



**United Nations Economic Commission for Europe
Statistical Division**

Globalization and National Accounts

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Presentation by UNECE

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Overview

- Background
- 2008 SNA and globalization
- The Globalization Guide
- Global manufacturing



Background

- The System of National Accounts was developed in the 1930's and 1940's where international trade played a much smaller role than today
- The national economy was the natural focus and reference frame for the accounts
- The growing importance of international trade, international linkages and multinational enterprises questions the role of the national economies
- .. and makes it still more difficult to compile relevant national accounts!



The 2008 SNA

- The 2008 SNA provides new standards for recording of international flows of goods and services and capital, in line with the Balance of Payments Manual
- The Conference of European Statisticians (CES) in 2007 Established the UNECE Expert Group on the impact of globalization on national accounts to develop guidelines to countries
- As a result of this work UNECE in February 2012 published ***The Impact of Globalization on National Accounts***



The Globalization Guide

The Impact of Globalization on National Accounts gives guidance on how to treat, e.g.

- Multinational enterprises
- Special purpose entities
- Goods sent abroad for processing
- International merchanting
- International transactions in intellectual property products
- Labour movements and remittances
- E-commerce



Economic ownership

- **2008 SNA** recommends to record flow of goods or services only when there is a *change* in the *economic ownership*
- In **1993 SNA** international flow of goods and services were recorded irrespective of whether the ownership changed
- With **2008 SNA** the accounts will be less about technology and physical flows, and more about the economic processes and the contribution of each entity to the production process



Global manufacturing

Global manufacturing in terms of organization of production processes across countries and activities of MNEs has become more common with

- low transport costs
- specialization among enterprises and countries

Two examples of global manufacturing, the recording of which will be influenced by 2008 SNA:

- Goods sent for processing abroad
- Merchanting



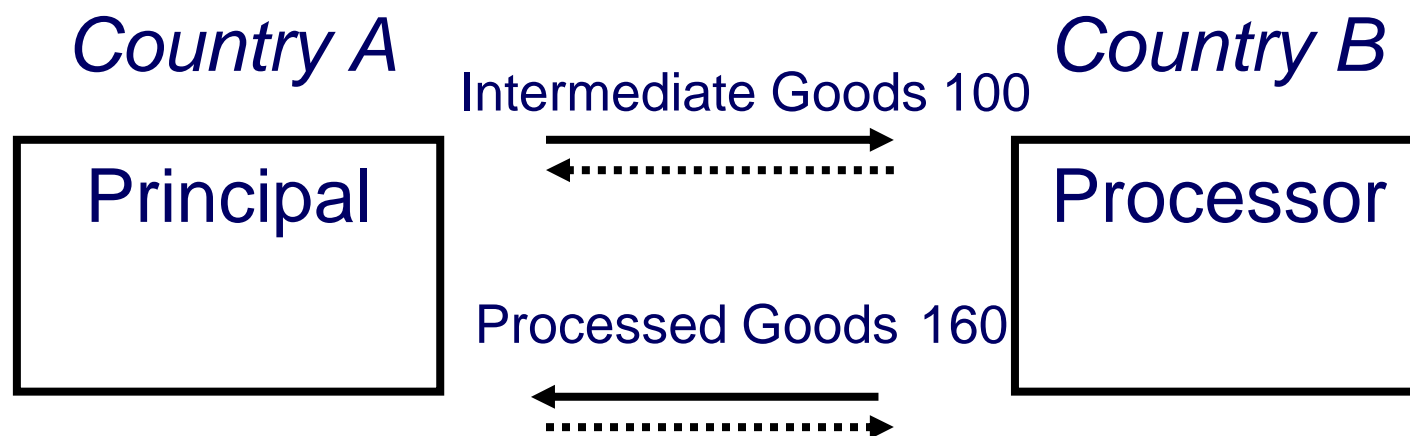
Goods for processing

- Physical flow but no change in ownership

Example:

- Semi-processed goods from principal in country A to processor in country B for processing. After processing the goods are returned to the principal as final products
- No change in ownership, the principal has the ownership of the goods throughout the process

1993 SNA recording ('gross')

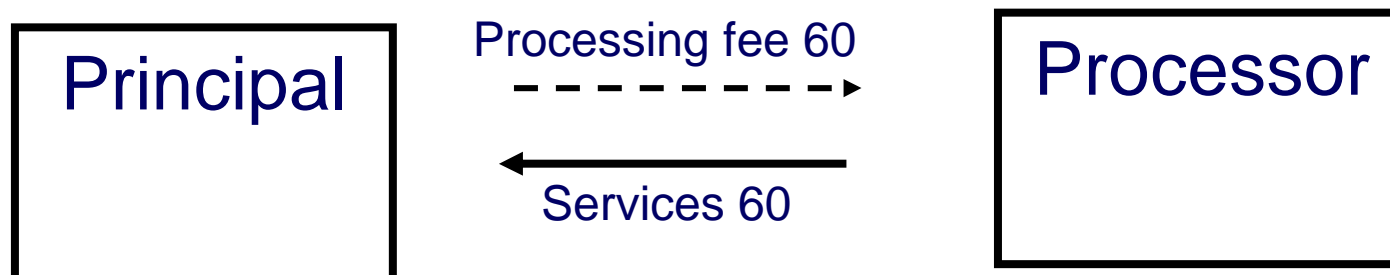


| Country | Export | Import | Balance |
|---------|--------|--------|---------|
| A | 100 | 160 | -60 |
| B | 160 | 100 | 60 |

All flows are recorded gross

The only real financial flow is a processing fee of 60 from A to B

2008 SNA recording ('net')



| Country | Export | Import | Balance |
|---------|--------|--------|---------|
| A | | 60 | -60 |
| B | 60 | | 60 |

- Flows are recorded as imports and exports of services
- More consistent with actual financial transactions



How the accounts will be affected?

- Should not affect GDP and total trade balance
- The effect on trade in goods and services may be significant
- Implications for the import/export intensity of GDP
- Production account ratios, Supply and Use tables and Input-Output tables will change – users should be careful when using the data for analysis
- Implications for environmental accounting

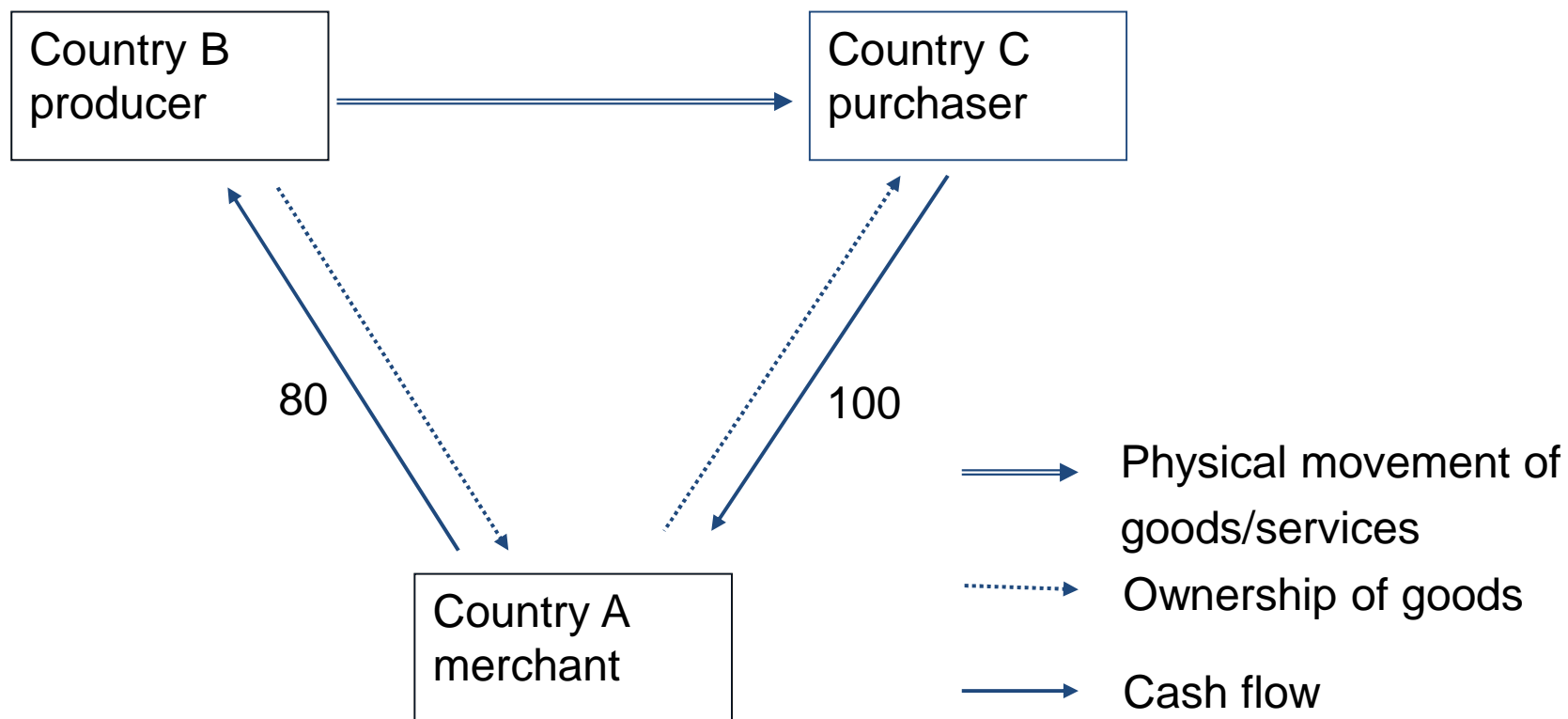


Merchanting

Example:

A merchant in country A buys goods from a producer in country B and sell these to country C.
The goods does not enter country A

Merchant in country A purchases goods from country B and sells to country C





- ***The Impact of Globalization on National Accounts*** is available from:
<http://www.unece.org/stats/groups/wggna.e.html>

The Globalization Guide does not address all issues or details

- The CES Bureau has established a Task Force to develop more guidelines on ***Global Production*** due in 2014