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Geneva, 7-9 July 2015

Report

Note by the Secretariat

Summary

The Meeting of Group of Experts on National Accounts, fourteenth session, 7-9 July 2015, was organized following a decision of the Conference of European Statisticians to create a forum for exchanging experience on data collection and compilation methods in respect to global production arrangements (ECE/CES/87) and the provisions in the Programme of Work of the Statistics Sub-programme for the Biennium (2014-2015) (ECE/CES/2013/15).

The present document is the report of that Group of Experts, and is provided to inform the Conference of European Statisticians of the organization and outcomes of the meeting.

I. Introduction

1. The Meeting of the Group of Experts on National Accounts devoted to Measuring Global Production was held in Geneva on 7-9 July 2015. It was jointly organized with Eurostat and the Organization for Economic Co-operation and Development (OECD). The meeting was attended by representatives from Albania, Austria, Belarus, Bosnia and Herzegovina, Canada, Chile, China, Czech Republic, Denmark, Estonia, Finland, France, Georgia, Germany, Hungary, India, Ireland, Israel, Italy, Lithuania, Mexico, Montenegro, Netherlands, Norway, Republic of Korea, Republic of Moldova, Russian Federation, Singapore, Slovakia, Slovenia, Spain, Sweden, Switzerland, The former Yugoslav Republic of Macedonia, Turkey, Ukraine, United Kingdom and United States of America.

2. The meeting was also attended by representatives from the Eurasian Economic Commission (EEC), European Commission (Eurostat and Joint Research Centre), International Monetary Fund (IMF), Interstate Statistical Committee of the Commonwealth of Independent States (CIS-STAT), OECD, the United Nations Conference on Trade and Development (UNCTAD), United Nations Interim Administration Mission in Kosovo (UNMIK), United Nations Statistics Division (UNSD), World Trade Organization (WTO), Duke University and Observatoire de la Finance.

3. The provisional agenda was adopted.

4. Mr. Brent Moulton (the United States) was Chair of the meeting and Mr. Michael Connolly (Ireland) Vice-Chair.

II. Organization of the meeting

5. The meeting was opened by Mr. Christian Friis Bach, Executive Secretary of the UNECE.

6. The following substantive topics were discussed on the basis of presentations and invited papers:

- Data users' viewpoint to global production
- Country experiences in dealing with global production in economic statistics
- Emerging conceptual issues in global production
- Global accounts
- Panel discussion: data gaps and way ahead

III. Summary of the main conclusions reached at the meeting

7. The main conclusions and recommendations for future work are given below. All documents for the meeting are available at:

<http://www.unece.org/index.php?id=37893#/>

A. Data user's point of view to global production

8. Continuous dialogue between producers and users of statistics is important to maintain the relevance of the data and reveal its potential uses.

9. Trade in value added provides a valuable framework for analysis of the economy. This work should continue and be extended with additional indicators that provide links to employment and income.
10. Statisticians have not always been able to keep up to date with business practices and must find ways to be forward looking and provide the information that meets future policy needs. Traditional measures of trade in goods and services have to be supplemented with information on income and financial flows. Foreign direct investment statistics (FDI) should be further developed and complemented with foreign affiliates statistics (FATS) in order to improve their clarity, usefulness and coverage, and to provide better insights into global value chains.
11. It becomes increasingly difficult to interpret national accounts principles of institutional units and economic ownership of assets within global production arrangements. New ways of presenting the data could be tested in satellite accounts.
12. Both top down and bottom up (including automatic profiling) approaches for profiling can be considered depending on the circumstances of a country.

B. Country experiences in dealing with global production in economic statistics

13. Currently many national statistical offices (NSOs) are investing substantial efforts in redesigning their data collection and compilation systems to implement the international recommendations regarding the treatment of global production. The exchange of experience and learning from each other is crucial for moving forward.
14. A large amount of work has been done to define why and what needs to be measured in global production arrangements. The *Guide on Measuring Global Production* provides recommendations on how to collect and compile the necessary information in practice. The meeting underlined the necessity of collecting more country experience in implementing the Guide and, on this basis, further strengthen its recommendations in the future.
15. The meeting emphasized the importance of integration of data from different data sources such as statistical business registers, business surveys, economic censuses, administrative sources, and associated record linkage work both as a way of introducing efficiencies and to improve the coherence and relevance of the accounts. This highlights the need for closer collaboration between national accounts, balance of payments, trade statistics and business register experts and, more fundamentally, provides opportunities to develop better integrated statistical information systems in order to address the challenges in measuring global production, as well as other supporting products such as statistics on MNEs and foreign affiliate statistics.
16. In this context, an important theme that emerged was the requirement by member countries to obtain access to and make better use of micro-data in the development of statistics related to global production. In some countries this requires the creation of new (or improved) data-sharing arrangements.
17. It was recommended that a means be established for member countries for capturing, recording and sharing experiences, standardized approaches and tools in this field. As a first step a bank of tested questions and terminology in business surveys could be established for reference by member countries.
18. In addition it was recognised that mechanisms that exploited mirror-relationships also provided scope for significant improvements in coherence in the international accounts, as well as scope for efficiencies. New cooperation mechanisms and data

exchange and confrontation among producers of official statistics, both nationally and internationally are required. The examples presented in the meeting were encouraging and pointed out that progress in this area is achievable. A follow up session to define a work plan on data collection, data exchange, data reconciliation and data confrontation should be organized to address aspects related to different institutional arrangements, legal requirements, confidentiality practices and constraints.

19. Countries' experience in organizing the work on monitoring large and complex enterprises into specific units was found useful for improving statistical data and reducing response burden. The participants underlined the importance of developing guidance and sharing best practices on organizing large and complex enterprises units.

C. Emerging conceptual issues in global production

20. The recommendations of the Task Force on Global Production on factoryless goods production (FGP) received overall support. There was general agreement on the nature of FGPs and that they should not be considered as distributors. At the same time many practical concerns still need to be addressed in future work, e.g. how the FGP units can be identified in registers, criteria for ownership of material inputs, consistency between enterprise and establishment data. The meeting emphasized the importance of advancing the research in close cooperation with classification and business register experts.

21. The EuroGroups Register (EGR) is welcomed as good practice that improves the consistency of EU data. It should be explored if this work could be extended and linked to other countries outside the EU.

22. The meeting found that the guidance on merchanting of services presented in the *Guide on Measuring Global Production* is very helpful. Some participants questioned the advantages of net recording. In view of this it was emphasized that further work to collect more examples from countries would be beneficial.

23. Notwithstanding the considerable challenges imposed by national confidentiality restrictions, the meeting agreed that sharing of business micro data or aggregations of such data across countries should be encouraged – international organisations were asked to consider what role they could play to facilitate this process.

D. Global accounts

24. The meeting supported the new global initiatives, such as the extensions to Trade in Value Added (envisaged within the OECD's Expert Group on Extended Supply Use Tables), Full International and Global Accounts for Research in Input – Output Analysis (FIGARO) and the Handbook on a System of Extended International and Global Accounts. Participants appreciated the non-overlapping and coordinated approach applied among these initiatives.

25. In order to measure global production and global value chains it is no longer sufficient to look only at what a firm does, but to also consider how the firm carries out its activities and with whom. The meeting highlighted the need to reconsider the appropriateness of current classification systems and current guidelines on statistical units in the context of global production. Further, the participants considered whether the current ways in which firms are aggregated and presented in official statistics are optimal and whether the assumption of homogeneity supporting the classification of firms and establishments by industry continues to satisfy statistical and policy needs. In this context the meeting supported analyses to explore if additional aggregations of firms around export

intensities, ownership and size, using the enterprise as a statistical unit, are better serving the homogeneity and policy needs. This will help exploit links between business statistics and trade data, including trade by enterprise characteristics (TEC) and FATS. The meeting also recognised the importance of better understanding the factors of production underpinning global value chains, in particular jobs (and skills) and the importance of developing a coherent picture (and framework) to incorporate such data within a global value chain (GVC) narrative. The classification of business functions was cited as another example of a classification system that could be added to the data to enrich evidence based policy making. The micro-data linking and the use of more detailed classifications require a review of confidentiality practices.

26. The ease of locating intellectual property products anywhere in the world allows MNEs to decide where to shift profits and pay corporate taxes. The meeting recognized the importance of the OECD work on Base Erosion and Profit Shifting (BEPS) in looking for indicators to identify where this is occurring. Participants noted that the use of national accounts data may assist with policy analysis.

E. Panel discussion: data gaps and way ahead

27. The panel addressed the existing data gaps and highlighted the need for further development of FDI, FATS and trade in services statistics as well as the importance to develop coherent estimates of jobs and skills as a core part of the accounting framework. Treatment of special purpose entities in national accounts was also recognized as an essential area for further discussion.

28. The meeting expressed broad support for moving forward with data sharing, but recognised that this is a very challenging issue due to legal and confidentiality constraints. International organisations should consider ways to facilitate the process.

29. Many key topics for the international agenda were identified: factoryless goods producers, merchanting of services, goods and services split and measuring the activities of global producers in constant prices. The meeting stressed the importance of research in these areas and underlined the necessity of good coordination and cooperation.

30. The focus should remain on providing traditional national accounts indicators like gross domestic product and gross national income of high quality. But the meeting stressed the important scope for improving quality in these areas through the incorporation of integrated (and coherent) accounting frameworks, such as those being explored by the OECD Expert Group on Extended Supply Use Tables and reflecting record linkage initiatives as well as micro-macro work in progress in some countries.

31. In addition to compiling high quality statistics, NSOs should support data users in a correct interpretation of the results. The importance of good communication with policy makers in order to better understand their data needs and provide statistics in a suitable form was highlighted.

32. Sharing information and experience between NSOs is crucial. The meeting recognized the prominent role of this forum to assist the exchange of knowledge and best practice among countries and to facilitate the implementation of the recommendations of the *Guide on Measuring Global Production*. The participants agreed that a similar expert meeting on Global Production should be organized in 2017, jointly with Eurostat and OECD. Efforts shall be made to involve also classification, business registers, business statistics and trade experts as well as representatives from central banks.

33. A session on global production will also be included on the agenda of the meeting of the Group of Experts on National Accounts, taking place on 17-20 May 2016.

34. The main conclusions of the meeting should be brought to the attention of the chief statisticians to raise their awareness of the challenges in measuring global production at national level.

35. This report was adopted at the end of the Meeting of the Group of Experts on National Accounts held in Geneva on 7-9 July 2015. UNECE will present the main outcomes of the meeting to the CES Bureau.
