency work is well tried
- Dutch projects seems not to have rendered very tangible results as yet
- French case involves a study using available data, some estimates have been derived
- Scope of the Irish exercise more limited than the Dutch but more focused
- French study has clear focus but applicability of methodology in other impact studies is not clear
Points for discussion - common

• Effects of globalisation: Different price levels and profits are likely to even out. Will that slow down the speed and spread of globalisation? Or are other factors stronger (search for new markets, need for increased lebensraum)?

• Should the total impact of outsourcing and off-shoring not be positive? How can we measure that?
Discussion – Irish paper

• What are the different factors influencing transfer of profits or rendering incorrect returns? How should the CSO deal with this?

• Intrastat goes single flow: How should the lost data from the two flow system be obtained?

• What further steps may be foreseen for facilitating deeper analysis of the economic and social impact of...
Dutch paper

• Very ambitious projects but how manageable are they? Are the projects focused enough? Full of sound and fury signifying???
• Are there tangible results as yet?
• The projects are mainly concerned with integrating different micro data + reconciling data from registers and surveys but do they involve examining consistency à la the Irish case?
• Treatment of subsidiaries and associated firms: Is there danger of a systematic bias of underestimation of globalisation?
• What lessons can we learn from the French research exercise as regards the utilisation of data and applicability of the methodology for in depth studies of different aspects of globalisation?
Measuring e-commerce – Austrian and Danish papers

- Concept and definition of e-commerce in accordance with agreed OECD recommendations
- Narrow definition of e-commerce which is a subset of the wider phenomenon of e-business
- Different types of e-commerce, different economic and technological driving factors
- Important outcomes from the ESS ICT enterprise surveys since 2001
  - increased degrees of readiness (Internet access and prevalence of websites near saturation levels)
  - High level of readiness has not led to corresponding activity in Internet commerce
  - Majority of e-commerce through EDI, not Internet
- ICT surveys have been effective but there are substantial complexities
- Outcomes subject to high level of uncertainties
Measuring e-commerce – Austrian and Danish papers

• How should we proceed with the enterprise surveys?
• Important to adapt the questionnaires to changes in readiness, increase in e-commerce, increased proliferation of e-commerce methods and practices
• Changed focus – from the narrow to the wider definition of the phenomena
• Hardly realistic to cover all kinds of e-businesses – more pragmatic to set clear priorities and measure common and well-defined processes
• Agreement with the approach adopted in the latest version of the survey – pragmatism and priorization of what can realistically be measured
E-commerce – some issues for discussion

- Given limited spread and volume of e-commerce are the ICT surveys mainly useful for monitoring behavioural patterns rather than for measuring economic volumes and economic impact? If so, how much effort should be put into them bearing in mind the resulting response burden?
- Saturation levels are being reached in e-readiness – does it do more harm than good to continue including questions on these matters?
- Do we agree that in a new legal framework for ICT statistics, reduced response burden is a major objective, that we should not expand the current questionnaire, that we need to be selective, and should introduce a greater flexibility as regards the frequency of questions?
Measuring economic globalisation

I wish you a fruitful discussion!

Thank you for your attentions
Globalisation is not a new phenomenon.
Defining Globalisation in our Context

• The opening up of economies and borders thereby widening the worldwide interconnectedness. An increasingly integrated world economy.

• Resulting in an increase in:
  – trade in goods and services
  – capital movements (FDI and portfolio investments)
  – movements of people
  – spread of information, knowledge, technology and ideas

• Multinational Enterprises, MNE’s have an important impact.
Drivers of Globalisation: Increased Liberalisation of International Trade and...
Drivers of Globalisation: Opening up New Markets in the Global Economy

Picture from 1898
Technological Developments
Lowering Costs for Transportation

Picture from app. 1520 – 1550
Globalisation of the Economy.
Traditional cross-border trade is still growing rapidly …
Globalisation of the Economy: … And FDI Even More

Direct investment stocks from EU countries as share of GDP
The Papers Deal with Different Aspects of Economic Globalisation. In brief and perhaps unfair:

- The **Swedish** paper deals with the consequences of international sourcing.
- The **Italian** paper deals with the measurement of competitiveness.
- The **Czech** paper deals with the effect of MNE’s on statistical measurements.
- The **Norwegian** paper deals with the SNA revision in relation to international processing.
- The **Eurostat** paper is the most general. Discusses challenges in relation to the measurement of cross-border transactions and the structure and behaviour of businesses.
- A few common themes. I will therefore deal with the papers one at a time.
Consequences of International Sourcing - Sweden

- The paper addresses the issue of offshoring/international sourcing from two different perspectives:
  
  - **Labour demand.** The point of departure was redundancy notices from workplaces, and combining this with changes in imports to these workplaces. Workplaces having outsourced internationally and their job losses are hereby identified. Main result: Few lay-offs due to offshoring.
  
  - **Productivity analysis** based on several statistical registers. Main results: Firms involved in international sourcing have a much higher productivity than Swedish enterprises on average. Especially manufacturing enterprises outsourcing their services support functions profit from the outsourcing process.

- The paper is an excellent example of how existing registers can be used in new and innovative ways.
Is this how we perceive globalisation?
The EU Survey of International Sourcing. Are We Undermining Our Skill Base by Relocating R&D Activities out of Europe?

Expected international sourcing of R&D activities 2007-2009 from Danish enterprises. Broken down by geographical destination.
The paper addresses the issue of how to measure competitiveness in a globalisation perspective. “EU to become the most competitive and dynamic knowledge-based economy in the world”.

It is concluded that indicators and analyses should be developed at firm and sector level.

The basic need is micro-data at firm level, and a specific longitudinal data base consisting of elementary data has to be created.

ISTAT has implemented an experimental panel database for the years 1999 – 2004. The main problems have been confidentiality problems (access to administrative sources) and the huge expenses.

Should such measures of competitiveness become an ESS priority?
The Role of Multinational Enterprises – Czech NSO

• The paper refers to the MNE’s as the crucial point in understanding globalisation and the MNE’s effects on the quality of data; e.g. the internal restructuring of the division of labour within a MNE can seriously influence the existing statistics.

• The issue of transfer pricing as an important factor influencing the quality of the statistics is mentioned.

• The paper, interestingly, also looks at international sourcing from the point of the receiving country; how sudden introduction of new technologies and organisation of labour by foreign MNE’s can distort the real GDP growth.

• The paper raises the question of how to provide a correct statistical description of a region after the introduction of huge MNE’s.
The SNA revision - Norway

- The paper addresses the challenges for national accounts and BOP statistics when goods are sent abroad for processing:

  - In the SNA revision it has been decided to change the prevailing recommendation of *gross* recording of goods sent abroad for processing to a *net* recording so that no imputed change of ownership takes place.

  - This implies that only the value of the processing service will appear in the balance of payments and in the national accounts as an intermediate consumption in country A.

  - It is argued that this decision will have negative implications for the analytical uses of the accounts for production and productivity analysis, as well as for environmental analysis.

  - The development of a new *supplementary system* based on gross recording is proposed.
The ESS Response to Globalisation
- Eurostat

• The paper sets up an inventory of existing statistics (e.g. trade in goods and services statistics, FDI) and new initiatives addressing the globalisation issue (e.g. FATS and survey on International Sourcing).

• Some of the challenges for the ESS concerning relevance and quality of the statistics:
  
  – Harmonising statistics for cross-comparisons and understanding of what is going on: Trade and FDI, FDI and FATS, FATS and R&D etc. The ESS should define priority areas and timetable.

  – Compiling the transactions and structure of MNE’s. Risk of double-counting/underreporting. Exchange of information with other MS and EU is limited by national legislation. Concentration of data collection into one system?
The ESS Response to Globalisation – Eurostat (2)

- **New types** of transactions (e-commerce) are difficult to capture.

- The **valuation** of transactions becomes increasingly difficult. Intra-group trade issues: transfer pricing, FDI via special companies set up for routing capital and processing trade.

- Problems with **classification** of cross-border transactions: A good or a service? A portfolio investment or a FDI?

- The **EuroGroup** register is a very demanding project during 2007-2009.

- Specific **Community surveys** of MNE’s using European sampling.

- Using information from **private providers**.
Specific Questions to the Authors (1)

• **Sweden**
  The point of departure was job-losses due to globalisation. Any plans to study *job creation* (increased competitiveness etc.) due to globalisation?

• **Italy**
  What kind of *new EU legislation* should have the highest priority for establishing harmonised studies and indicators of competitiveness?

• **Czech NSO**
  “Globalisation is a challenge to search for brand new techniques and methods of statistical measurement”. Could you clarify this point?
Specific Questions to the Authors (2)

• Norway
The reason for the change to the SNA was that goods sent abroad for processing should be treated in the same way as goods sent to a domestic enterprise for processing. Why a different treatment in the two cases?

• Eurostat
The paper mentions a lot of new challenges in relation to statistics on globalisation. When the present program of ESS statistics (including for example FATS) is implemented what kind of new EU legislation should then be taken on board?
Questions to the Authors and General Discussion (1)

• The role of Eurostat and the NSI’s
  – The ultimate aim of the EuroGroup register is to cover all MNE’s in Europe. The present project should be implemented 2007-2009. Is the amount of work well understood and the timetable feasible?
  – European sampling. Which type of surveys would be relevant for this approach? Should the results be presented only as EU aggregates?
  – Confidentiality reasons make it difficult / impossible to exchange information on MNE’s across borders. Should data collection on MNE’s and their transactions be concentrated into one system, i.e. Eurostat?
  – Should analyses of competitiveness have a similar position as analysis of productivity and be part of official statistics?
Questions to the Authors and General Discussion (2)

• Satellite accounts are suggested
  – Should we use this method even more? Should they be voluntary and later on obligatory?
  – Norway: Gross recording of international processing for the environment-, production-, productivity analysis etc.
  – Sweden: To track goods, services and people across borders, not only up to the borders.

• Threats to official statistics? Are we still on track?
  – Using data from private sources (Eurostat)
  – More use of expert guesses and modelling (Czech NSO)
  – The need to provide timely imperfect data (specifying the level of quality) that could be later strongly revised (IT)
Sport is a Really Global Activity

picture from 1881

Thank you for your attention!