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**MULTINATIONAL ENTERPRISE (MNE) PROJECT PROGRESS REPORT AS OF 10
MAY 2004**

Paper submitted by Statistics Canada

BACKGROUND

1. The Multinational Enterprise project arose from a presentation made by Statistics Canada during the seminar session on globalization at the 2003 Conference of European Statisticians.
2. The main objective of the project is to identify areas where more standardized and coordinated approaches to measuring activities of multinational enterprises could contribute to improved national and international economic statistics.
3. The project is expected to unfold in successive phases over several years, with each phase ideally expanding on content and involving a greater number of participating countries and MNEs. The goal of the first phase is to learn more about the statistical measurement problems associated with multinational enterprises. Work in subsequent phases will focus on the development and implementation of solutions. It will also consider the possibility of having MNEs reporting in an integrated fashion to several national statistical offices (NSOs), taking into account the confidentiality legislation governing the respective NSOs.

PROJECT STRUCTURE AND GOVERNANCE

4. A working team has been created to carry out the first phase of the project. It includes representatives from each of the five participating countries: France, Italy, Canada, the Netherlands and the United Kingdom.

5. An extended project team has also been formed to provide overall co-ordination, to help with the provision of resources and support within their respective organizations, and to ensure liaison with other key stakeholders of the project (UNECE, Eurostat, and OECD).

6. The Bureau of the Conference of European Statisticians will act as the steering committee. The Bureau endorsed the project at its October 2003 meeting, subject to further review once more detailed plans are available. A progress report on the project was presented to the Bureau at its February 2004 meeting and was well received.

7. The Roundtable on Business Survey Frames (Roundtable) will serve as a sounding board by reviewing progress, providing feedback and making recommendations. The Roundtable endorsed the project at its 17th annual meeting, held in Rome in October 2003, and made it part of its regular work program.

PROGRESS

Practical objectives of phase one

8. A practical interpretation of the objectives of phase one of the project was developed. This phase will focus on two elements:

- for each participating MNE, determine whether the national measurement of its economic activities based on current statistical instruments is coherent with the national segment provided by the MNE itself, and if not, what general areas need to be examined to explain and reconcile these differences;
- summarize the findings resulting from the above analysis in order to get an indication of the accuracy of the global measurement of participating MNEs.

Information to be collected

9. The project is planning to collect five financial variables, broken down by geographical segment (namely, the five participating countries and a residual total representing the rest of the world). These variables are:

- gross sales (or revenues or turnover);
- sales or revenues between/from geographical segments, plus a split between goods and services;
- total net sales;
- operating earnings or losses before taxes;
- capitalized expenditures.

10. These variables represent key data items used by MNEs in their financial statements for describing their worldwide economic activities as well as their activities by geographical segment. This information will be collected from MNEs' headquarters and used as reference for comparing with data collected by each participating NSO using their current statistical instruments. The latest annual report as published by the MNE will serve as an overall control total.

11. In addition, to help understanding and reconciling the financial data collected by the project, it is proposed that information on the levels of consolidation plus a list of the legal entities that are under each level of consolidation be obtained. The list of legal entities will be used to assess the coverage of current financial data collection programs, compared with the data provided by the MNEs.

12. Material to support the collection of the information is being developed.

Confidentiality

13. A framework for data sharing and confidentiality has been discussed by the participating countries and has received general support. The following set of rules will apply to all participating NSOs:

- the information collected will be used only for statistical purposes within the scope of the MNE project;
- only employees working directly on the MNE project in the participating NSOs will have access to identifiable information;
- the information provided will be stored in a secured physical environment;
- the information shared will not be redistributed to any other organizations without the prior consent of the MNE;
- if permission is not granted, the information will not be transmitted to the other participating statistical agencies.

14. Each participating MNE will be informed that while all NSOs agree to adhere to the above-mentioned rules, such an agreement cannot override national legislation.

15. With these rules in mind, it is proposed that each participating MNE be asked to provide all the information requested by the project to its respective NSO. The NSO, in turn, would release to each participating country its portion of the report.

16. The approach towards confidentiality should be finalized at the June 3 meeting in Luxembourg (see below).

Communication

17. Participating countries have established a preliminary list of targeted MNEs with headquarters located in their country and with activities in the other participating geographical segments. The selection of candidate MNEs also took into account additional factors, such as the enterprise is a publicly traded company; some level of geographical segment disclosure is already available (in the annual report for example); and the primary activity of the MNE is non-financial.

18. Progress has been made on the preparation of arguments that will be used to convince MNEs to participate in the project.

19. The communication approach will be exploratory and informal at first. It will also be

adapted to each participating country's environment. Preliminary contacts with some targeted MNEs have been made or are about to be made.

NEXT STEPS

20. A meeting of the working team and extended project team is scheduled for June 3 in Luxembourg. The agenda is being prepared and will include discussions on the following items:

- residual content issues;
- finalization of confidentiality framework;
- finalization of communication approach;
- target MNEs;
- review of material to support collection;
- timetable for next steps.

21. Contacts with MNEs are expected to continue during the summer and early fall, with a view to tabling preliminary results for discussion at the next meeting of the Roundtable, scheduled for the end of October 2004.

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