

UNECE COMMENTS ON IN-DEPTH REVIEW OF GLOBAL MANUFACTURING

Note prepared by the secretariat

I. COMMENTS ON THE PAPER

1. UNECE welcomes the in-depth review on global manufacturing (document ECE/CES/BUR/2011/NOV/3) and agrees on the need to provide more guidance to statistical offices on how to deal with the different aspects of global manufacturing. UNECE therefore also supports the proposal to establish an expert group to develop practical guidance on global manufacturing and offers to provide the secretariat support for the group.
2. In a discussion within the UNECE Statistical Division the following more detailed comments on the in-depth review paper were made:
3. **Clear conceptual definitions of terminology related to global manufacturing** will be important to avoid confusion around the difficult issue. Strategic alliances and close relations with suppliers and contractors in global arrangements tend to blur the boundaries of an enterprise. The production of statistics would benefit from a clear definition of global manufacturing and the related statistical units.
4. **Collecting data related to different global manufacturing arrangements and changes in ownership** of inputs, outputs and intangible assets is a major challenge. Best practices should be presented to build common understanding of the requirements for data collection. The 2008 SNA builds upon the principle of economic ownership, which influences the requirements for source data of economic statistics. What kind of information needs to be collected directly from enterprises, and are they able to provide it? How should the statistical offices instruct the enterprises regarding global manufacturing and reporting of ownership changes?
5. In the International Merchandise Trade Statistics manual **the cross-border recording of imports and exports of goods differs from the recommendations of 2008 SNA and BPM6**. The value of goods will be recorded as exports/imports of goods regardless of whether any change in ownership takes place. As trade statistics are an important source for both national accounts and balance of payments it is important to agree how to use them and resolve the discrepancies caused by the different methods and concepts applied.
6. **Global arrangements appear also in other activities than manufacturing**. The complex issues of international production of services and transactions of intellectual property are closely related to global manufacturing and need to be discussed to provide comprehensive guidelines for measuring global production arrangements in economic statistics.

7. The expert group should prioritize the outstanding conceptual and measurement issues presented in the in-depth review of global manufacturing, and consider what is possible to achieve within 2-3 years' mandate. In the longer perspective (3-4 years), the research could be extended to social and environmental aspects, such as:

- Increased economic integration and its influence on the progress of emerging economies (e.g. the specialization of developing countries in raw materials and labour intensive industries with low value added which does not allow them to mobilize resources to catch up with the developed world).
- Implications of globalization on migration, social cohesion, living conditions and crime.
- Social implications of changing requirements for working life and education.
- The impact of globalization on sustainable development and environment (the international dimension of sustainable development, including the use of natural resources, human capital, etc.).

8. Furthermore, it may be of interest to note that already when setting up the Group of Experts on impact of globalization on national accounts, the CES Bureau recognized that the issue of measuring globalization is broader than economic statistics. At this time, it was proposed to focus the initial efforts on the economic dimensions of globalization and consider the aspects related to employment, population and migration at a later stage. The Bureau however noted that "the social issues related to globalisation should be kept on the agenda." (Report of the CES Bureau meeting in October 2006, ECE/CES/2006/OCT/26).

II. PROPOSAL FOR THE BUREAU

9. UNECE supports the establishment of an expert group on global production and offers to provide the secretariat support for the group.

10. The expert group should further prioritize the outstanding conceptual and measurement issues presented in the in-depth review and consider what is possible to achieve within 2-3 years' mandate.

11. The expert group would focus mainly on the impact on national accounts and source data. In the future the Bureau could consider to launch further research in the broader areas mentioned in paragraph 7.

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