



# Economic and Social Council

Distr.: General  
3 June 2011

English only

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## Economic Commission for Europe

### Conference of European Statisticians

#### Fifty-ninth plenary session

Geneva, 14–16 June 2010

Item 6 of the provisional agenda

**Manuals, guidelines, recommendations, frameworks etc. prepared under the auspices of the Conference**

### **Summary of comments from countries and international organizations on “Impact of globalization on national accounts”**

#### **Note by the secretariat**

##### *Summary*

This note summarizes the comments by countries and international organizations on the draft Guide *Impact of globalization on national accounts*, resulting from the electronic consultation conducted by the secretariat.

A total of 53 replies were received in response to the request for comments: from 35 countries, 8 international organizations, and one academic institution. The request was sent to both statistical offices and national banks and in several cases two individual replies were received from the same country.

There was general support for the endorsement of the Guide. Furthermore, several specific comments and amendments were proposed that have been addressed in this note and will be incorporated into the text of the final version of the Guide.

In view of the general support, it is proposed that the Conference endorse the Guide *Impact of globalization on national accounts*, subject to the amendments provided in this note.

## I. Introduction

1. This note summarizes the comments by countries and organizations on the draft Guide Impact of globalization on national accounts, resulting from the electronic consultation conducted by the secretariat in March-May 2011. It also takes into account the feedback provided by the members of the Bureau of the Conference of European Statisticians (CES) in February 2011.

## II. Summary

2. A total of 53 replies were received in response to the request for comments on the Guide. 40 of them used the standard comment form available at the website devoted to the Guide<sup>1</sup>. Most of the replies were provided by the national accounts and balance of payments departments of statistical offices or central banks. In addition, the secretariat received some responses from trade statisticians, economic analysis departments and academia.

3. The following 35 countries, 8 international organizations and one academic institution replied: Armenia, Azerbaijan, Bulgaria, Canada, Chile, Croatia, Czech Republic, Estonia, Finland, Germany, Hungary, Ireland, Israel, Italy, Latvia, Lithuania, Malta, Mexico, Netherlands, New Zealand, Poland, Portugal, Republic of Korea, Romania, Singapore, Slovakia, South Africa, Sweden, Switzerland, Tajikistan, The former Yugoslav Republic of Macedonia, Turkey, Ukraine, United Kingdom, United States of America, Eurostat, the Inter-American Statistical Institute (IASI), the International Monetary Fund (IMF), the Interstate Statistical Committee of the Commonwealth of Independent States (CIS-STAT) countries, the Organisation for Economic Co-operation and Development (OECD), the United Nations Statistical Division (UNSD), the United Nations World Tourism Organization, the World Trade Organization (WTO) and the Observatoire de la Finance, Switzerland. In some cases separate replies were received from the national statistical office and the central bank of a country or from different departments of international organizations.

4. All countries and international organizations that provided a reply supported the endorsement of the Guide by the CES. A number of organizations accompanied their positive answer to the question with written comments:

(a) UNSD (Economic Statistics Branch): This guide will certainly advance the understanding of globalization and inform future discussion and progress in this area. Its availability is definitely a step forward in resolving complicated issues of globalization in statistics;

(b) Portugal (INE): The Guide is ready to be approved, including the proposals for future work related to each item. Those recommendations should be complemented by a schedule or an action plan;

(c) Slovakia (Statistical Office): The guide is very helpful and illustrative. The main advantage is that it provides the reader with concrete problems and solutions;

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<sup>1</sup> The comment form and all individual replies are available at <http://www.unece.org/stats/groups/wgna.e.htm>

(d) Croatia (Bureau of Statistics): The Guide is very comprehensive and useful for understanding the effects of globalization on national accounts. We consider that the guide is ready for approval by the Conference of European Statisticians;

(e) The former Yugoslav Republic of Macedonia (National bank): The Guide is very well structured. The content of the Guide is straightforward and clear, and it will be of great value for future statistical work. The examples on compilation practices in different countries will be highly useful in further upgrading of our statistical system.

5. About 20 replies contained comments on the text and proposals for future work. The Leadership Group (LG) that steers the work on the Guide and the authors of the individual chapters reviewed the suggestions. The general comments and the response and amendments by the LG are summarized in the section III below. More concrete comments on the individual chapters, including amendments to the text of the Guide are addressed in the Annex.

### **III. General comments and future work**

6. All countries emphasised the value of the Guide for the compilation of national accounts and economic statistics in general. The respondents found that the Guide provides useful guidance on the main problems in the compilation of national accounts caused by globalization. Almost all consider the Guide clear and coherent.

7. Many comments highlighted the timeliness, completeness, coherence and the appropriate structure of the Guide and the usefulness of the country case studies. Of particular importance is the fact that each chapter of the Guide is self-contained and covers exhaustively the theoretical and practical aspects of the globalization phenomenon in question. Some quotes from the country replies are provided in Box 1 in section IV.

8. A number of general comments on the structure and content of the Guide were given and are summarised below. The responses of the LG and the principal authors to the comments are also provided.

9. The WTO and UNSD (Trade Statistics Branch) considered that the parallel presentation of the old (1993 System of National Accounts (SNA) and Balance of Payments Manual (BPM) 5<sup>th</sup> edition) and the new (2008 SNA and BPM6) guidelines, particularly in relation to goods for processing and merchanting, might be confusing for the reader. They suggested that the Guide focuses only on the new standards.

10. LG: In reviewing the suggestion it was noted that many countries found the detailed reference to both old and new international standards very useful and informative. The change from the 1993 SNA to the 2008 SNA will be a relevant issue in the coming years for many countries. While the previous standards continue to be widely used and many countries still face the task of implementing the new ones, it seems appropriate to give attention in this Guide to the differences between them.

11. The UNSD (Economic Statistics Branch) proposed adding a glossary of terms used in the Guide.

12. LG: The proposal was already under discussion in the earlier stages of the work. It was concluded that developing a glossary might significantly delay the publication of the Guide. On the other hand, existing glossaries such as the OECD's glossary of statistical terms and the glossary of the 2008 SNA already cover adequately the terminology used and the Guide will include references to them.

13. United Kingdom (Office for National Statistics (ONS)) found that the balance between theory/concept and practice needs further work. More should be added on the

practical implementation of the proposed changes. Similar comments are made by The former Yugoslav Republic of Macedonia (National Bank), suggesting that it would be useful to add more examples of well developed and successfully applied practices/questionnaires, and by Chile (National Bank), suggesting further work on providing countries with tools to develop implementation strategies.

14. LG: During the preparation of the Guide, great effort was made to bring together the experience of countries that have already started to address the distortions to national accounts caused by globalization. Case studies were added to each chapter presenting good practice of individual countries. Nevertheless, as countries are at early stages of tackling problems related to globalization, the LG felt that insufficient experience has been gained so far to develop more concrete implementation guidelines. Therefore, it is suggested to publish the Guide and to continue the discussion on globalization topics at special sessions of the biannual Joint UNECE/Eurostat/OECD National Accounts meeting, held in Geneva. When sufficient knowledge is accumulated in a certain area, the recommended best practices would be posted on the devoted website as a supplement to the Guide.

15. In line with the above proposal, Portugal (National Bank) suggests to keep reviewing the Guide by “incorporating other relevant issues that might turn out to be relevant” in future. The UNSD (Economic Statistics Branch) and IMF recommend considering additional case studies from countries outside the UNECE/OECD region.

16. Some replies pointed to the need to develop data collection methods and revise existing source statistics.

17. LG: The purpose of the Guide was to focus on measurement issues in national accounts arising from globalization. According to the terms of reference “it is not the goal of the Group to analyse source statistics themselves; problems identified by the Group of Experts will be brought to the attention of the working groups dealing with these source statistics so that they can look at alternatives to improve existing guidelines and/or practices.” Currently, the individual chapters point out areas where source statistics could be improved. In order to respond to the outcome of the consultation, the concluding chapter of the Guide will enforce the suggestions made in individual chapters and provide explicit proposals for development of certain data sources.

18. Concerning the coverage of the Guide, the majority of the countries and organizations consider that it addresses the most relevant issues related to the impact of globalization on national accounts.

19. A request for prioritizing the future work was expressed by a number of countries and organizations.

20. LG: The issue was already discussed when setting up the research agenda in chapter 14. The main priorities include global manufacturing, implementation of the new standards (2008 SNA and BPM6), and refining the conceptual framework for measuring international transactions with intellectual property products (IPPs) and special purpose entities (SPEs). These priorities seem to be in line with the results of the consultation, which mentioned most often the impact of outsourcing and issues related to global manufacturing, the new treatment of goods for processing, merchanting, international transactions in IPPs and the conceptual framework for SPEs. Suggestions for further work on one or more of these topics were made by Hungary, Italy, Portugal, South Africa, Eurostat, IMF, UNSD and WTO. The text in chapter 14 will be revised in order to reflect these views.

21. Some additional topics for further research were also mentioned. These include environmental aspects of globalization, issues related to energy production, linking of business statistics/registers to customs data, impact of globalization on financial statistics

and financial accounts, international portfolio investment, some household related issues, impact on small open economies, etc.

22. The LG will review these proposals in detail and will add them to the research agenda in chapter 14.

## IV. Proposal

23. Following the consultation, the proposed amendments will be introduced in the final version of the Guide. The Annex describes these comments in more detail.

24. In view of the support expressed by countries and organizations, **it is proposed that the Conference endorse the Guide *Impact of globalization on national accounts*, subject to the proposed amendments presented in this note.**

25. Subject to the endorsement by the Conference, the Guide is planned to be published by the UNECE by the end of 2011.

Box 1

### Extracts from comments on the content and the structure of the Guide

**Bulgaria (NSI):** *The Guide provides very clear principles for the treatment of problems of national accounts related to globalization. It examines many problems for which there is no systematic information and covers the most important issues related to globalization's influence on the system of national accounts. It is well structured; presentation of the analysis is consistent and coherent.*

**Germany (FSO):** *The Guide gives a comprehensive compendium of all theoretical, conceptual and statistical challenges which arise for National Accounts in the context of the globalization process. It can not give definite answers to all questions and the research agenda in Chapter 14 remains long. However, considering the problems and the presentation of various national approaches to solve the problems will give useful support to national accounts practice.*

**Israel (CBS):** *[The Guide] is well structured and will be helpful to statisticians and users of statistics on globalization.*

**Italy (National Bank):** *...brings together in a coherent, integrated and comprehensive way the challenges that globalization poses to the production of national accounts and related statistics. It will represent a useful tool for both statistics producers and users in the development of their future work and research.*

**Latvia (CSB):** *Some of the country experiences seem highly reasonable and will be considered for inclusion into national practice. The Guide also gives ideas on potential data sources, which could be developed to gather specific information on globalization issues. ...We support the common approach maintained throughout the Guide – to start with a concentrated description of the background of a particular issue and treatment recommended in international standards, to highlight the recognized measurement problems, to give recommendations on possible treatment in BoP/NA and to finish with well-explained country practices in annexes to each chapter. The recommended future work is also helpful.*

**Lithuania (Statistics Lithuania):** *[The Guide] is timely and provides useful explanations for better understanding of globalization processes effecting national accounts. The participating experts of international organizations and NSIs have done a great job. The main important problems are named and clearly defined. Those not included are of less importance.*

**The former Yugoslav Republic of Macedonia (National Bank):** *[The Guide] clearly presents the fundamental problems of statistics that stem from globalization. We found very*

*useful the concept set out in the Guide, of initially presenting the problem and discussing possible solutions throughout country practices afterwards.*

**Portugal (INE):** *...The most relevant issues that may affect national accounts results, as far as they can be understood nowadays, are covered. The Guide is clear and coherent. Additionally, for each item, it stresses adequately the coherency between the different benchmark references, notably the 2008 SNA and BPM6.*

**Portugal (National Bank):** *The Guide provides useful guidance regarding several issues, having the advantage of describing country cases and presenting figures. The structure of the Guide based on different themes seems to have several advantages, allowing the compiler to identify in an easy manner a given issue that might raise additional doubts and questions.*

**Switzerland (Statistical office and National Bank):** *This is indeed a very useful complement to existing standards and handbooks on National accounts and Balance of payments statistics. The examples and country case studies are very useful. Globalization is a fundamental theme for the economic analysis made by the Swiss Federal Statistical Office. To a great extent, we appreciate this Guide as it will allow us to ground our analysis in an international framework. Furthermore, the guidelines will help us to improve our measurement methods and the related issues which would make possible the comparisons between countries.*

**South Africa (Reserve Bank):** *The guide is comprehensive, elaborative and detailed. It also provides a good theoretical understanding of the integration of issues between the balance of payments and the national accounts such as goods for processing, merchanting and IPP's. The use of graphs and practical examples makes understanding of the issues more clear and coherent. It guides the reader through the possible methodology and permits a sense of the several possibilities that may exist in recording the data at hand...Good explanations with enough examples of different countries and their methods of measuring.*

**UNSD (Economic Statistics Branch):** *We are impressed by the quality of the Guide and commend the work of the Group of Experts that developed it. The Guide renders a comprehensive presentation of the conceptual treatment of globalization issues related to macroeconomic accounting in a single document and elaborates on valuable practical guidance based on best country practices. As such, it is an excellent reference document for both compilers and users of macroeconomic statistics.*

**IMF:** *The Guide provides useful guidance on main problems in compiling the National Accounts and Balance of Payments Accounts due to globalization. It presents information and various concepts clearly and coherently.*

## Annex

### Comments on specific parts of the document and the related amendments to the text

1. This annex addresses substantive comments made to the individual chapters. These comments are provided mainly by the Financial Affairs Directorate of OECD responsible for compiling the OECD globalization indicators, WTO, the Economic Statistics Branch of UNSD and the national banks of Korea and Portugal. Some further suggestions are made by Hungary, South Africa, Switzerland, the former Yugoslav Republic of Macedonia, UK, Eurostat and IMF. After each comment the response of the LG and the principal authors, including proposed amendments to the Guide are provided. Text to be deleted from the Guide has been crossed out and new text to be added has been underlined.

2. Further minor technical and editorial suggestions made during the consultation will be taken into account in the text of the final version of the Guide and are not listed under the amendments below.

#### A. Chapter 1

3. Eurostat highlighted that business statisticians will also be users of this guide.

*Response to the comment:* In paragraph 1.11 business statisticians will be more clearly mentioned as a part of the first group of users.

#### B. Chapter 2

4. Financial Affairs Directorate of OECD requested the following amendments to chapter 2:

- Re-organize chapter 2 and build the core of the text on existing work that is the OECD Handbook on Economic Globalisation Indicators, providing a wide range of concepts and information on MNE activities.
- The current content of chapter 2 that is based on specific country examples to be presented as an annex.
- The chapter should describe or include reference to other work of the OECD such as: OECD Benchmark Definition of Foreign Direct Investment, 4th edition (BD4), Activities of Multinational Enterprises (AMNE) statistics, OECD Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations 2010; OECD Working Group on International Investment Statistics (WGIIIS) and the OECD FDI restrictiveness index.
- Avoid using the term “ultimate beneficial owner” (UBO). Ultimate source or destination, ultimate investing/host country, ultimate controlling parent (or unit) would be alternatives depending which concept you wish to refer to.

*Response to the comments:*

- “The OECD Handbook on Economic Globalisation Indicators” focuses more on identifying a set of relevant globalization indicators to gauge the magnitude and intensity of the globalization process. According to the terms of reference this Guide has been written “to review the main distortions in the compilation of national

accounts and related source statistics, as caused by the growing globalization of economies” and it should “put forward proposals to deal with these distortions and improve the quality of national accounts”. The Guide builds on the work undertaken by leading statistical offices. Each chapter was written by a country that has experience in the issue concerned. The practical country examples were seen as very useful in many replies to the consultation and the LG recommends that this approach be kept for all chapters.

- Where appropriate relevant references to the OECD work will be added.
- While the OECD FDI restrictiveness index is useful for certain purposes, it is not directly related to the national accounts and economic measurement issues that are the subject of the Globalization guide.
- The OECD term “ultimate investing country” will be used in chapter 2 instead of “ultimate beneficial owner”.

## C. Chapter 3

5. Financial Affairs Directorate of OECD suggested the following amendments to this chapter:

- More explicit references should be made to BD4 and to other OECD work on foreign direct investment (FDI), such as WGIIS, network of investment experts and AMNE statistics. When appropriate direct quotes from the BD4 should be used.
- In the context of national accounts or international accounts it is rather FDI data on A/L basis, which is relevant as opposed to FDI data according to directional principle (DP). The text should be modified accordingly. The reason for discussion of inward and outward FDI and of directional principle is not explained and should be removed from the text.
- The title of annex 3.2 should be revised to reflect the content which is much more limited. It should be made clear that that the methodology described reflects FDI as part of BoP, but not FDI statistics of the Russian Federation which is currently the responsibility of ROSSTAT (currently there are two official sources which provide FDI data and they are not comparable).

### *Response to the comments:*

- Relevant references to the OECD’s work will be added and the text will be modified to take appropriate account of the above comments.
- Compilers of national and international accounts collect the data from business surveys of inward and outward FDI. The information from these surveys is essential for compiling standard components of the international investment position (IIP) and BoP accounts. However, the collection of data for these standard components poses challenges that are identified in the chapter, and that can be alleviated by the techniques explained in the chapter. Text will be added to further clarify the connection between national accounts and FDI on a DP basis.
- The title of annex 3.2 will be changed to  
Russian Federation: estimating reinvested earnings, and the treatment of production-sharing agreement projects ~~Enterprise groups and foreign direct investment in the Russian Federation~~
- The following explanatory subtitle will be added to annex 3.2

The annex describes aspects of the methodology followed by the Bank of Russia in compiling the balance of payments. ROSSTAT also compiles FDI statistics. The two sources are not fully consistent.

6. The former Yugoslav Republic of Macedonia suggested that for solving basic statistical problems it is necessary to cover the issue of specific instruments and maturity, in particular for direct investment and SPEs.

***Response to the comment:***

- The following footnote will be added to the chapter:

These initiatives could help address challenges that compilers face in identifying detailed characteristics of direct investment positions, such as debt maturity. Such characteristics can be difficult to measure and to correctly record, because changes in them may occur frequently.

## **D. Chapter 4**

7. The Bank of Portugal suggested the following amendments to this chapter:

- Encompassing leasing and factoring companies in the definition of SPEs is not clear in the context of the new manuals (ESA and SNA). Therefore, a paragraph with some reflection on the need to clarify this issue should be included.
- We would suggest adding some explanation to paragraph 4.26 since financial leasing companies are FISIM producers. Including a reference to the Dutch National Accounts practice (paragraph 4.1.25 of page 53) would also clarify the issue.
- Although discussions among experts lead to the conclusion that investment funds and financial holdings companies do not produce FISIM, this is not reflected in the new manuals. Additional clarifications should be added. The same applies to the use of a cost approach for the estimation of SPEs production. It should be stated clearly in the manuals that SPEs involved in financial intermediation are not market producers and thus their production should be valued by the sum of costs.

***Response to the comments:***

- The text of paragraph 4.19 will be amended to reflect the comment on leasing and factoring companies.
- Additional reference to the FISIM issues discussed in annex 4.1 will be added to paragraph 4.26.

8. The United Kingdom warned about inconsistencies in SPE definitions used by different international expert groups/task forces. The report on the Extended Directional Principle (ExDP) in FDI was published in 2010. It developed the rather loose definition of an SPE from the one given in the BD4 manual referred to in paragraph 4.9 of the Guide. The Eurostat Task Force on FDI requirements for the EuroGroups Register (EGR) developed this definition further in order to facilitate the identification of SPEs in the EGR. On the other hand the Task Force on the Activities of Multinationals in National Accounts (TF MUNA) has attempted to do something similar and developed the decision tree shown in chart 4.1. This does not seem to be reflected in the discussion on SPEs in the EGR/FDI TF. As a result, the precise conclusions reached by both groups are not fully compatible. The work of the FDI/EGR TF in examining the identification of SPEs in the EGR needs to be incorporated in this chapter.

**Response to the comments:**

- The text of chapter 4 already contains references to the mentioned task forces. It also states that a definition of SPEs is not available and points to the need for future work. Furthermore, chapter 14 identifies the work on common conceptual framework on SPEs as one of the priority items of the research agenda. The text will be further amended to stress the need of coordination of the work between the various groups working on SPE issues. The comments of UK will be brought to the attention of the concerned task forces.

9. IMF suggested non-resident SPEs of the General Government Sector to be an area of future work.

**Response to the comments:**

- The suggested area will be added to the research agenda.

**E. Chapter 5**

10. The Bank of the Republic of Korea saw the need to explain the case when goods for processing are delivered from a country different from the one in which the principal is resident.

**Response to the comment:**

- Addition to paragraph 5.15

Another possibility is that a unit in country A arranges the processing, but the goods do not come from country A – this is akin to the examples of global manufacturing discussed in Chapter 8.

11. **United Kingdom** noted that the practical considerations are rather simplified. There are cases where products are moved across borders and are significantly transformed (e.g. car parts into a vehicle) and the production function is misrepresented. Besides, UK stressed the need of further work on data collection and the resources involved.

**Response to the comment:**

- The following text will be added to paragraph 5.42

It is clear that the change related to goods for processing will potentially lead to larger variations in input-output coefficients. However, it is important not to overstate this argument, at least in relation to the 1993 SNA. It is worth noting the new concept was partially in place in the 1993 SNA for goods sent for processing to a non-affiliated resident enterprise. It is also important to recognize that any given industry grouping is likely to include establishments with different production functions and, at the margin, different products. Thus some firms will be capital intensive, and others labour intensive; some will outsource service activities while some will retain them in-house; some will be responsible for the entire production, but others will purchase semi-finished products before producing the final goods. All these factors are also sources of variability of the IO coefficients, in both nominal and volume terms.

- As suggested in section III of this note, the development of concrete guidelines for data collection and implementation of the new standards will be included among the priorities for future work in chapter 14.

## F. Chapter 6

12. Economic Statistics Branch of UNSD proposed that data compilers are encouraged to present the breakdown of changes in inventories according to those in the economic territory of the merchant and those due to merchanting. This will provide data users information on the contribution of changes in inventories arising from merchanting to the overall change in inventories of the economy.

### *Response to the comment:*

- Addition will be made to the paragraph 6.30 a.  
It may be useful if this change in inventories held abroad arising from merchanting can be recorded separately from other changes in inventories.

## G. Chapter 7

13. The South African Reserve Bank made a number of comments on the chapter. The major ones focused on:

- Paragraphs 7.27 – 7.30, cover computer software issues in detail but not databases. Further clarification on the recording of databases and the impact of globalization is needed.
- Paragraphs 7.6 and 7.23, dealing with “other royalties and license fees” refer to BPM5. A link should be done to BPM6 and existing there breakdowns.

### *Response to the comments:*

- Databases are also affected by globalization, but transactions in them are not as problematic as those related to software, hence the focus on software related transactions. The value of a database has two components: the first reflects the software system that supports the databases, which should be classified as software when produced. Transactions in databases or services related to databases should be recorded under “other information services”. The following text will be added to paragraph 7.27:

This is of particular relevance for the measurement of software as opposed to databases; where this distinction is of less relevance in practice, as most transactions in databases relate to services provided in accessing a database. Such a breakdown has been developed conceptually for software as shown below (with the entry in brackets reflecting the conceptual destination category).

- Paragraph 7.25 will be revised to clarify breakdowns:  
Fortunately however, improvements are being made in this area. Revisions to the MSITS, BPM6 and the associated EBOPS include a more detailed breakdown of IPPs, as described in Table 7.1. This means that the category “other royalties and license fees” no longer exists in the new classifications.

## H. Chapter 8

14. The Bank of the Republic of Korea draws the attention to project vendors. Further clarification needs to be added for cases described under BPM6 paragraph 4.29 on construction projects undertaken by non-residents without the creation of a legal entity.

**Response to the comment:**

- Addition to paragraph 8.64

International statistical standards require large construction projects lasting longer than one year usually to be treated as capital formation by an entity resident in the host country: thus a large-scale construction project contracted by a non-resident enterprise that takes a year or more to complete will usually (but not necessarily) give rise to a resident branch.

15. WTO considers it strange to cover turnkey projects, assembly and construction work under a chapter dealing with global manufacturing. In such case, the chapter should adopt a broader perspective than just covering manufacturing (and construction) and also cover services. In addition, further precision and reference to existing international guidelines should be made.

**Response to the comment:**

- Paragraph 8.2 will add the following text explaining the reason for covering turnkey projects under this chapter.
  - ...all production while maintaining management control over all stages of the work and ownership of the product. In some respects the coordinating enterprise in a turnkey project (the project vendor in the terminology used in the section on turnkey projects) resembles a factoryless producer as described here. This is why large-scale international assembly and construction projects and the role of project vendors are also discussed in this chapter.
- Additional amendments related to trade in services were made to the Guide according to the more detailed comments by WTO.

**I. Chapter 9**

16. WTO questioned the need of imputing import of services in the example presented in paragraphs 9.20-9.21. From their perspective the main issues are that the goods are registered in general merchandise trade of the country into which the goods are imported and the correct valuation of the goods. Thus, the problem is how to correct for this so that the data fit balance of payments and national accounts in terms of the change of ownership principle. The correction should be made in goods, not in services. If a parallel is made with merchanting, then the example should be further elaborated. Part of the explanation comes at the end of the chapter (paragraph 9.62-), but it would be better to identify it earlier.

**Response to the comment:**

- The first part of the chapter provides with background and examples of quasi-transit trade. Proposals for operational treatment in the accounts are described in paragraphs 9.58 - 9.75. The imputation of imports under services is the current treatment adopted in the EU and is based on BPM5 framework, where also merchanting is considered a service. The imputation will be made under goods when BPM6 is implemented. To make this clearer, paragraphs 9.20 – 9.21 will be further reviewed and explanations or reference to section “Proposals for operational treatment in the accounts” will be made. Further, the following text will be added to paragraph 9.75:

However, since merchanting, probably the closest analogy to "branding" in the context of quasi-transit trade, will be recorded in the trade in goods

account when the new statistical standards are implemented, the current EU practice of recording branding under services will be revisited.

17. Hungary complimented the chapter for the concise and clear overview of quasi transit trade. The recommended future research of “the trade conducted by nonresidents within a country” in paragraph 9.77 is welcome, because the problems relating to the trade of VAT-registrations are more general as it was initially expected. It is proposed that the research be extended on all relevant accounting problems of VAT-registration in national accounts.

***Response to the comment:***

- The suggested area will be included in the research agenda.

## **J. Chapter 10**

18. Economic Statistics Branch of UNSD suggested that the ILO/WB/Eurostat household survey module be added as an annex to this chapter.

***Response to the comment:***

- Reference to the ILO/WB/Eurostat household survey module will be added in the chapter.

19. The United Kingdom points out that this chapter covers a lot about various types of labour movements, and that it is particularly challenging to capture resident and non-resident issues between people who either do or do not live in a particular country while doing work for an employer in another country. Concern is expressed that the framework suggested in the chapter will impose a fair amount of cost and investment to provide the additional data, which might be irrelevant or negligible to some countries. Further work to see how well the framework would pertain to different countries is supported.

***Response to the comment:***

- The need to undertake further work on testing the proposed framework has been reflected in paragraph 10.76. It will also be included in the research agenda in chapter 14.

## **K. Chapter 13**

20. Switzerland suggested that a methodology for compiling e-commerce data in the consumer price index should be developed.

***Response to the comment:***

- The suggested area will be added to the research agenda in chapter 14.

## **L. Chapter 14**

21. Financial Affairs Directorate of OECD proposed the following amendments to the chapter:

- Future work should incorporate the comments on FDI and AMNEs, made under chapter 2 and 3. Paragraphs 14.12 and 14.7 should indicate on-going WGIIS work and its network of experts, research agenda on globalisation, etc.

- The WGIIS work on bilateral data comparison of FDI statistics, which would be later extended to AMNE statistics, should be reflected in paragraph 14.21.
- The reference to best practices should be reviewed, as the Directorate does not support the idea of best practices as opposed to international standards.

***Response to the comments:***

- Information on OECD WGIIS and AMNE work will be included in chapter 14.
- The following text will be added to paragraph 14.21

Exchanges of data among countries are seen as helpful in various contexts: FDI (where the OECD Working Group on International Investment has started to compare bilateral data with a view to improving data quality) (Chapter 3), labour movements and remittances (Chapters 10 and 11)...

- Addition to paragraph 14.22

Finally, exchanges of best recording practice among countries – not as a substitute for international standards, but as complement to them – are seen as potentially helpful in many areas, and could usefully be encouraged at a time when the new international standards are being implemented.

22. Economic Statistics Branch of UNSD compliments the chapter for giving a good summary of the manual and good suggestions about the way forward. Linking trade and business statistics could be included in future work. The chapter may emphasise the usefulness of complementing merchandise trade statistics by business register data. A similar recommendation was made by the National Bank of Italy.

***Response to the comments:***

- The suggestions will be taken into account in the research agenda and corresponding amendments of the text of paragraphs 14.17 and 14.19 will be made.
-