

Globalization - Impacts on National Economic Information Systems

Presentation Notes for:

Expanding Horizons: Canada in an International Context

May 15-16, 2000

Ottawa Canada

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What is “globalization”?

Interdependence

“In place of the old local and national seclusion and self-sufficiency, we have intercourse in every direction, universal interdependence of nations.”¹

Although penned by Karl Marx at the heyday of the British Empire, the notion of increasing interdependence still holds true today. But is anything different?

The New Economy

The technological change reflected in telecommunications, information technology, and financial networks has certainly shrunk distance and allowed the central control of large enterprises and other projects. At the same time, the high fixed costs of research-intensive or marketing-intensive corporations have encouraged the spread of operations across the largest economic base possible.

Private Networks

This technology has led to the creation of large, private networks spanning many countries, with different parts of the enterprise in different countries, with internal trade a dominant activity, and nation-state borders and legal frameworks often ignored. Membership in such a network is a different kind of globalization, essentially a parallel universe to the more conventional nation-state.

Full Mobility – One Government – The New World Order

Some see the current world as one of growing wealth, based on the productivity improvements of the new technologies. Kimon Valaskakis, our recent Ambassador to the OECD, puts it this way:

“The world economy today resembles an all-you-can-eat giant buffet. ... At the heart of this amazing performance of the World Economy is the combined impact of technological change and globalization. ... Distance has been trivialized and geography rendered irrelevant. This has accelerated the process of “globalization”, which in its quintessential form can be defined as the transposition of human activities from the narrower stage of the nation-state to the wider theatre of Planet earth itself.”²

The Global Culture

In its more extreme form, the future is expected to hold the end of the nation-state, with thousands of small city-states, with limited powers, operating in a context of an international

¹ Karl Marx and Friederich Engels, *The Communist Manifesto* (London: Penguin Classics, 1985), pp. 83-84.

² Kimon Valaskakis, “The Search for a New World Order” *The Club of Athens* (March 15, 2000), p.7

government, along with multiple private networks organizing economic and social life for their members. Are you from Time-Warner or Disney?

Obviously, it is not for statistical offices to choose the form of future governance. But equally clearly, the form will influence the challenges for statistical frameworks; the debate about such forms requires facts, and the on-going management of public and private affairs needs continuing flows of information with the required qualities.

The IMF provides a blander definition.

"Economic globalization is a historical process, the result of human innovation and technological progress. ... The integration of economies around the world, particularly through trade and financial flows ... an extension beyond national borders of the same market forces that have operated for centuries at all levels of human activity ... they can have access to more capital flows, technology, cheaper imports, and larger export markets."³

What is a NEIS?

This brings us to a brief discussion of the notion of a national economic information system or NEIS. In the past, we evolved a system with certain key data providers, each looking after their area of responsibility, or in the case of Statistics Canada, providing a central statistical function for a number of departments.

The "old" data providers: Statistics Canada + Bank of Canada + CMHC + Natural Resources Canada

Now the world is changing. The reference databases include the old plus other international databases and increasingly private data assembled as a byproduct of on-going operations or website "fronts".

Now: Old + US + OECD + WB + IMF + UN + other specific countries + "private" data

The new mantra is "decision-making at the speed of thought" – Microsoft.

³ IMF Staff, "Globalization: Threat or Opportunity?" IMF Issues Brief, April 2000
(www.imf.org/external/np/exr/ib/2000/041200.htm)

Why is globalization of particular concern to Canada?

Open-ness

Canada is one of the most open countries, whether measured in terms of trade, capital flows, ownership, culture, ease of entry, etc.

[Use open-ness chart.]

Foreign Ownership

Many sectors of the Canadian economy are almost totally owned by foreign interests – autos, cement, petroleum refining, computing, etc.

After some declines, recent years has seen a growing concentration of foreign-owned enterprises and entry into new areas (telecommunications, banking, etc.).

Cultural Domination

Magazines sold in Canada are at least half from other countries, particularly the US. More than 70% of newsstand sales are US.

Television is dominated by US signals or programs produced in the US.

Book titles are mainly US-authored and printed.

Music, movies, and other cultural forms originate in the US.

No other country faces this same domination, or has to try to develop a culture of its own in such a maelstrom.

Role of Immigration

Over half of population growth and labour force growth is now based on immigration. This is expected to rise in the coming years to more than 70%.

Technology Deficit

Canada dips into the world technological pools for almost everything it uses. Fortunately, it also contributes to these pools with some R&D efforts in universities, corporations, and governments. But any efforts to regulate access by other countries or business enterprises will have a major adverse impact on Canada if it is excluded.

International Agreements

With its open-ness, Canada is a “joiner” of multilateral organizations, desiring to broaden its options beyond the US and to “control” US urges to treat it as an appendage. But with each membership also comes responsibilities and rules of conduct that affect the capacities of the federal government and Canadian corporations to act both abroad and in Canada. Responsibilities for provision of data are usually part of such agreements.

Bilateral arrangements – know your partners

In addition to multilateral agreements, bilateral or regional agreements are growing in importance. NAFTA looks as if it will form the main framework for future trade and investment flows. Specific interest in US, Mexico, and Chile are now part of the on-going monitoring responsibilities for most government and private sector organizations. New entrants mean new concerns.

Economic Performance

Macroeconomic performance always has been a concern for Statistics Canada, with the National Accounts providing the principal framework in the post-war period. With the continuing role of globalization, and Canada’s leading edge role, many other countries are wondering about the effect of globalization on Canada as a signal to them of their own future.

Canada is the “canary” in the globalization mine. Are we having major adjustment problems? Can government programs act to rectify the imbalances? Do foreign companies behave in positive or negative ways?

It seems to me that we have a special responsibility to focus on the special measurement problems resulting from globalization, both for our own needs and to serve the rest of the world that is watching.

Areas for Measurement

Trade in Goods

Delivery of goods through Postal and courier systems

Trade in Services

Delivery through Internet

Capital Flows and Stocks

FDI and Market Revaluation

Immigration

Out-migration

Temporary and Seasonal Movements

Technological Linkages

Intellectual Property and R&D

Patents and Copyrights

Licensing Agreements

Labour Markets

Temporary Movements

Executive Exchange

Certification

Human Capital

Training

Education

Occupational Demands and Returns

Adjustment Processes

Capital Markets

Interest Rates

Equity Markets

Exchange Rates

Wealth Effects

Institutional Characteristics

Corporate – Domestic

Corporate – Transnational

Non-governmental organizations – Domestic and International

There were 6,000 international NGOs in 1989, 26,000 in 1999.

Societal Dimensions

Social capital and cohesion

Income Distribution

Poverty and Exclusion

Health

Literacy

Cultural Dimensions

Trade

Linkages

Multicultural Aspects

The New Economy

Technology is lowering goods prices and increasing the list of “commodities”

Business-to-business Internet transactions

Information and Communications Technologies

Services sectors and adoption of technologies

Environment

GHG

Air and Water Pollution Flows

Toxic Wastes

Solid Wastes

International Agreements

FTA/NAFTA

WTO

Kyoto Commitments

G7, G30

Implications for Statistics Canada’s Activities

International Standards

NAICS

CSNA

Canberra Group

International comparability

Canada – US

Canada – G7

Canada and Others
International Leadership

Direct Investment and Portfolio Flows and Stocks

Issues

Should we consider data as a competitive tool?

Should there be restrictions on distribution of data to foreigners? To Canadians?

Or are data about Canada to be added to the world pool of knowledge, allowing us to withdraw information about other countries, thereby better understanding both our own performance and theirs?

Referee role for Statistics Canada?

Judging the FTA, NAFTA, WTO, MAI.

Measure what?

Role of NGOs and Research Institutions

For many years, governments had a "lock" on policy research and ideas. That is under pressure as more emphasis is placed on information and analysis by NGOs.

The view that government is the primary customer of SC needs to change to the new reality.

Is there a tradeoff between international focus and domestic needs?

In a more closed economy it is understandable that worrying about the data needs of international financiers or policymakers might be behind those trying to understand education needs for primary education or the percentage of clean water available in rural areas.

But Canada is so "open" that almost all data collection and analysis has a linkage to its role in the global economy. In the simplest form, every politician wants to compare Canadian performance to that of the US, particularly when ours is superior.

With the domination of the media in Canada with US "signals", it is almost a necessity to put Canadian performance into the context of international developments in that area.

Of course, the US is not the world. Indeed, broadening the comparisons to other countries would be a major improvement in analysis.

Reserve data standards: A Case Anecdote

The speedy adoption of improved standards on reserves data was seen as important for the IMF to use as a signal to others. With the urging Minister of Finance Paul Martin, Canada was among the first to adopt the new standard.

Scorecard Today
Fellegi/Wells/Ryten

Support of SNA93

Lucie Laliberte on Capital Account

The Quality Dimension – SC and the OAG

Statistics Canada and the Office of the Auditor General recently completed a review of the quality dimensions of some parts of the statistical system. This was a path-breaking exercise, with substantive lessons learned by all parties. This experience could be the basis for further studies of this important part of the statistical system.

See the recent web site at the IMF (dsbb.imf.org/dqrsdesc.htm) for references on the multiple dimensions of quality in official statistics.

Some Areas for Possible Specialization

FDI Registry

Temporary Movements of People

Federation Data Systems

International Comparability

Productivity

Taxation and Government Expenditures

Resources

Literacy

Improving the Qualities of Information

Conclusions

Canada is committed to globalization while most countries are only involved.

The difference is best understood by reference to a breakfast of ham and eggs. In the production of that breakfast the **hens** were involved but the **hog** was committed. Of course for some of you, this may just be one more reason to be a **vegetarian!**

This requires the best statistical system in the world.

Keep your focus on this objective each day, for each action you take, and as the context for the decisions and planning that you do so well.

Governance requires involvement of civil society; they are your clients too.

Statistics Canada has served governments well for many years. The corporate sector is also well taken care of by the detailed demographic and marketing information they so much desire.

Civil society (as reflected by the NGOs, research institutes, unions, political parties, etc.) also requires detailed information about the functioning of government and other parts of society. Is government operating efficiently and effectively? Is social exclusion occurring? Where and why?

What are the effects of globalization? Of corporate activities on workers, on society?

An informed public is the key to the strengthening of democracy and the development of a balanced society - one in which the efficiency and innovation of a market economy can be linked to the richness of a democratic society.

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**Mike McCracken
Informetrica Limited
May 15, 2000**

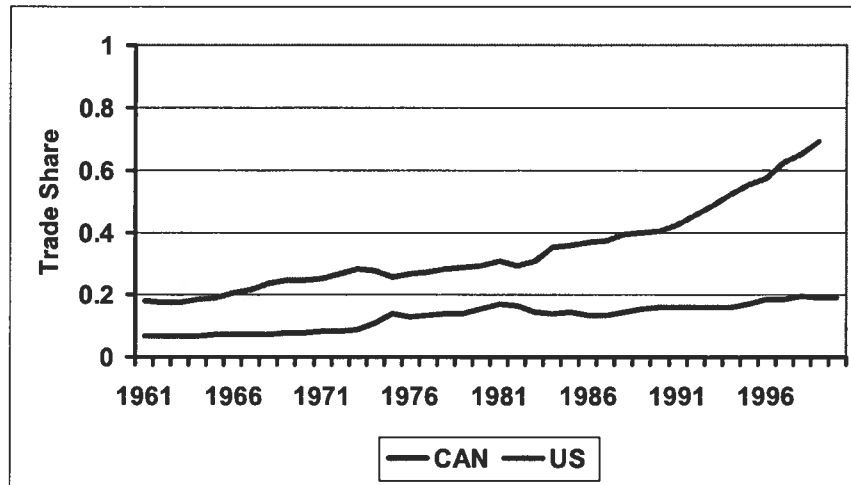
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What is “globalization”?

- **Interdependence**
- **The New Economy**
- **Private Networks**
- **Full Mobility – One Government – The
New World Order**
- **The Global Culture**

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Trade in Goods



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What is a NEIS?

- **OLD - Statistics Canada + Bank of Canada + CMHC + Natural Resources Canada**
- **NEW = OLD + US + OECD + WB + IMF + UN + other countries + Private data**
- **“Decision-making at the speed of thought” - Microsoft**

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Why is globalization of particular concern to Canada?

- **Open-ness**
- **Foreign Ownership**
- **Cultural Domination**
- **Role of Immigration**
- **Technology Deficit**
- **International Agreements**
 - **Bilateral arrangements**
- **Economic Performance**

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Areas for Measurement - I

- **Trade in Goods**
 - **Delivery of goods through Postal and courier systems**
- **Trade in Services**
 - **Delivery through Internet**
- **Capital Flows and Stocks**
 - **FDI and Market Revaluation**

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Areas for Measurement - II

- **Immigration**
 - **Out-migration**
 - **Temporary and Seasonal Movements**
- **Technological Linkages**
 - **Intellectual Property and R&D**
 - Patents and Copyrights
 - Licensing Agreements

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Areas for Measurement - III

- **Labour Markets**
 - **Temporary Movements**
 - **Executive Exchange**
 - **Certification**
 - **Human Capital**
 - Training
 - Education
 - **Occupational Demands and Returns**
 - **Adjustment Processes**

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Areas for Measurement - IV

- **Capital Markets**
 - **Interest Rates**
 - **Equity Markets**
 - **Exchange Rates**
 - **Wealth Effects**

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Areas for Measurement - V

- **Institutional Characteristics**
 - **Corporate – Domestic**
 - **Corporate – Transnational**
 - **Non-governmental organizations – Domestic and International**

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Areas for Measurement - VI

- **Societal Dimensions**
 - **Social capital and cohesion**
 - **Income Distribution**
 - **Poverty and Exclusion**
 - **Health**
 - **Literacy**
- **Cultural Dimensions**
 - **Trade**
 - **Linkages**
 - **Multicultural Aspects**

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Areas for Measurement - VII

- **The New Economy**
 - **Technology is lowering goods prices and increasing the list of “commodities”**
 - **Business-to-business Internet transactions**
 - **Information and Communications Technologies**
 - **Services sectors and adoption of technologies**

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Areas for Measurement - VIII

- **Environment**
 - **GHG**
 - **Air and Water Pollution Flows**
 - **Toxic Wastes**
 - **Solid Wastes**

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Areas for Measurement - IX

- **International Agreements**
 - **FTA/NAFTA**
 - **WTO**
 - **Kyoto Commitments**
 - **G7, G20**

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Implications for Statistics Canada's Activities

- **International Standards**
- **International comparability**
 - **Canada – US**
 - **Canada – G7**
 - **Canada and Others**
- **International Leadership**
 - **Direct Investment and Portfolio Flows and Stocks**

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Issues

- **Should we consider data as a competitive tool?**
- **Referee role for Statistics Canada?**
 - **Judging the FTA, NAFTA, WTO, MAI**
 - **Measure what?**
- **Role of NGOs and Research Institutions**
- **Is there a tradeoff between international focus and domestic needs?**
- **Reserve data standards: A Case Anecdote**

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Scorecard Today

- **Fellegi/Wells/Ryten**
- **Support of SNA93**
- **Lucie Laliberte on Capital Account**
- **The Quality Dimension – SC and the OAG**

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Some Areas for Specialization

- **FDI Registry**
- **Temporary Movements of People**
- **Federation Data Systems**
- **International Comparability**
 - **Productivity**
 - **Taxation and Government Expenditures**
 - **Resources**
 - **Literacy**
- **Improving the Qualities of Information**

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Conclusions

- **Canada is committed to globalization while most other countries are only involved.**
- **This requires the best statistical system in the world.**
- **Governance requires involvement of civil society; they are your clients too.**

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MEMORANDUM

TO : [Name]

FROM : [Name]

SUBJECT: [Subject]

[Main body of text, including a list of items or a detailed report]

