

# The impact of economic globalization on statistics

Positioning Nordic countries and enterprises in Global Value Chains

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# Today's presentation

- Drivers of economic globalization
- Measurement issues
- How to address the challenges

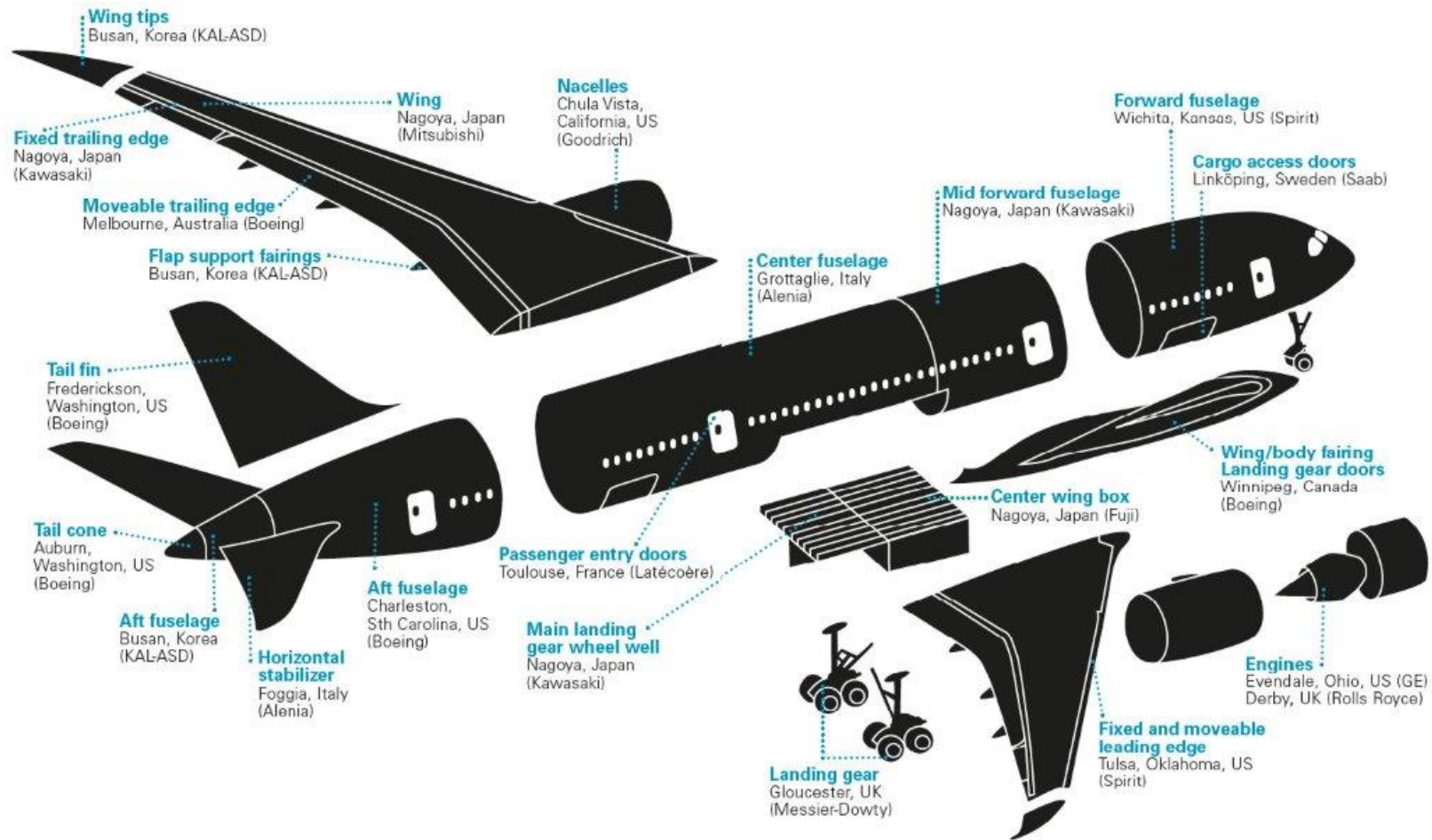


# Drivers of globalization

- Technological development lowering costs of transportation, travel and communication
- Increased modularization of the production process  
-both for manufacturing and services, as market transactions substitute for hierarchical organization – enabled by technology and regulatory reforms
- Importance of emerging new markets Increased liberalization of international trade and movement of capital (and individuals)
  - Even if the latter driver should come to a halt, the others would still be there
  - The world trade elasticity has declined – not become zero



# Made in the world



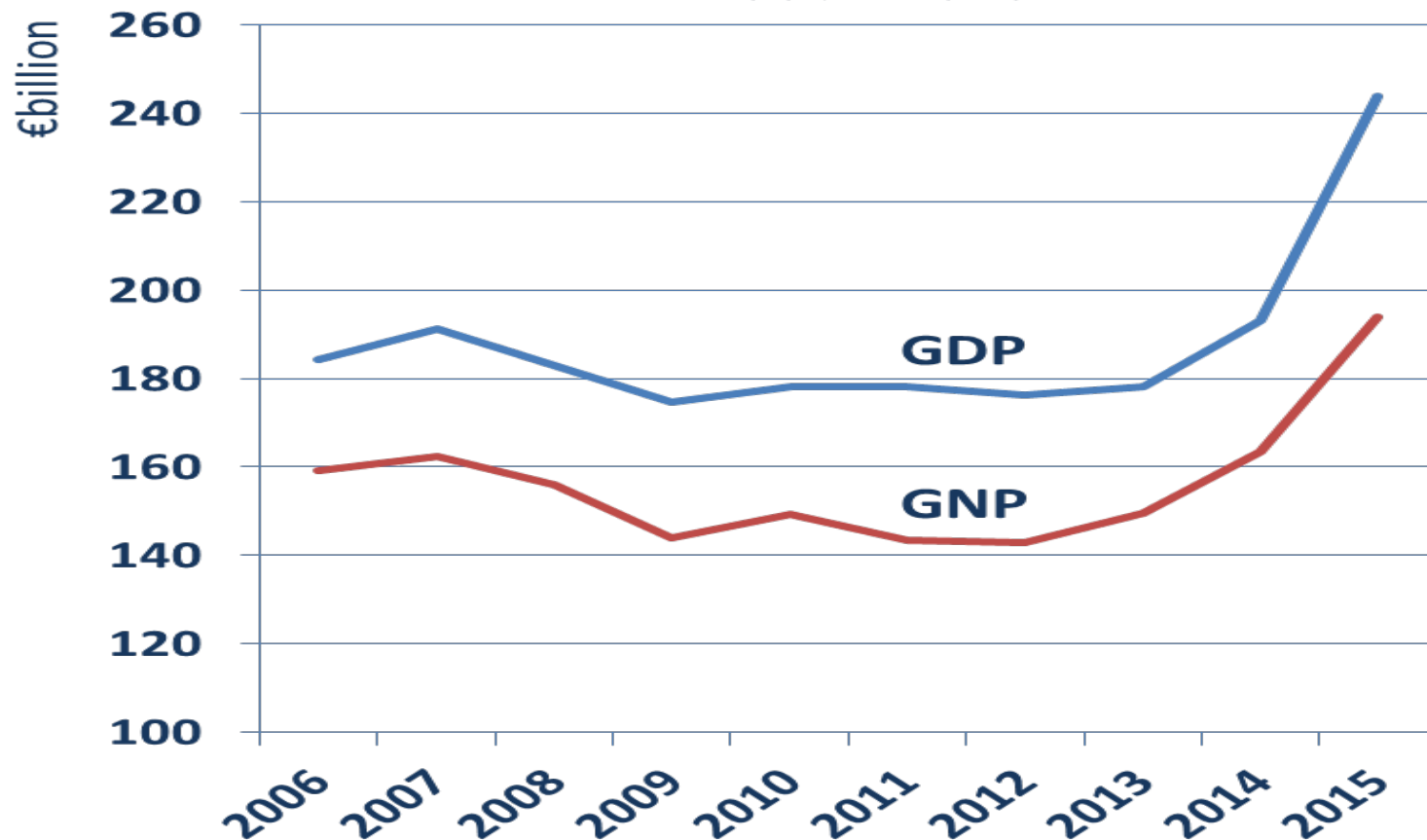
# Globalisation poses challenges to statistics

- New economic phenomena need to be measured and better understood
- Existing statistical measures become harder to interpret



# "The Irish Case" – GDP up 26,3 %

Annual GDP & GNP Constant Prices  
2006 - 2015



# How does this development fit with other indicators?

Description	2014	2015	% change
Personal consumption of goods and services (€m)	87,760	91,707	4.5
Net expenditure by central and local government on current goods and services (€m)	26,479	26,784	1.1
Employment – annual average ('000)	1,913.9	1,963.6	2.6
Total retail sales – volume (seasonally adjusted)	98.6	106.7	8.2
Gross domestic product at constant market prices (€m)	193,160	243,914	26.3

# What happened in Ireland?

- For confidentiality reasons we don't know...
- ... but probably involving:
  - Corporate inversions
  - Relocation of IPRs
  - Aircraft leasing
- Globalisation means that especially intangible assets and ownership can easily shift across borders
- Underlying issue: domestic ownership or domestic activity as criteria for inclusion – the D in GDP
- Implications:
  - GDP not always a good indicator of domestic activities
  - Need to identify robust indicators of domestic activity





# Could the same thing happen in Denmark?

- Qualitatively: yes
- Quantitatively: probably not and more likely in the opposite direction
- MNEs are not as large relative to the economy
- Corporate tax regime dissuades from large scale relocation
- There have been small effects in the past
- Recently industrial production data distorted

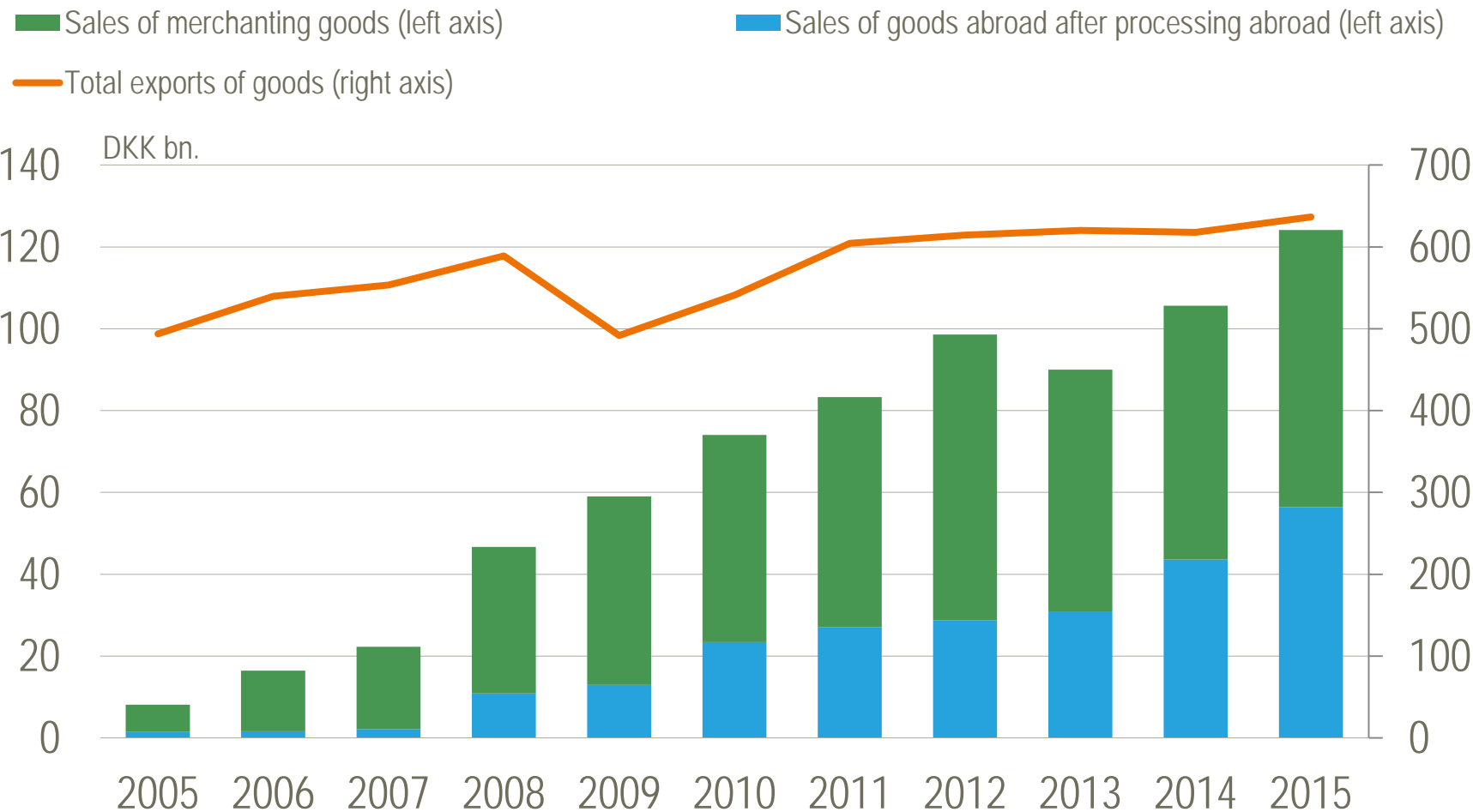


# New phenomena to be measured

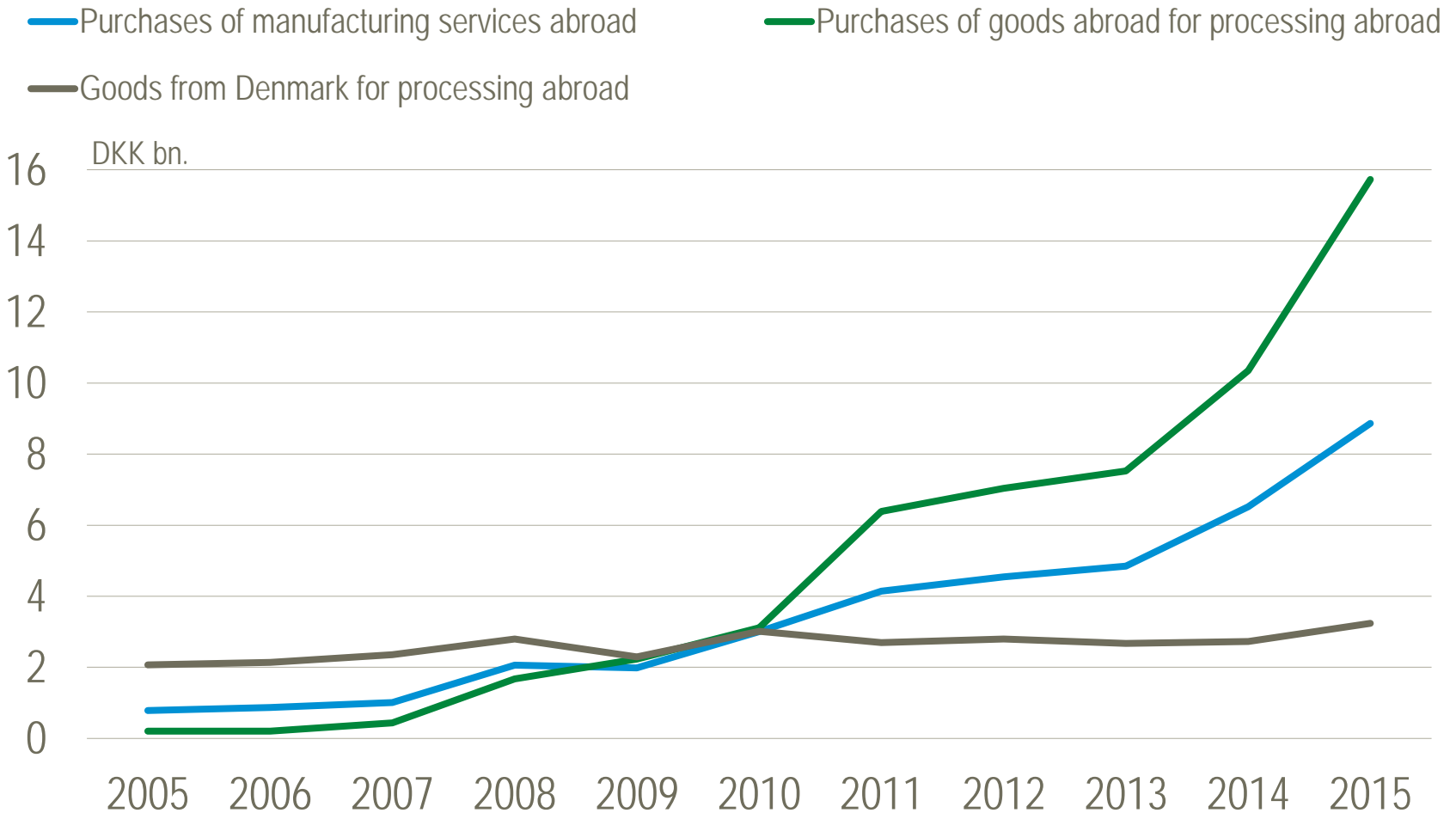
- Global Value Chains
- Manufacturing services
- Goods for processing
- International Sourcing/Offshoring
- Factoryless Goods Producers
- Cross border movements of intangibles



# Goods sold abroad after processing abroad and merchandising sales (manufacturing)

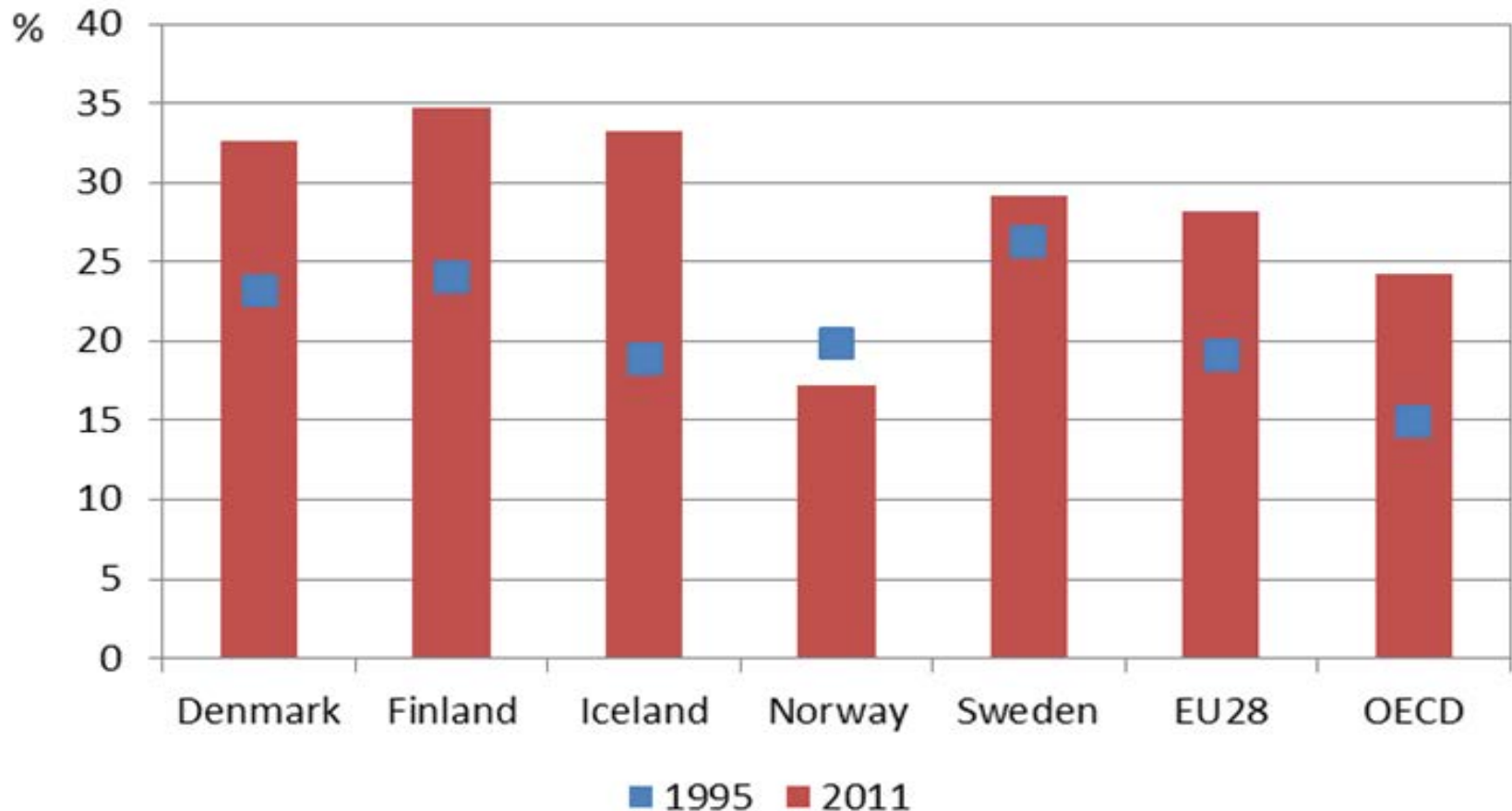


# Raw materials and manufacturing services



# Where is value created?

## Foreign Value Added embodied in exports



# How to address the challenges

- Need to identify more robust indicators of domestic activity
- **Detection:**  
Introduce profiling of large MNEs and establish direct contact points
- **Consistency:**  
Secure harmonisation across statistical domains
- International co-operation
- **Introduce new methods:**  
Use existing statistical data but organized and linked at micro level to analyse firm heterogeneity and integration into GVCs as in this project



# Thank you!

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