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Country experience with measuring global production**Measuring Global production: Results of the Stocktaking Exercise (Executive Summary)****Prepared by Eurostat¹***Summary*

This document presents the results concerning EU country practices in treating global production arrangements. The exercise was carried out within the frame of the Integrated Global Accounts and Global Production project and took place during the period November 2016 – January 2017. The purpose of the survey was to collect information from national statistical authorities about the current practices, main challenges and future intentions. The aim was to collect and share best practices and support EU Member States in implementing the international rules and recommendations. Twenty seven EU Member States and 4 European Free Trade Association (EFTA) countries responded to this survey. The responses provide comprehensive insights into the activities with respect to measuring the impact of globalization on national accounts and BOP statistics.

¹ Prepared by Mushtaq Hussain, Eurostat, Unit Integrated Global Accounts and Balance of Payments

I. Executive Summary

1. In March 2016, Eurostat launched the project "Integrated Global Accounts and Global Production (IGA)" with the overall aim to better capture the impacts of globalisation on statistics delivered by balance of payments and the accounting frameworks of national accounts. Within this project Eurostat undertook stocktaking of the situation at national levels with respect to the treatment of global production arrangements. The aim was to collect country experiences, share best practices and support Member States in implementing the international rules and recommendations.

2. To this end, on 17 November 2016, Eurostat sent a questionnaire to all Member States and other non-EU European countries. It was addressed to the compilers of NA and BoP statistics. However, internal coordination with business statistics was requested. All countries were asked to reply by 16 January, 2017, at the latest. 27 Member States and 4 non-EU countries responded to the questionnaire.

3. The questionnaire addressed the following main themes:

- A Principles of economic ownership
- B Global production arrangements
- C Goods for processing
- D Merchanting
- E Factoryless goods producers
- F Extended Supply and Use Tables
- G Quasi transit
- H Contacts with Multinational Enterprises (MNEs)
- I Ensuring national data consistency and resolving international data asymmetries
- J Main measurement challenges and future plans

4. According to the responses, fourteen countries use the UNECE publication "*Guide on Measuring Global Production*" regularly or occasionally for better understanding the different production arrangements and consider it as a useful support in how to classify the flows reported by the MNEs.

5. In about half of the responding countries the *economic ownership* of the material inputs, intellectual property and output, particularly when the entity concerned is part of a multinational enterprise is established on the basis of the business accounts (profit and loss account, balance sheet) of the enterprise. In five other Member States, where Large Cases Unit (LCU) or similar structure exist, intensive regular contacts with the largest Multinational Enterprise Groups, combined with survey data, ensure that economic ownership of IPPs and IPP related transactions are correctly attributed. In three countries there is no methodology aimed at establishing the economic ownership of inputs or outputs, while in three others this issue is considered to be less important.

6. The main data sources for identifying the economic ownership of IPPs are business accounts of the enterprises in combination with other information disclosed in management reports, various types of surveys and other administrative sources, information received from LCUs and business profiling teams.

7. In almost all countries data on *goods sent abroad for processing* are collected directly through International Trade in Services survey (ITSS), as suggested by the international recommendations. In some of them other available sources are used for validity checks and balancing purposes. In eight countries, however, the main data source

for the compilation of processing fees is the International Trade in Goods Statistics (ITGS). In these countries the fees are calculated as the difference between the initial export and the subsequent imports marked by appropriate nature of transaction codes. Most of the countries are able to provide the country of the trading partner in case of outward processing. However, names or the VAT numbers of the counterpart companies are usually not available. The industry of the resident processor, in case of inward processing, can also be provided by most of them. In case of *merchandising*, the majority of countries collect data through ITSS surveys. In three, it is the International Transaction Reporting System (ITRS). *Factoryless goods producers* are separately identified in none but two countries. In one, the LCU identifies FGPs or instances of factoryless production for given products; in the other, the criteria for identifying are that they do not have significant factories inside the country but have headquarters and R&D activities.

8. Four Member States have currently introduced or are planning to introduce disaggregation (by type of industries) in their *supply and use tables*, while the other countries have no such plan. The main reasons for not doing so are lack of resources, heavy work load and lack of necessary data. No Member State is currently engaged in any industry specific case studies related to measuring *global value chains*. In almost all Member States, *quasi-transit* is identified by the ITGS by means of customs procedure codes; it is also ITGS who undertake the necessary adjustments for NA and BoP. However, in most of the Member States it is not possible to make the link in the records between imports (Extrastat - Custom authority) and re-exports (in Intrastat).

9. Seven Member States have specialised units responsible for *large multinational enterprises*, while in two others such a unit is currently being established. The main task of such a unit is to ensure a consistent recording of large MNEs in the various statistical domains. In most of the other Member States, although there are no specialised units, the work related to profiling and contact with MNEs for the purpose of improving the quality of data is carried out by existing structures. Usually it is the Business Register and Classification Unit, who takes the responsibility of profiling large enterprises and collecting data in a coordinated way. In at least nineteen countries there are formal, regular or ad-hoc and irregular contacts with MNEs via on-site visits, physical meetings, email or telephone.

10. Except for the purpose of FDI network, EuroGroup Register and the work on international profiling activities linked to the ESS.VIP on ESBRS, Member States have not established any *international cooperation* in data collection on MNEs with other Member States. Thirteen Member States mentioned that they use *EuroGroup Register* in one way or another. Eleven others stated that they were currently not using, however some of them mentioned that if the timeliness and coverage improved, they would start using it.

11. In six countries both BoP and NA/RoW accounts are compiled in the same institution. Consequently, both domains use the same input data and a conceptual *consistency* is ensured. In other Member States the responsibility is divided between the NSI and the NCB. In some cases there are formal service level agreements or Memoranda of Understanding in place which define the responsibilities and competences of all involved units or institutions. Close cooperation, regular or ad-hoc bilateral meetings and reconciliation exercises between the two institutions are also a common practice. Eighteen Member States participate in various bilateral *trade asymmetry* reconciliation exercises, launched and coordinated by Eurostat.

12. Identifying and measuring of global production arrangements (goods sent abroad for processing, merchandising and factoryless goods producer), national and international data sharing, profiling multinational enterprise groups, resolving trade asymmetries and inconsistencies were mentioned, among others, as *areas where further development* would be needed.

13. The answers to this exercise give a rather detailed picture of the state of play in the responding countries. They will be used for sharing best practices and supporting the Member States in implementing the international rules and recommendations. The challenges faced by the countries and their future plans will also be used to describe the activities of the IGA project in a more targeted way by addressing their needs.
