

# **The Internationalization Monitor**

## **The Dutch implementation of the OECD Handbook of Globalization Indicators**

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### **1. Introduction**

Globalization remains a highly debated issue, not only as regards its effects on economic growth and welfare, but also – and more fundamentally – with respect to the appropriate way of operationalizing and measuring such a multi-faceted and seemingly all-encompassing concept. The *OECD Handbook on Globalization Indicators* was designed with the specific aim to help OECD and non-OECD countries to cope with these measurement challenges. The Handbook identifies a wide range of indicators of globalization, clustered in four different chapters regarding international trade, foreign direct investment (FDI), international flows of knowledge and technology (research and development), and the operational activities of multinational enterprises (MNEs), thus covering the main dimensions of (economic) globalization.

In the Netherlands, the Handbook of the OECD is used and implemented in a project aimed at creating an Internationalization Monitor. This Monitor is intended to become both a hardcopy publication and a dynamic internet webpage with additional information and analysis. This presentation will describe the main features of the Internationalization Monitor Project as well as some of the lessons learned from the Dutch experience in dealing with the challenges of measuring globalization.

### **2. The Internationalization Monitor**

The Netherlands is a particularly interesting case with respect to globalization: it is among the most internationalized countries in the world, not only in terms of trade (imports and exports) but especially with respect to foreign investment (inward and outward). The Netherlands has welcomed both a large number of foreign firms and nurtured its own multinational enterprises, and is presently 5<sup>th</sup> largest outward investor worldwide, as well as the 7<sup>th</sup> largest recipient of foreign direct investment (FDI). And although Dutch multinationals are increasingly expanding their activities abroad (not necessarily at the expense of activities in the Netherlands), they continue to play a central role in the Dutch economy.

The aim of the Internationalization Monitor is to understand a) the extent of globalization of the Dutch economy, and b) the consequences of globalization for employment, welfare and economic growth. The Monitor is in essence a collection of indicators with clear explanations and annotations, paired with a substantial section of analytical work that describes the main findings and trends, and explores relationships between the various globalization variables and key economic and social outcomes (e.g. productivity, economic growth, employment and wages). Following the OECD Handbook of Globalization Indicators, the Internationalization Monitor consists of four main chapters, on international trade, foreign direct investment, the

internationalization of technology, and operational statistics of multinational enterprises (both Dutch firms investing abroad and foreign firms within the Netherlands). The indicators are compiled from existing datasets within Statistics Netherlands, which are a) mined for existing measures of international activity and b) linked at the micro level in order to construct new and insightful indicators of globalization.

### **3. Challenges for National Statistical Offices**

It has frequently been indicated that globalization poses a range of challenges for national statistical offices. Two of the most prominent ones include first of all, the implications of globalization for the construction of macro-economic indicators, including the national accounts and balance of payments. This issue has been addressed by other participants of this conference and shall not be elaborated further in this paper. The second main challenge relates to the measurement of globalization itself, including its effects on national economies, employment, local firms, economic growth and overall welfare. These processes are fundamentally micro-level phenomena, and hence require datasets and indicators at that level of analysis.

Although the two challenges are fundamentally related – the macro-economic indicators essentially constitute the sum of all micro-economic processes – they require different approaches with respect to the collection, adjustments, and use of data.

The Dutch experience so far shows that several important principles help in compiling high quality data, for the appropriate indicators, in a resource-efficient manner:

- ***The re-use of existing datasets.***

The Dutch experiences showed that a careful examination of what is already there in the various questionnaires highlighted that in various datasets, longitudinal data was already available on a (limited) number of variables that measured in one way or the other, one of the international dimensions of corporate activity. This could be for example the nature of ownership of an entity (foreign versus domestic), the extent of trade, including intra-firm trade, or the ownership of foreign assets. Using these indicators as relevant stratifying variables in the datasets within which they were collected already provided a substantial number of very interesting measures of globalization. The case elaborated in section 4 below is a prime example of this method of picking and exploiting ‘low hanging fruit’.

But linking these internationalization variables with data from other micro-level datasets exponentially increases their use. In the Dutch case, particularly relevant results are expected from the links between financial, production, and innovation statistics. Existing (preliminary) findings suggest that it is also feasible to link individuals (jobs) to firms (see De Winden, Arts and Luppens, 2007), hereby allowing for an analysis of the employment effects of globalization, including e.g. off-shoring.

Therefore, a substantial amount of statistical and analytical work can hence be done without increasing the administrative burden on firms by including additional items in the questionnaires, with the added advantage of readily available longitudinal data.

- ***Cooperation with other data gatherers.***

The collection of globalization indicators crosses all traditional organizational borders within statistical offices, as well as between institutions. A full grasp of globalization is only possible by identifying, using, and pooling the heterogeneous strengths of the variety

of organizations active in gathering data on related issues. These organizations include not only the central banks and international organizations, but also specialized bureaus and research institutes (in the Netherlands, for example the Economic Institute for SMEs). Also data sources that are compiled for commercial use (e.g. Dun and Bradstreet, Thomson Financial) may provide interesting additional information.

- ***Changing roles from data collectors to data analysts.***

Globalization calls for a greater emphasis on analysis and interpretation of the data in the work of NSOs, because both the phenomenon itself and the data used to describe it are extremely intricate.

First of all, the debate among policy makers and academics on globalization and its effects is both multifaceted and complex. Globalization therefore requires NSOs to invest strongly in conceptualization of the main concepts and relationships in order to identify what indicators are most relevant in the policy debate, and to clarify the findings. In complex debates like the ones on globalization, statistical offices should prevent as much as possible that partial or incomplete (and hence sometimes wrong) conclusions are drawn on the basis of the data provided by them.

In addition, the data that is required to correctly describe and analyze all facets of globalization is often more difficult to collect and aggregate. This implies that data may be less inclusive (small samples instead of nearly entire populations); applicable only to a - relevant but special - subset of firms; require a different treatment of extreme observations; and represent approximations of key (theoretical) concepts rather than exact measurement of easily identifiable indicators.

These two trends combine to imply that while the (traditional) publication of data tables is still necessary, it is not sufficient to adequately inform users about the nature and consequences of globalization. In order to correctly interpret the data it is necessary to firstly, explain very carefully the data that were used to compile the statistics, and secondly, to explain explicitly the key conclusions that can be drawn from the data (also in light of their limitations).

## **Literature**

Winden, P. de, Arts, K. and Luppens, M. (2007) 'A proposed model for microintegration of economic and social data', Statistics Netherlands Working Paper.