



Global value chains (GVCs) and trade in value added (TiVA) (G.7)

6-9 JUNE 2022

*UNECA Third Regional Thematic Webinar on the
System of National Accounts Update Programme - -
Addis Ababa*

Michael Connolly co-chair Globalization
Task Team

Outline

- **Background**
- **Examples of GVCs, eSUTs and TiVa**
- **Issues for discussion**
- **Guidance note proposals**
- **Global Consultation Outcomes**
- **Outcome of consultation process**

Background: Global value chains (GVCs) and trade in value added (TiVA)



Production chains spanning across countries: opportunities to maximize production efficiency



Growing scale of cross-border trade and divergence between gross flows and additions of net exports to value added.



National data can only map the national value chain; the GVC satellite account and TiVA statistics take the whole value chain into account.

- ❖ POLICY DEMAND FOR MORE STATISTICAL INFORMATION ON GVCs HAS GROWN SIGNIFICANTLY
- ❖ MUCH HAS BEEN WRITTEN ON THIS TOPIC.

Issues for Discussion

To better account for interlinked core production activities and supporting services activities, the guidance note (GN) does not recommend any changes to the core *2008 SNA* and *BPM6* concepts.

The GN recommends including a **description of GVCs and TiVA** in the next set of manuals.

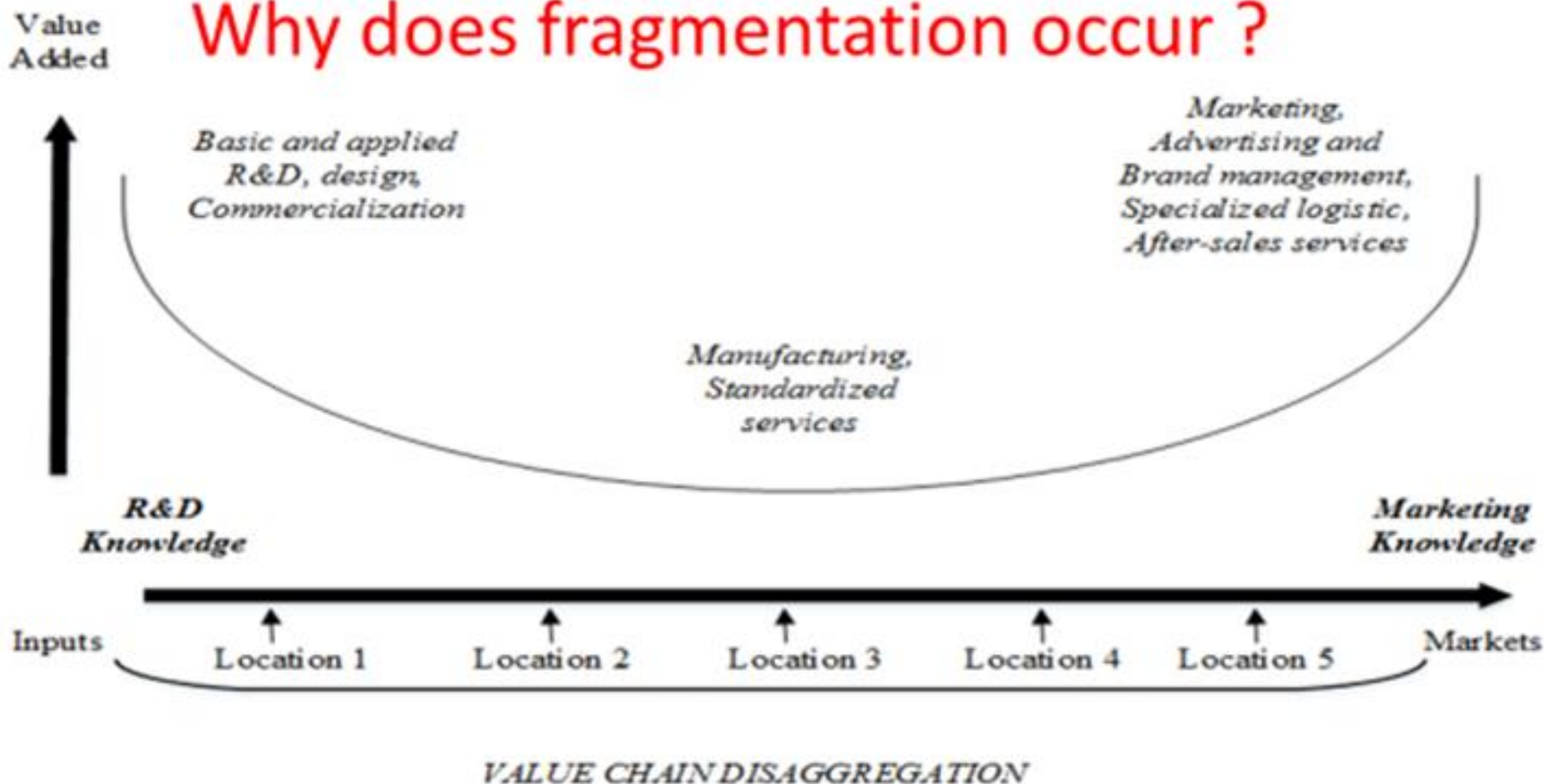
Supplementary information for analysis recommended.

Within SNA, to better understand GVC's at both a national and global level, the GN favors building

- ✓ **TiVA indicators**, addressing the double counting implicit in gross flows of trade,
- ✓ **GVC satellite account**
- ✓ More granularity using the extended supply and use tables (**eSUTs**)

Within the BPM, supplemental cross-border statistics detailed by geography or product have been proposed and agreed by the Committee in 2019 as part of a reporting template for GVC data collection. CATT GN C.2 discusses the reporting template.

Why does fragmentation occur ?





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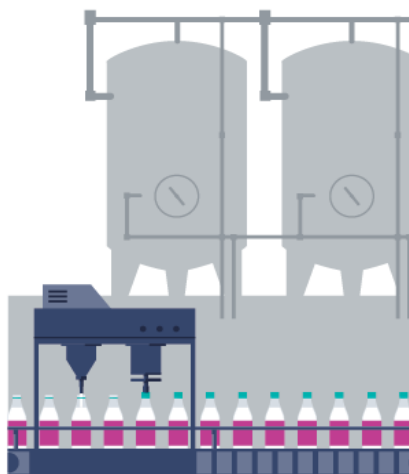
Food and Agriculture: A Value Chain Analysis (2018)



Farm Production

Output
€9 billion

Value Added
€3 billion



Food & Drink Production¹

Output
€10 billion

Intermediate
Consumption
€8 billion

Value Added
€2 billion



Exports Agriculture & Food Products¹

Value
€8 billion

Destination
Countries
159

Imports of Food & Drink for Household Consumption

Value
€3 billion



Distribution: Wholesale/Retail

Margins
€3 billion

Taxes
€1 billion



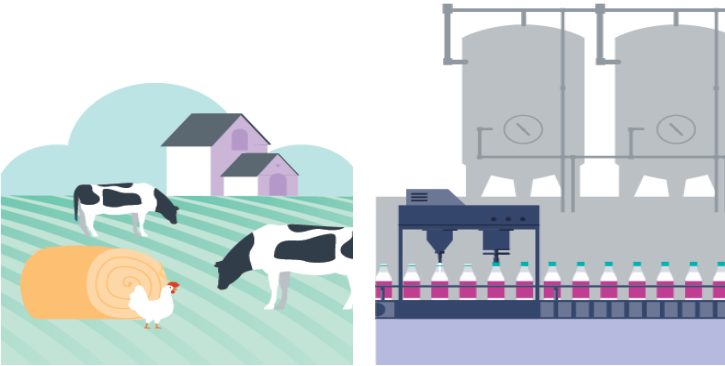
Household Food & Drink Consumption

Value
€10 billion

¹Domestically-owned enterprises only

What this publication is about

Production



Imports



Distribution



Household Consumption



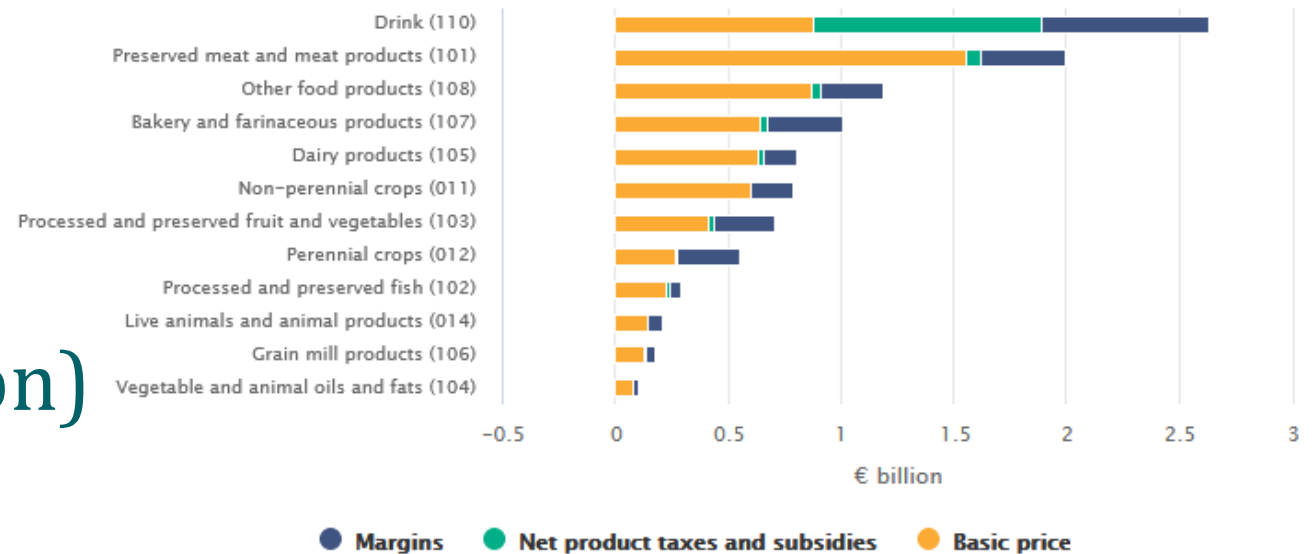
Exports



Household Consumption of Food and Drink

- PCE: €10.5bn
- Imports: 51% of PCE
- Largest Products: Drink (€2.6bn) and Meat (€2bn)

Figure 4.2 Household Consumption by Component 2018

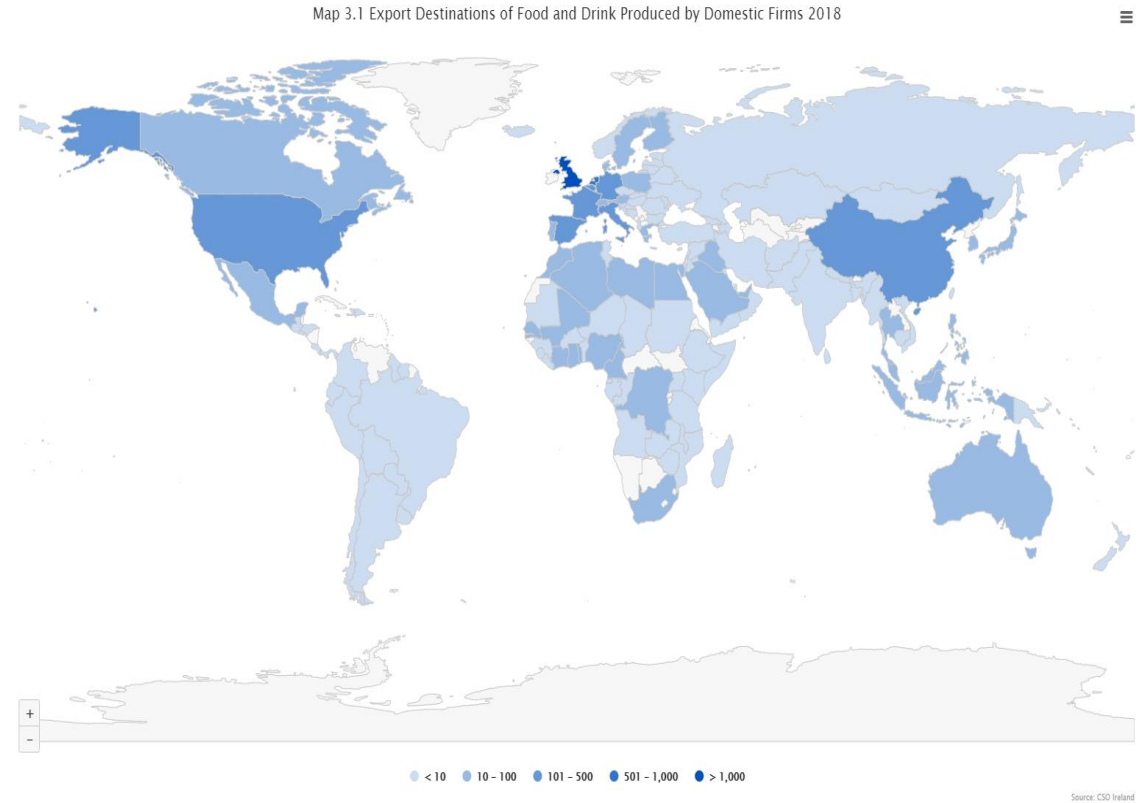


Source: CSO Ireland



Food and Drink

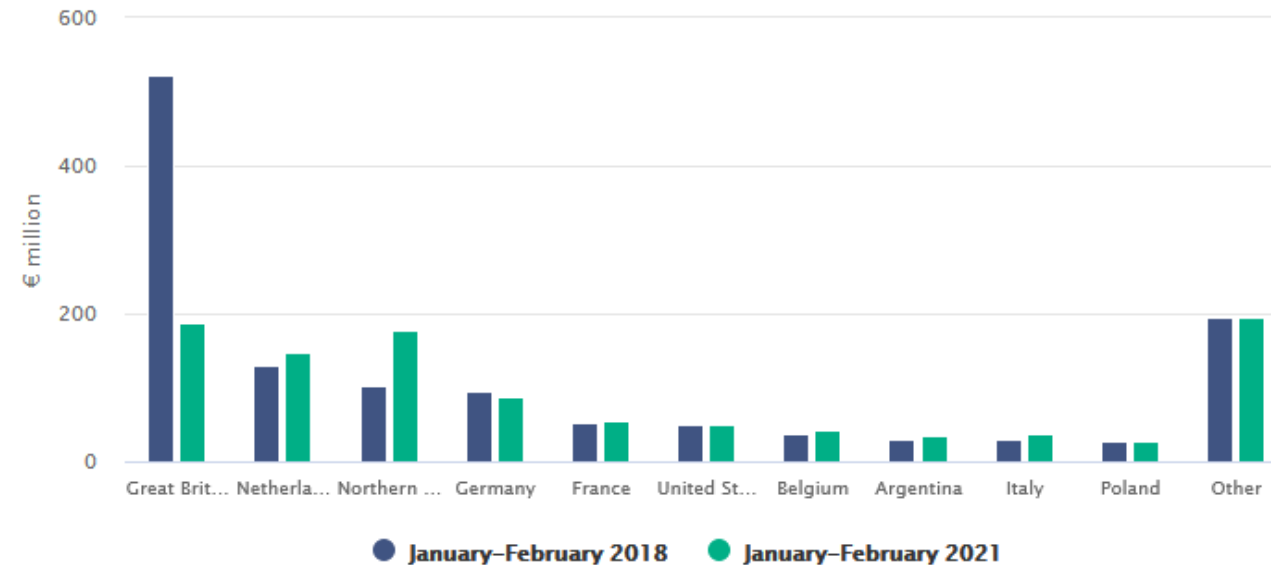
- Output: €25.2bn
 - Domestic: €9.8bn
 - Foreign: €15.4bn
- Value Added: €9.3bn
 - Domestic: €2.2bn
 - Foreign: €7.1bn
- Exports: €7.2 bn (159 countries)



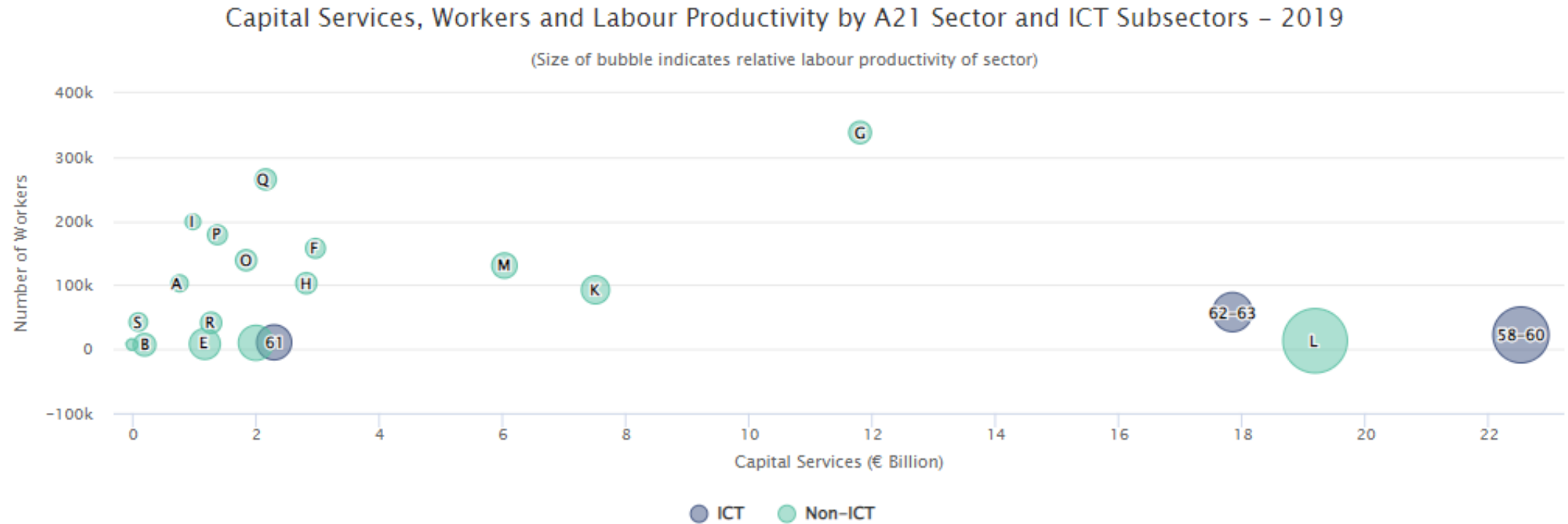
Effect of Brexit on Trade

- Comparison of trade with Great Britain in Jan-Feb for 2018 and 2021
- Imports 2021:
 - Agricultural Products: €20.3m (-72%)
 - Food and Drink: €188.2m (-64%)
- Exports 2021:
 - Agricultural Products: €41m (+21%)
 - Food and Drink: €418.1m (-35%)

Figure 5.2 Food and Drink Imports January–February



Productivity: Sector-Level





Terms of Reference (ToR) specify that the methods and extensions proposed are adaptable to the needs of each economy. Therefore, the next conditions showed of the extension are based on the availability of sources of information and the confidentiality required by them:

Statistical Unit

- **ToR OCDE:** by **firm**.
- **ESUT Mexico:** by **establishment**.

'Ideal' breakdown

- **ToR OCDE:** by **rows** (products) and **columns**. (industries)
- **ESUT Mexico:** by **columns** (industry).

Focuses of ESUT

- **ToR OCDE:** export focus, ownership focus and size classes focus.
- **ESUT Mexico:** export focus, ownership focus and size classes focus and **integrated** focus.

CATEGORIES BY EXTENSION



Export Focus

ToR OCDE:

- Exporter
- Non Exporter

ESUT Mexico:

- Exporter
- Non Exporter
- **Formal**
- Non Exporter **Informal**

Ownership Focus

ToR OCDE:

- Foreign Owned
- Domestically owned MNE
- Domestic Owned

ESUT Mexico:

- Domestic Owned
- **Affiliate** Domestic Owned
- Foreign Owned
- **Affiliate** Foreign Owned

Hybrid/ Integrated Focus

ToR OCDE:

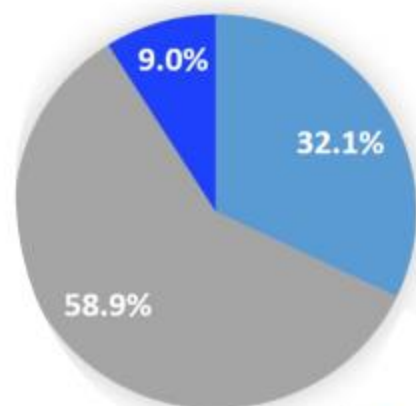
- Foreign Owned
- Domestically owned MNE
- Domestic Owned (Small)
- Domestic Owned (Medium)
- Domestic Owned (Large)

ESUT Mexico:

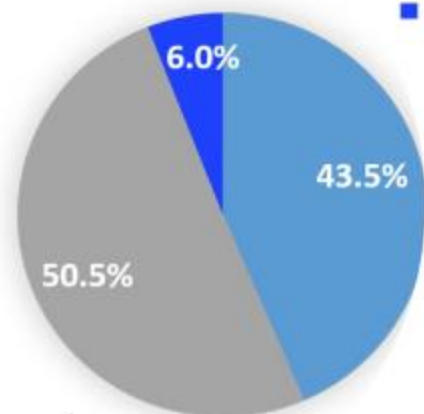
- Export Focus
 - Domestic Owned
 - ✓ Small
 - ✓ Medium
 - ✓ Large
 - Affiliate Domestic Owned
 - ✓ Small
 - ✓ Medium
 - ✓ Large
 - Foreign Owned
 - ✓ Small
 - ✓ Medium
 - ✓ Large
 - Affiliate Foreign Owned
 - ✓ Small
 - ✓ Medium
 - ✓ Large
- Non Export Focus
 - **Formal**
 - **Informal**

Exporter Focus

Supply



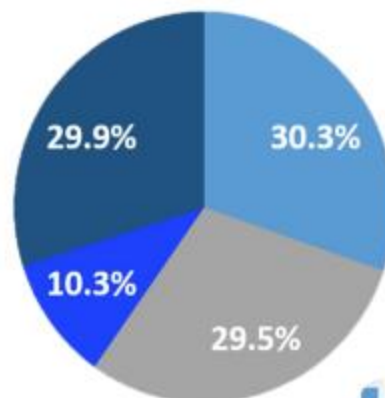
Use



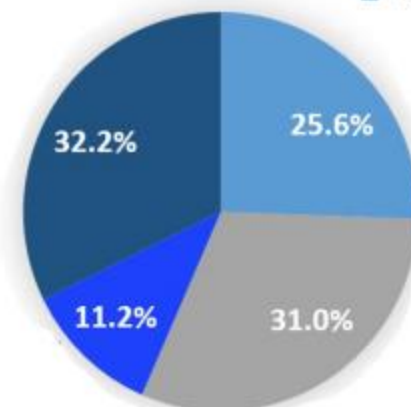
- Exporter
- Non Exporter Formal
- Non Exporter Informal

Ownership Focus

Supply*



Use*

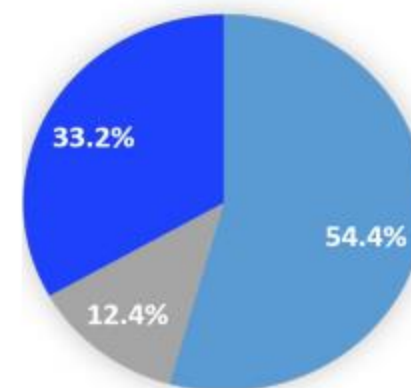


- Domestic Owned
- Affiliate Domestic Owned
- Foreign Owned
- Affiliate Foreign Owned

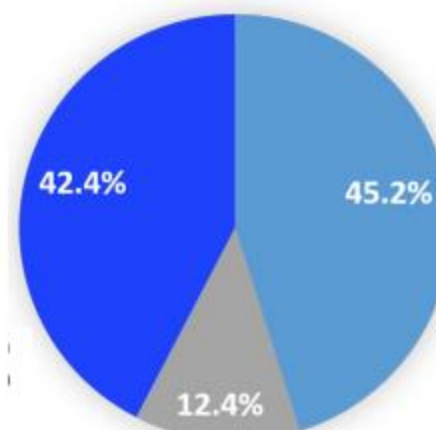
*Economic Units are classified as exporters.

Size class

Supply



Use



- Small
- Medium
- Large

International trade in value added indicators

What do the indicators measure?



1

EX_DVA

It measures the total domestic value added generated in the local economy c contained in exports to the partner country p.

2

EX_FVA

Measures the content of foreign value added in gross exports of intermediate goods and services incorporated in the total gross exports of the local country c.

3

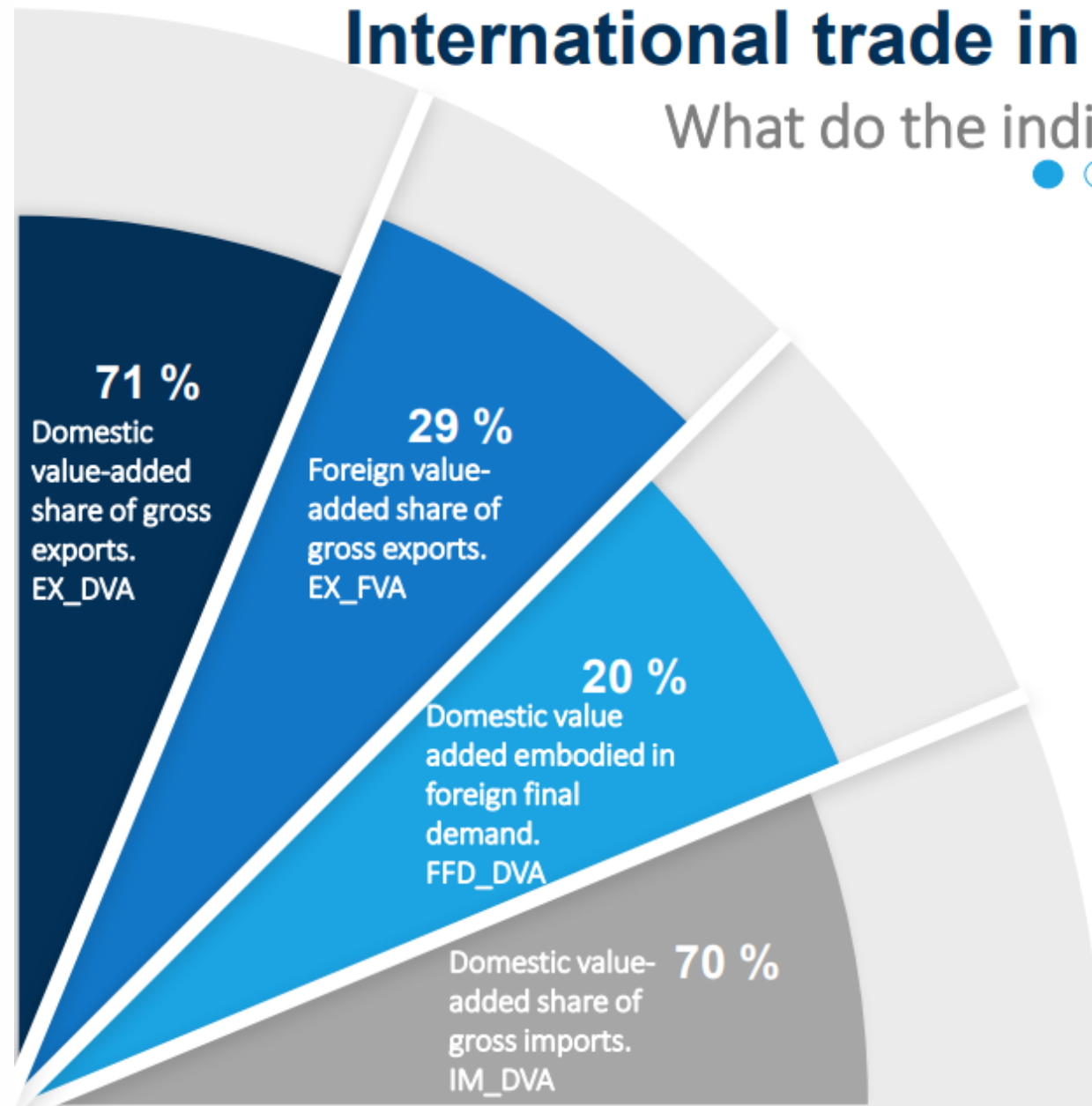
DFE_VAD

It measures the domestic value added contained in the final goods and services that local industries export to partner countries.

4

IM_DVA

It is the domestic value added generated in the local country that returns to the local country c contained in the gross imports of the industry i of the partner country.



GZTT proposals (1)

- No conceptual changes are required to the central SNA and BPM framework to account for GVCs.
- Conventional gross international trade flows should remain as the featured measures of cross-border trade because of their important role in calculating a country's overall trade balance and GDP.
- TiVA estimates can be viewed as a macro approach that requires a massive international effort to link country/regional SUTs with international trade statistics.
- eSUTs can help improve on these estimates through a focus on targeted aggregations that better address challenges around homogeneity assumptions.
- GVC satellite account can be viewed as a more targeted bottom-up approach focusing on a GVC for a specific product/industry or group of products/industries produced within a GVC.

GZTT proposals and links to other GNs (2)

In 2019, the Committee supported detailed BOP statistics needed for GVC analysis as part of the Working Group on Balance of Payments Statistics relevant for GVCs (WG-GVC).

- IMF and OECD prepared a reporting template, which has been included in Current Account Task Team (CATT) GN C.2.
 - ✓ C.2 recommended a framework to highlight the role of Multinational Enterprises (MNEs) in the current account
 - ✓ Covers both trade in goods and services and direct investment (DI) income.
- CATT and GZTT GN C.4 makes recommendations on the treatment of factoryless goods producers.
- DITT GN D.6 makes recommendations for the identification of the ultimate investor that could be used in implementing the proposed breakdown of the current account for direct investment income.
- GZTT GN G.2 provides a definition of MNE.

Global Consultation Outcomes (1/2)

- 56 responses from 56 economies were received from both balance of payment and national accounts compilers.
 - ✓ Strong support that no changes are needed to the concepts of the SNA and BPM to support GVC analysis (70 percent).
 - ✓ Wide support for including descriptions of GVCs and TiVA in the next set of manuals (80 percent).
 - ✓ Strong support that the GN adequately summarizes the work done in this area (70 percent).
 - ✓ Strong majority supported the inclusion of all three proposals of the GN within the SNA, namely:
 - (i) TiVA indicators (67 percent)
 - (ii) GVC satellite account (64 percent)
 - (iii) more granularity using eSUTs (68 percent)

Global Consultation Outcomes (2/2)

Practical considerations:





- Majority of respondents (56 percent) said that a GVC satellite account would not be achievable in their country using the current data sources and statistical infrastructure.
 - Main impediments: access to data (23 respondents), staff resources and statistical infrastructure (17 respondents each).
- However, 25 percent stated that they could produce a GVC satellite account using their current data sources and statistical infrastructure.
- Many respondents considered the production of eSUTs achievable with their current data sources and statistical infrastructure (43 percent), 40 percent did not believe eSUTs were achievable.
 - Main impediments: staff resources (13 respondents), access to data and statistical infrastructure (12 respondents each)

Questions for the AEG and the Committee

1. Do the Committee and AEG support including descriptions of global value chains (GVCs) and Trade in Value Added (TiVA) in the next set of manuals?
2. Do the Committee and AEG agree that no changes are needed to the core/central framework concepts of the SNA and BPM to support GVC analysis?
3. Do the Committee and AEG support including the development of supplementary information for GVC analysis in the next set of manuals to help motivate greater uptake?
 - a. Within the SNA, to better understand GVC at a global level, the GN favors building (i) TiVA indicators, (ii) GVC satellite account, and (iii) more granularity using the extended supply and use tables (eSUTs).
 - a. Within the BPM, leveraging the Committee's Working Group on Balance of Payments Statistics relevant for GVCs (WG-GVCs) as well as other guidance notes, namely the data collection recommendations of GNs C.2, C.4 and D.6, supplemental cross-border statistics detailed by components, enterprise groups, geography or product.

APPROVED GUIDANCE NOTES

Globalization Task Team (GZTT)

- C.11/G.1 Valuation of Imports and Exports of Goods CIF to FOB Adjustment
- G.2 Treatment of MNE and Intra-MNE Flows  (Posted May 2022)
- G.4 Treatment of Special Purpose Entities and Residency  (Posted May 2022)
- G.5 Economic Ownership of Intellectual Property Products: Recording of Intra-MNE Transactions  (Posted May 2022)
- G.7 Global Value Chains and Trade in Value Added  (Posted May 2022)



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An
Phríomh-Oifig
Staidrimh

Central
Statistics
Office

Questions ?

Email: Michael.Connolly@cso.ie