

REGIONAL WORKSHOP ON LEAST DEVELOPED COUNTRIES AND LEVERAGING TRADE AS A MEANS OF IMPLEMENTATION FOR THE 2030 AGENDA

Session 11

Achieving trade-related SDGs: issues with trade data

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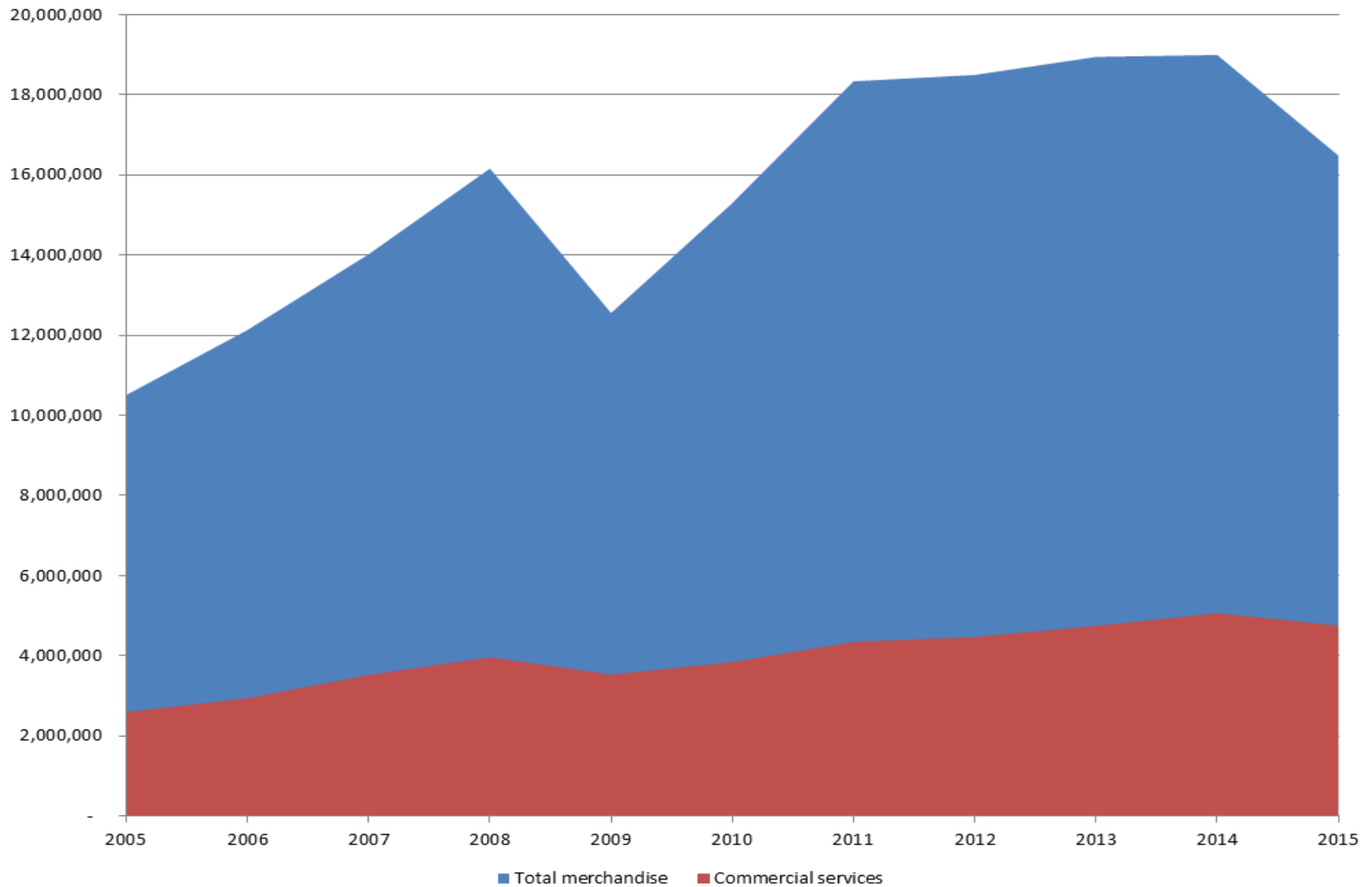
Agenda

Using trade data for developing indicators of trade-related sustainable development

- Trade in goods
- Trade in services
- Trade in value added
- Trade in goods or trade in services?

TRADE IN GOODS:

Global export value (USD millions)



Data from WTO databases

Merchandise-trade issues

- Statistical quality and availability of merchandise trade statistics are better than services trade statistics.
 - There stills room for improvement for LDCs.
- A major concern is analytical capacity.
 - Matching between goals, targets, useful indicators.
 - Availability of tools (advantages and disadvantages)
 - Deriving policy implications

Ex1. removing supply-side constraints

- Possible targets
 - Increased capacity in sectors producing tradable goods and/or services
 - Increased value-added in tradable goods and/or services sectors
 - Increased firm-level productivity
 - Increased in global export shares
 - Diversification of exports

Possible trade indicators:

- **Trade performance**: composition, orientation, and growth of exports and imports
- **Export diversification**: across products and markets
- **Characteristics of trade**: export sophistication, intra-industry trade, import-content in exports
- **Trade opportunity**: RCA, trade complementarity
- **Trade competitiveness**: relative export price, relative import price, relative unit labor cost, effective exchange rate

Note: The list is not exhaustive.

Requirement

- Availability and international comparability of bilateral trade data
 - It is not quite an issue (for trade in goods) if NSOs follows common international statistical frameworks.
 - For most countries, raw data (merchandise trade) is generally available from databases maintained by international organizations.
 - Some LDCs have issues with trade data availability.
 - Several indicators are ready-to-use from interactive online database (such as ITC, WITS)

Ex2. Enhancing the contribution of trade to sustainable development

- Possible targets
 - Higher employment levels in tradable goods and/or services sector
 - Increased share of SMEs engaging in export activities
 - Increased share of vulnerable groups in export activities
 - Lower shares in export activity / employment for informal sector
 - Evidence of higher & sustained growth following increases in trade
 - Evidence of higher overall employment if trade growth stimulated
 - Evidence of reductions in poverty rates following increases in trade

Requirements

- The indicators will require **statistical disaggregation**
 - trade and other statistics disaggregated by industry (if not product) level, formal/informal sector, firm size, etc.
- Conceptual understanding on what trade can do and cannot do for development
- Dealing with attribution issues using econometric techniques

TRADE IN SERVICES

Services

- *Services* covers a wide range of intangible and heterogeneous products and activities.
 - Transport, telecommunication and computer services, construction, financial services, wholesale and retail distribution, hotel and catering, insurance, real estate, health and education, professional, marketing and other business support, government, community, audiovisual, recreational, and domestic services.
- Services can have significant economic and development impacts.
 - Efficiency of economic activities: Transport, telecommunications and financial services
 - Environmental services: sewage services, refuse disposal, sanitation and similar services, reducing vehicle emissions, noise abatement services, nature and landscape protection services and “other” environmental services (WTO).
- Services trade is a relatively resilient component of global trade
 - Commodity trade (which is a part of merchandise trade) is the most volatile component.

Trade in services

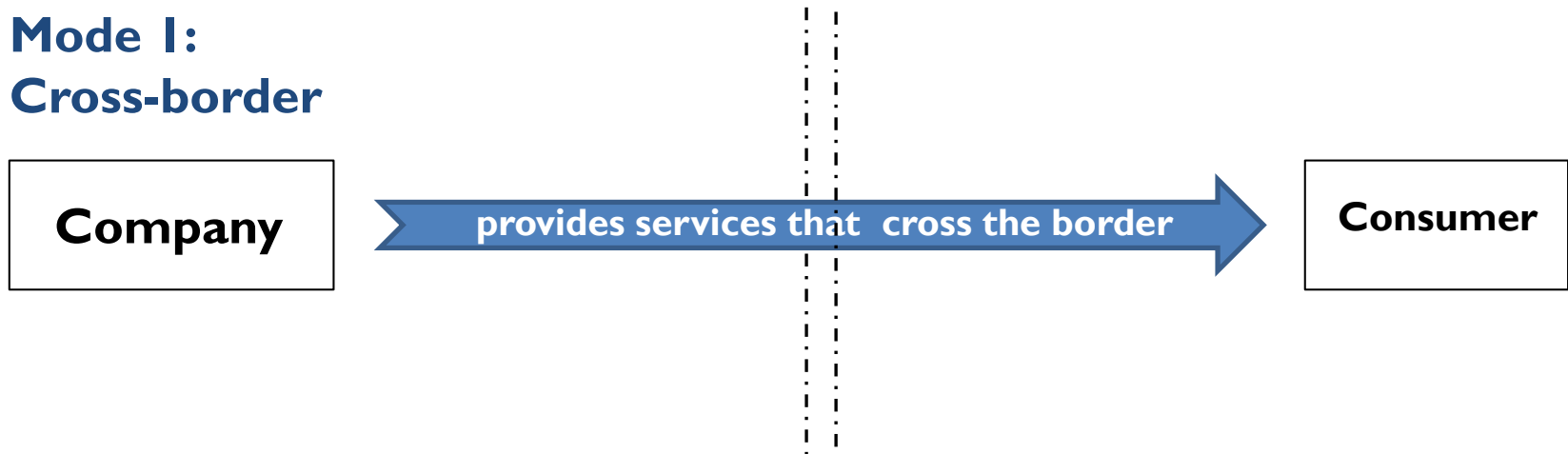
- Services exports are among the fastest growing in the world economy, faster than goods exports.
- Developed countries still enjoy the vast majority of services exports.
- LDCs export less than 1% of global services exports.
- In AP, China, India, Japan and Singapore represent more than 50% of regional exports and nearly 60% of imports.

Contributions of services to growth, jobs, trade

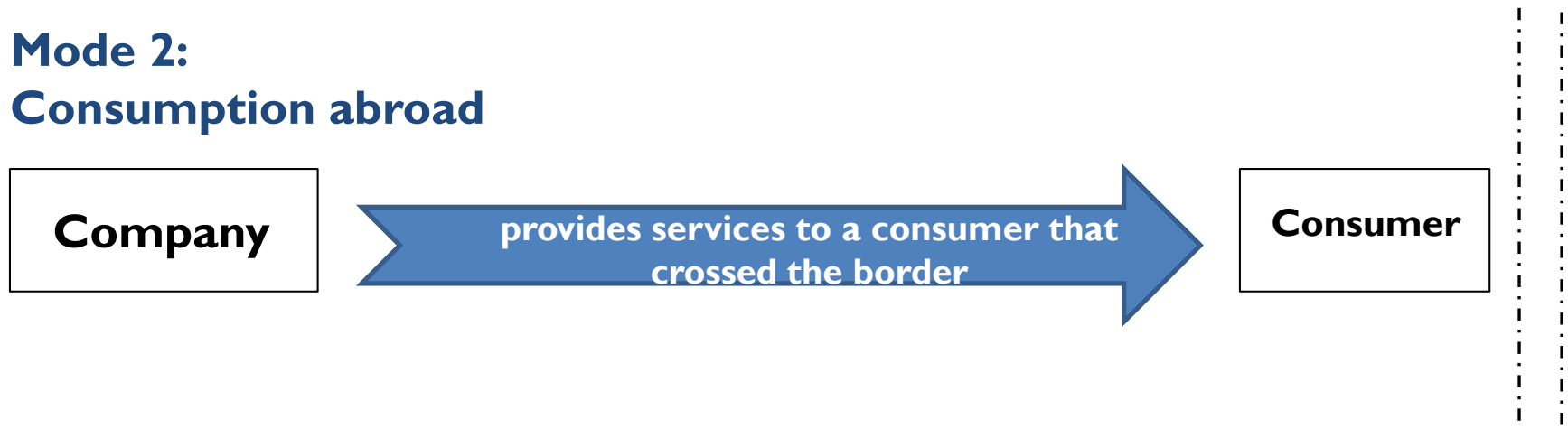
- Services currently represent **more than two thirds** of World GDP.
 - **National Accounts : Value added** broken down by industry.
- The services sector accounts **more than half of the employment** in many countries (up to 78% in the United States).
 - **Employment statistics:** the total number of people employed in various sectors of activity.
- The share of *services* in world trade is about 20-22%
 - **Services trade statistics:** BOP transactions (BPM6).
 - However, the measuring services trade flows is problematic and tends to underestimate the value of services trade flow.

GATS modes of trade in services

Mode 1: Cross-border

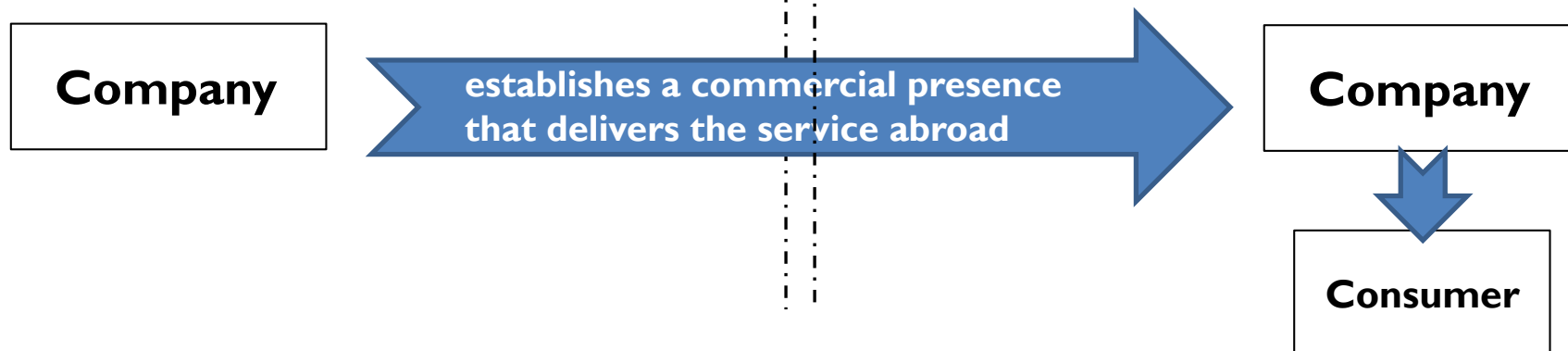


Mode 2: Consumption abroad

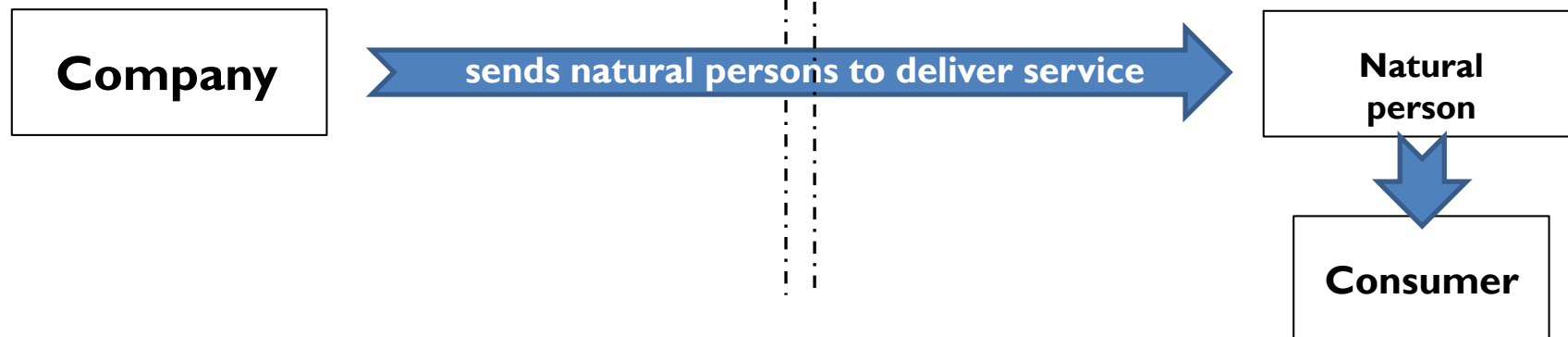


GATS modes of trade in services (continued)

Mode 3: Commercial presence



Mode 3: Presence of natural persons



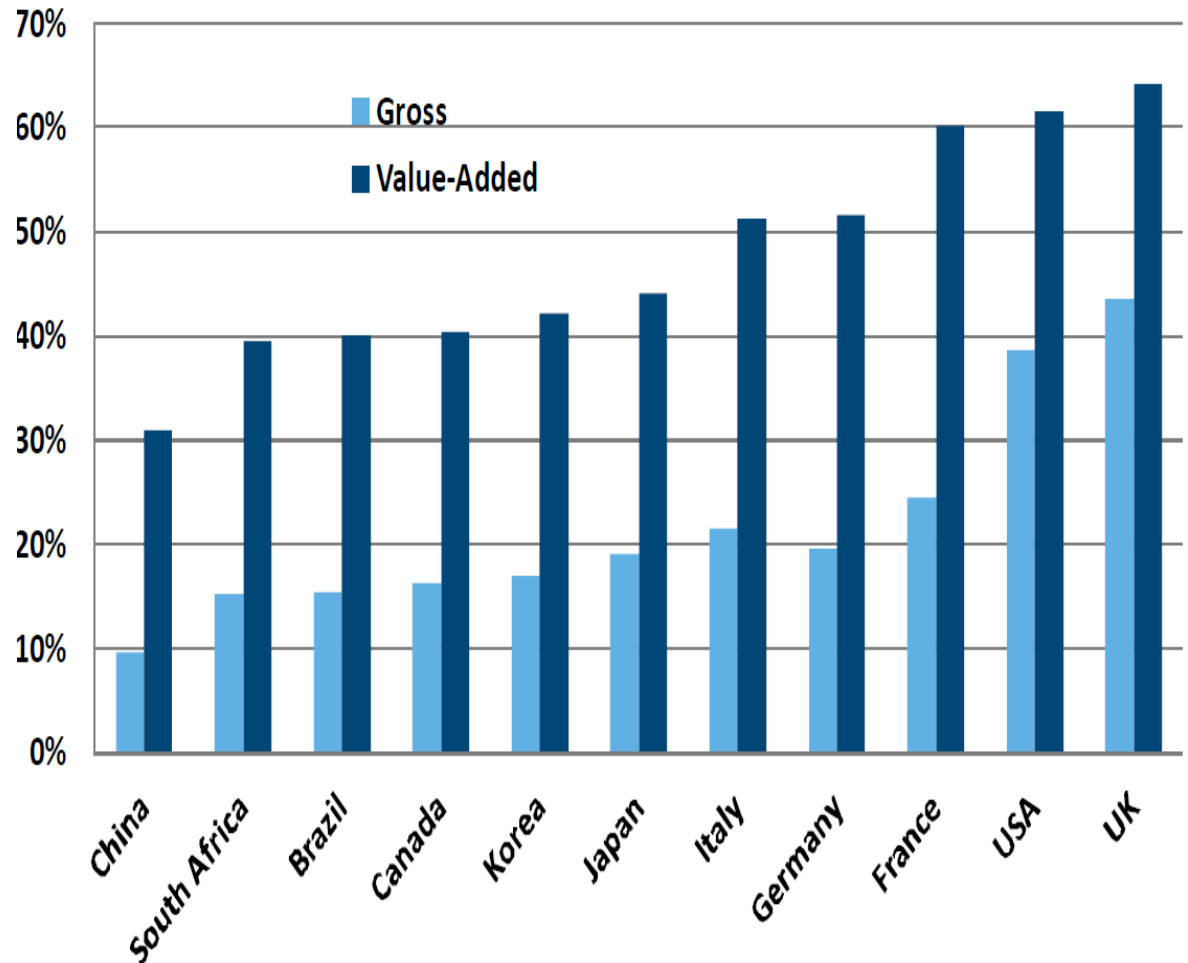
Issues in services trade data

- Missing value of services trade under **commercial presence abroad**, i.e. the establishment of foreign affiliates
 - Requirement: foreign affiliates statistics (FATS)
- Services trade through **‘Mode 5’**: services embodied in the value of goods that traded across national borders
 - Requirement: statistics on Trade in Value Added (TiVA)
- **Bilateral services-trade statistics** are not available from international databases
 - Measuring competitiveness, tracking relative progress, evaluate impacts from policy changes, etc. are not possible.

How large is the missing trade value?

Services shares in gross and value added exports

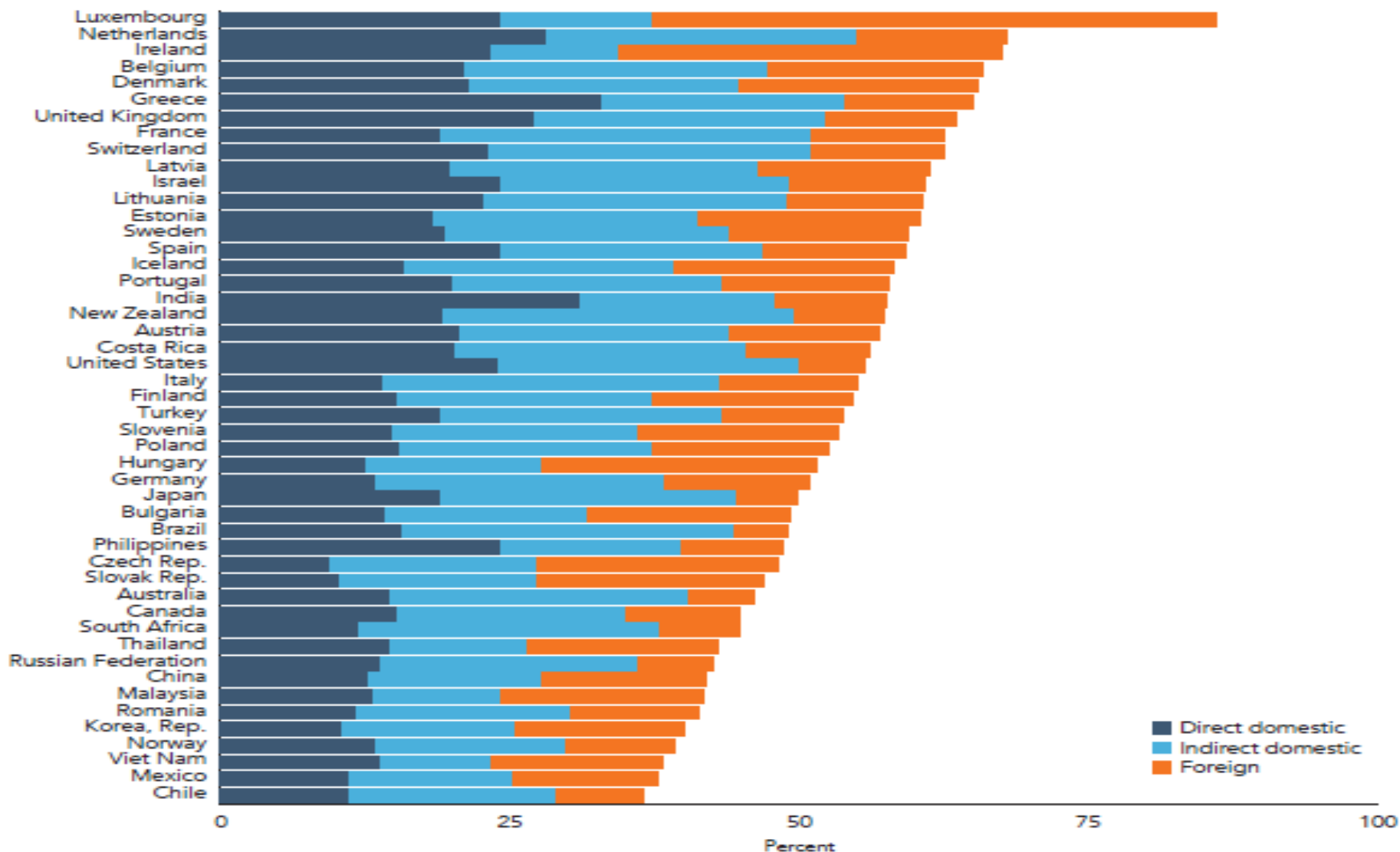
- Using trade in value added increase the share of services in global trade by 50% (from 20% becomes 40%).



Source: WTO-OECD TIVA database

Decomposition of services value-added in gross exports

FIGURE 6.5 Direct and indirect domestic services value added and foreign services value added in gross exports, by country, 2011



Services and SDGs: sector-specific indicators are required

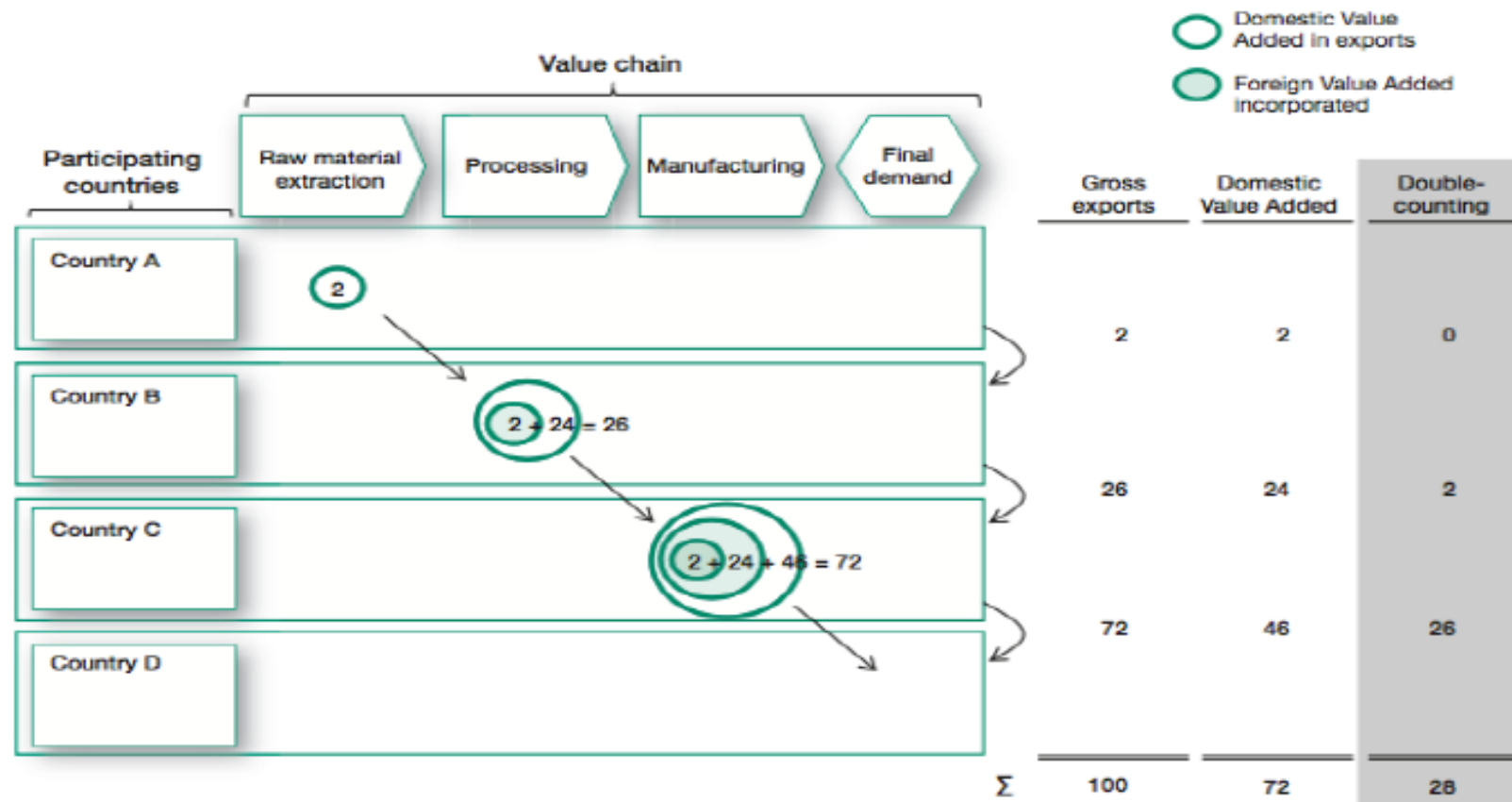
- Competitiveness indicators: (examples of tourism services)
 - Exports of tourism services: arrivals, expenditure, occupancy rate
 - Productivity in tourism services
 - Purchasing Power Parities (PPPs) and tourism prices
 - Product diversity, differentiation: variety of tourist experiences and services
 - Accessibility: tourism transport
- Sustainable development indicators:
 - Local sourcing and supply (local products and labours)
 - Number and quality of employment in the tourism sector
 - Employment and business opportunities in tourism for women, the youth, indigenous people, poor people
 - Water use and energy use
 - Waste volume

TRADE IN VALUE ADDED

Trade in value added (TiVA)

- Using trade performance indicating how much country gained from trade need to be cautious.
- It is only the amount of value added domestically in the production of a particular exportable product should be counted.
- TiVA data is available in a limited number of developing countries.

Why do we need TiVA?



Source: UNCTAD, 2013a.

Requirement: For estimation of TiVA national SUT, or at least IOTs, are needed.

Possible indicators from TiVA

- Domestic and foreign value added content of gross exports, total and by industry (%)
 - Countries with relatively open and liberal trade and investment tend to have higher foreign content in their exports.
 - Reflecting the degree of integration within GVCs and changes over time
 - But a number of other factors impact on the extent of a country's integration into, and specialisation within GVCs.
- Share of imported intermediate inputs that are exported, by import category, %
 - The relative importance of various import products to exports and the potential counter-productive nature of tariffs.

Possible indicators from TiVA

- Origin of foreign value-added by originating region and industry (product group) for a country specific industry
 - The (shifting) importance of regions and upstream industries as providers of goods, and increasingly, services.
- Partner shares of exports and imports, gross versus value added terms and related Bilateral Balances comparisons.
 - How bilateral relationships in exports, imports and overall trade balances differ when measured in a value added sense.
- Services content of gross exports
 - The value added that the service sector creates and exports directly (as direct exports of services) but also indirectly as intermediate inputs into the production of goods

Caveats of TiVA

- **TiVA provides estimated trade value**
- It needs to reconcile national input-output tables based on a harmonised set of aggregated industries. The process require strong assumptions
 - Same production technique for all of the firms (and all of the products) in the industry grouping.
 - The proportion of intermediates that an industry purchases from abroad is equal to the ratio of imports to total domestic demand in that product
 - The balancing process is necessary to introduce coherence between official recorded bilateral gross trade flows and those reflected within the input-output table.
- **A major concern**
 - TiVA will underestimate the shares of foreign content than might be recorded if more detailed input-output tables were available.

Issues of trade in digitized products: goods or services?

- The possibility of electronic delivery of certain goods and services raises a number of boundary and measurement issues.
- “Digitized” products (e.g. printed matters, sound, film, and software) increasingly cross borders as data files instead of being physically stored on a CD, a tape or diskette.
- The classification of digitized products as goods or services is also relevant in trade negotiations as different agreements apply to goods and services.

Key takeaway

- To have trade as an effective means of implementation to achieve SDGs, trade data can provide useful evidence.
- Trade data must be used prudentially. Important issues to be kept in mind:
 - Services are embodied in traded goods.
 - Services trade has not been measured properly.
 - Gross trade value can be misleading. Countries actually trade in value added, not trade in products (goods, services).
 - Technology is changing the boundary between goods and services.
- The availability of statistics are necessary, but it will not be sufficient if the ability to analyze and derive sound policy implications is lacking.

ANNEX

Mismatches between services-trade statistics and mode of supply

Mode of supply	Relevant statistical domain simplified presentation	Inadequacies
<i>Mode 1:</i> Cross border supply	BOP: commercial services (excluding <i>travel, manufacturing services on physical inputs owned by others, maintenance and repair services, construction and part of transport</i>)	BOP does, at the time of writing, not allow a separation between modes of supply
<i>Mode 2:</i> Consumption abroad	BOP: <i>travel, manufacturing services on physical inputs owned by others, maintenance and repair services and part of transport</i>	<ul style="list-style-type: none"> • <i>Travel</i> also contains goods consumed by travellers and although an alternative breakdown by type of product is recommended, data generally available are not subdivided into the different categories of services consumed by travellers. • BOP does, at the time of writing, not allow a separation between modes of supply for the other listed BOP items when deemed necessary.
<i>Mode 3:</i> Commercial presence	FATS BOP: <i>construction</i>	<ul style="list-style-type: none"> • Incomplete coverage of FATS at the time of writing • Not distributed between <i>Modes 3 and 4</i>
<i>Mode 4:</i> Presence of natural persons	BOP: commercial service (excluding <i>travel</i>)	BOP does, at the time of writing, not allow a separation between modes of supply

Supply and use tables (SUTs)

- Providing data on the supply of goods and services produced domestically or imported, and the use of goods and services as intermediates in production or as final products.

Figure 4: Simplified supply and use table

Goods and services	Supply		Total supply = total use	Use						
	Domestic Production	Imports		Intermediate Consumption	Flnal Consumption Expendlture			Capital Formation		Exports
					Government	Households	Nonprofit institutions Serving Households	Gross Fixed Capital Formation	Changes in Inventories	
Goods										
1										
2										
Services										
1										
2										
Total										

Source: ADB, 2012.

Input-Output Tables (IOTs)

- The IOTs are a transformation of the SUTs and provide aggregated data on production and consumption by sectors/industries

Figure 5: Simplified input-output table

		Producers as Consumers								Final Demand			
		Agriculture	Mining	Const.	Manuf.	Trade	Transp.	Services	Other	Personal Consumption Expenditures	Gross Private Domestic Investment	Govt. Purchases of Goods and Services	Net Exports of Goods and Services
Producers	Agriculture												
	Mining												
	Const.												
	Manuf.												
	Trade												
	Transp.												
	Services												
	Other												
Value Added	Employees	Employee compensation								Gross Domestic Product			
	Business Owners and Capital	Profit-type income and capital consumption allowance											
	Government	Indirect business taxes											

Source: Miller and Blair, 2009.