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ECONOMIC COMMISSION FOR EUROPE

CONFERENCE OF EUROPEAN STATISTICIANS

Group of Experts on the Impact of Globalisation
on National Accounts

First Meeting
Geneva, 11-13 May 2009

ANNOTATED PROVISIONAL AGENDA FOR THE FIRST MEETING*

To be held at the Palais des Nations, Geneva
starting at 9:30 on Monday 11 May in Salle XI

I. PROVISIONAL AGENDA

1. Opening of the meeting and adoption of the agenda.
2. Multinational enterprises and allocation of income to national economies (follow-up discussion).
3. Goods for processing (follow-up discussion).
4. Merchanting (follow-up discussion).

* Delegates are requested to complete a registration form available from the UNECE website of the meeting and transmit it to the UNECE secretariat by 6 April, either by fax (+41-22 917 0040) or by e-mail (benedicte.boudol@unece.org). Prior to the meeting, delegates are requested to present themselves at the Pass and Identification Unit of the UNOG Security and Safety Section, located at the Pregny Gate, Avenue de la Paix for the issuance of an identification badge. In case of difficulty, please telephone the UNECE secretariat (+4122-9174323).

5. Information on related working groups:
 - (a) Progress report of the Eurostat Task Force on multinational enterprises;
 - (b) Outcomes from the work of the Working Party on International Trade in Goods and Trade in Services Statistics.
6. International transactions in intellectual property (e.g. Research and Development).
7. Remittances and labour mobility.
8. Special Purpose Entities.
9. Foreign direct investments.
10. Transit trade and or re-export.

II. ANNOTATIONS TO THE PROVISIONAL AGENDA

Item 1. Opening of the meeting and adoption of the agenda

1. The Group of Experts on the Impact of Globalisation on National Accounts was created to review the main distortions in the compilation of national accounts and related source statistics caused by the growing globalisation of economies, and to develop proposals on how to deal with these distortions and improve the quality of national accounts. The final outcome of the Group of Experts will be a report with recommendations and best practices, to be presented to the Conference of European Statisticians in June 2010.

2. The proposed provisional agenda is agreed upon at the meeting of the Group of Experts on National Accounts, held in April 2008 (see document ECE/CES/GE.20/2008/2) and elaborated by the Leadership sub-group of the Group of Experts in October 2008. The provisional agenda will be presented for the approval of the Group of Experts.

Item 2. Multinational enterprises and allocation of income to national economies (follow-up discussion)

Documentation: ECE/CES/GE.23/2009/3

3. Multinational Companies (MNCs) present special measurement challenges for national and balance of payments accounts. MNCs allocate resources, price intra-company transactions, and bill transactions in a manner that is designed to maximize global net profits and their accounting of activities and transactions may not align well with the underlying economic behaviour that ideally should be captured in the national accounts of each of the countries where they operate. These accounting issues are a significant problem because of the growing size of MNC activities.

4. The paper on multinational enterprises and allocation of income to national economies was considered at the Group of Experts meeting on National Accounts in April 2008. This meeting of the Group of Experts on the Impact of Globalisation on National Accounts is a good opportunity for further discussion of the issue.

Item 3. Goods for processing (follow-up discussion)

Documentation: ECE/CES/GE.23/2009/4

5. Under the new treatment of the 2008 System of National Accounts (SNA) and the Balance of Payments Manual, Sixth edition (BPM6), no change of ownership will be imputed to goods being processed abroad. In line with this proposal, the Balance of Payments and the National accounts will no longer show the flow of goods but instead will show flows of processing services. The Inter-Secretariat Working Group on National Accounts (ISWGNA) has requested the Group of Experts to look into the main issues in relation to the implementation of the new recommendations and to propose operational guidelines. The first discussions were based on an issue paper by Statistics Canada. There was general agreement that goods for processing should be recorded on a “change of ownership” basis, in line with the new treatment. The paper has been revised to take into account the discussion at the April 2008 meeting.

Item 4. Merchanting (follow-up discussion)

Documentation: ECE/CES/GE.23/2009/5

6. As in the case of processing, the recording of merchanting has been extensively discussed during the update of the 1993 SNA and the BPM. Here too, the ISWGNA has asked the Group of Experts to propose operational guidelines for the implementation of the new treatment of merchanting. The April 2008 meeting of the Group of Experts on National Accounts reviewed an issue paper by the Central Statistical Office of Ireland and concluded that the recording proposed in SNA Rev.1 and BPM 6 is more adequate to the economic reality. The revised issue paper on merchanting will take into consideration the suggestions for improvements made at the April 2008 Meeting.

Item 5. Information on related working groups:

(a) Progress report of the Eurostat Task Force on multinational enterprises

7. The Task Force on the recording of certain activities of multinationals in national accounts was set up in 2007 by the Eurostat National Accounts Working Group to investigate the problems that statisticians have to face when dealing with the activity of multinationals. The meeting will be informed about the work of the Task Force, which also gathered a number of case studies related to Special Purpose Entities: a summary of the main features of each of these case studies will be part of this document.

(b) Outcomes from the work of the Working Party on International Trade in Goods and Trade in Services Statistics

8. The outcomes from the work of the Working Party on International Trade in Goods and Trade in Services Statistics will be presented.

9. The Working Party was established by the Organisation for Economic Co-operation and Development (OECD) in 2007. It provides a forum for various trade expert groups to ensure fuller coordination between goods and services trade issues and to facilitate the analysis of crosscutting and statistical globalization issues.

Item 6. International transactions in intellectual property (e.g. Research and Development)

10. The discussion will be organised by OECD.

11. Little is known about the flows of intellectual property and related income. Companies exchange intangible assets such as business and technological knowledge with their foreign suppliers and subsidiaries as they set up global supply chains across national borders.

12. The issue paper will be prepared by the OECD Task Force on Intellectual Property Products and Eurostat Task Force on Research and Development. These two groups cooperate closely in order to avoid duplication of efforts of the work done.

Item 7. Remittances and labour mobility

13. The discussion will be organised by the United States Bureau of Economic Analysis (BEA) with the support of Central Statistical Office of Czech Republic and World Trade Organisation (WTO).

14. Remittances represent transfers from developed to developing nations and are a major source of income and foreign exchange in many receiving nations. There has been an increasing importance of, and focus on, remittances since the 1990's. They affect key national accounts measures e.g. compensation of employees, personal transfers, capital transfers, etc. The sixth edition of the Balance of Payments Manual (BPM6) identifies four increasingly broad definitions of remittances:

- (a) Personal transfers;
- (b) Personal remittances;
- (c) Total remittances;
- (d) Total remittances and Transfers to Nonprofit Institutions serving Households (NPISHs).

These definitions are also embedded in the 2008 System of National Accounts (SNA) (chapters 8 and 26).

15. The discussion will consider the measurement issues linked to recording remittances flows on the basis of issue paper by the BEA and papers from the Czech Republic and Mexico.

16. International labour mobility has increased. Not all types of labour mobility are easy to catch in statistics. As a consequence, the measurement of labour input and productivity is becoming more problematic. A paper prepared by the World Trade Organization (WTO) will explore labour mobility and trade in services through the movement of persons.

Item 8. Special Purpose Entities

17. The discussion will be organised by Statistics Netherlands.

18. The discussion will deal with the treatment of Special Purpose Entities (SPEs) based on an issue paper prepared by Statistics Netherlands. At least three types of Special Purpose Entities can be distinguished. The first (and perhaps most important) category of SPEs consists of financing and holding companies that act as a financing chain on behalf of the non-resident parent company. The second category consists of royalty and licence companies to whom ownership of intellectual property rights have been given by their parent companies and collect income in the form of royalties or as fees on (sub) licences. The third group are factoring corporations that conduct the invoice of sales of the worldwide company on behalf of the parent company. Two additional SPE categories were identified in the Netherlands: operational lease companies that lease out fixed assets to foreign customers through operational lease contracts on behalf of their foreign parent companies and Special Purpose Vehicles with a foreign originator.'

Item 9. Foreign direct investments

19. The discussion will be organised by the International Monetary Fund (IMF) and Statistics Finland.

20. A number of issues may arise in the national accounts from cross-border activities of multinational enterprises, which are captured in direct investment in the balance of payments. Though the national accounts and balance of payments are harmonized conceptually, these two systems are generally compiled from different data sources and techniques and by different data producing institutions (e.g. national statistical offices and central bank). The issue paper on foreign direct investments will draw attention to present observation of the topic.

Item 10. Transit trade and or re-export

21. The discussion will be organised by Eurostat/European Central Bank.

22. In the case of transit trade, goods go through a country without being declared for import in the relevant transit country. In principle, transit should not be a problem as there is no import and export, but only transport through the country. In practice, however, there may be measurement problems and the terminology may be used confusingly. In the European Union a

special type of transit trade exists. "Quasi transit trade" is a peculiar kind of transit trade where goods are declared as imports (to the Customs' authorities) in the relevant transit country, but are not considered as imports in the compilation of national accounts, since the very same goods are re-exported (without any major transformation or treatment) to another country. The problem is that the declared value of the goods entering the country and those leaving might be substantially different.

23. The discussion will be based on an issue paper prepared by Eurostat, based on the findings of the Eurostat/European Central Bank Task Force on the Rest-of-the-World Account and on successive developments.

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