

Creating an Integrated Statistical Framework for Understanding Global Value Chains

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The increasing international fragmentation of production that has occurred in recent decades driven by technological progress, cost, access to resources and markets, trade policy reforms, and indeed emerging economies, has challenged our conventional wisdom on how we look at and interpret trade. Traditional measures of trade, record gross flows of goods and services each and every time they cross borders leading to what many describe as a 'multiple' counting of trade, which may lead to misguided policy measures. To respond to this challenge the OECD and WTO launched the Trade in Value Added (TiVA) database in January 2013. The database has helped to better understand the importance of accounting for global value chains in policy making and has also helped to raise awareness of the need for national statistics offices to better capture global production phenomena in designing statistical information systems. But the TiVA approach is only the beginning of what is needed to fully understand and account for GVCs. Whilst TiVA estimates have been able to shed light on our understanding of international trade and its relation to output and competitiveness, in particular the role of imports and intermediate services for exports, and so, the hitherto hidden costs of protectionism as well as the benefits of trade liberalisation, it is not able to describe the role played by foreign investment and the role of foreign affiliates. Moreover, TiVA, on its own, is not able to provide insights on the employment dimension, in particular the impact on jobs and skills of GVCs. Some of these issues can be illuminated by existing data on employment and foreign affiliate statistics but these are not always consistent with the underlying output and value-added data (supply-use, input-output and trade data) that are central to TiVA. Providing a coherent narrative on trade, investment and jobs, requires a coherent accounting framework. This paper makes a proposal for such a framework.