

CONFERENCE OF EUROPEAN STATISTICIANS

For information

Third meeting of the 2007/2008 Bureau
Geneva, 12-13 February 2008

Item 10h of the Provisional
Agenda

**PROGRESS REPORT OF THE WORKING GROUP ON THE IMPACT OF
GLOBALISATION ON NATIONAL ACCOUNTS**

Note prepared by the Working Group

BACKGROUND

1. Following an in-depth review of globalisation statistics at the 2006 Conference of European Statisticians (CES), the Conference decided to create a body to coordinate the work on globalisation statistics. The CES Bureau discussed the possible follow-up work at its October 2006 and February 2007 meetings (docs. ECE/CES/BUR/2006/OCT/10 and ECE/CES/BUR/2007/FEB/10) and agreed to establish a Working Group. Given the complexity of the issues and the difficulty to cover all statistical areas affected by globalisation the Bureau agreed that the Working Group should approach the issue from a national accounts perspective using the SNA as an integrating framework.
2. The Joint UNECE/OECD/Eurostat Working Group on the Impact of Globalisation on National accounts (WGGNA) was established in April 2007 following an electronic consultation of the CES Bureau. The terms of reference were presented for information to the plenary session of the Conference of European Statisticians in June 2007. The Joint UNECE/OECD/Eurostat Working Group is chaired by Statistics Netherlands. A Leadership Group (LG) composed of Canada, Czech Republic, Finland, Netherlands, United Kingdom, United States, UNECE, OECD, Eurostat and IMF was also created to steer the work of the WGGNA. The UNECE provides the secretariat to the Working Group. The Working Group is open to all member states of UNECE, OECD and Eurostat. UNCTAD also participates in the work of the WGGNA.
3. According to the terms of reference, the purpose of the Working Group is to review the main distortions in the compilation of national accounts and related source statistics, as caused by the growing globalisation of economies. In doing so, the Working Group should put forward proposals how to deal with these distortions in order to improve the quality of national accounts. The final report will be presented to the Conference in June 2010.

PROGRESS MADE

4. At its first meeting on 8-9 October in Geneva, the Leadership Group reviewed in detail the expected output and the programme of work of the WGGNA. The actions that were planned are summarised below:

Research agenda

5. The LG has agreed on a draft list of issues to be included in the research agenda. A more detailed description of the issues will be presented for review and, if approved, finalised at the First Meeting of the WGGNA to be held in April 2008, back-to back with the Joint UNECE/OECD/Eurostat Meeting on National Accounts.

6. The topics in the research agenda could be broadly presented in the following three groups:

- Group I includes problems linked to **allocation of value added and income to national economies**. Typical issues to be addressed here are transfer pricing and developing an improved understanding of the typical behaviour of MNEs, FDI and portfolio investment, Societas Europaea, etc.;
- Group II covers topics related to **specialisation of supply chains**: transactions in intellectual property products, intra-company and international flows of R&D, special purpose entities (SPEs) and holding activities, marketing and sales, and several “trade related issues” (processing, merchanting, etc.);
- Group III includes **other issues** linked to globalization, e.g. e-commerce, second homes, remittances, labour markets, common trading and currency blocks.

7. The LG agreed that the research should not be limited to the effects of globalisation on non-financial accounts only, but should deal with the full sequence of accounts, including financial accounts and balance sheets. The LG decided to use the sequence of accounts in the national accounts as an organising framework for the various topics, with a flagging for the main institutional sectors involved.

Inventory of Task Forces, Working Groups, etc. on globalisation

8. In order to avoid duplication of work, the LG decided to prepare an inventory of all Task Forces, Working Groups, etc. created by international organisations that have undertaken work on issues related to the impact of globalisation on statistics in general and on national accounts in particular. Based on this inventory, the group will subsequently look at the most significant overlaps, and the way in which co-operation and communication with these groups can be established.

9. The UNECE secretariat with input from LG members has prepared the list of relevant working groups, including mandate, area of work, reference websites and contact persons. The identified working groups will be contacted and informed about the creation of the Joint UNECE/OECD/Eurostat Working Group on the Impact of Globalisation on National accounts (WGGNA), its terms of reference and the list of issues on the research agenda. Subsequently, the WGGNA will be sending progress reports to these working groups once or twice a year. In addition, selected working groups will be contacted to discuss specific topics.

First meeting of the Joint UNECE/OECD/Eurostat Working Group on the Impact of Globalisation on National Accounts (WGGNA) 23 p.m. - 24 April 2008, Geneva

10. Following the recommendation of the Leadership Group, the First meeting of the Joint UNECE/OECD/Eurostat Working Group on the Impact of Globalisation on National

Accounts will be merged with the Joint UNECE/OECD/Eurostat on National Accounts, as a second module and will be confined to one and a half days (23 afternoon – 24 April 2008).

11. The first module will be devoted to issues related to the current update of 1993 SNA and will deal with the implementation strategy (session to be organised by the UNECE and ISWGNA). An other topic to be discussed will relate to the measurement of Research & Development in national accounts (to be organised by Israel).

12. The First Meeting of the Joint UNECE/OECD/Eurostat WGGNA represents the second module and will address possible distortions in countries' national accounts caused by globalisation and the implementation of changes in the updated 1993 SNA that have a bearing on these distortions. The following topics will be discussed:

- (i) Research agenda of the Joint WGGNA
Organiser: Statistics Netherlands and the LG

13. Under this item a document with the draft list of issues will be presented and reviewed. Furthermore, items such as the organisation of work, the results and timetable will be discussed in more general terms.

- (ii) Goods sent abroad for processing
Organiser: Statistics Canada

- (iii) Implications of the new treatment of goods for processing in the supply and use tables
Organiser: Statistics Canada

- (iv) Merchanting
Organiser: CSO of Ireland

14. The session will review the existing recommendations for the statistical treatment of merchanting activities outlined in various manuals of International Organisations. This will then be followed by an outline of the proposals for the treatment of merchanting which have emerged from the current work on revising SNA93 and BPM5 by ISWGNA, BOPCOM, etc. The impact of applying the new proposals to merchanting activities will be explored.

- (v) MNEs and allocation of income in national accounts
Organiser: BEA, US

15. The session will be a panel discussion on the treatment of multinational companies, including the allocation of income across countries and the impact on countries balance of payments and national accounts statistics. Items to be discussed include differences between GDP and GNI, "offshoring," transfer pricing, taxes, the location of intellectual property rights, and "dark matter."

Website

16. A special website of the Joint UNECE/OECD/Eurostat WGGNA was created in order to facilitate the work of the group. The website is open to all users and will be maintained by the UNECE secretariat. The website is available at:
<http://www.unece.org/stats/groups/wggna.e.htm>)

Output and deliverables

17. The LG decided that the final report of the WGGNA should provide practical guidance that can be used by national accounts compilers. The exact form of the final output will be decided at a later stage. A possible editor of the final report will be designated in 2009.

18. The LG also accepted the request of the ISWGNA to develop operational guidelines on the treatment of goods for processing and merchanting in national accounts.

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