

UNITED NATIONS
ECONOMIC COMMISSION FOR EUROPE

Conference of European Statisticians

Group of Experts on National Accounts

Twelfth session; Interim meeting on Global Production

Geneva, 3 - 4 April 2013

Annotated provisional agenda

To be held at the Palais des Nations, Geneva starting on 3 April at 09:30 in Salle VIII.

I. Provisional agenda

1. Opening of the meeting and adoption of the agenda
2. Introduction to the work of the Task Force on Global Production: main research issues and structure of the final report
3. Typology of global production arrangements
4. Economic ownership within global production arrangements
 - Principles of economic ownership
 - International transfers of intellectual property products (IPPs)
5. Measurement issues
 - Multi-territory enterprises
 - Merchanting of services
 - Quasi-transit trade and related phenomena
 - Recording imports and exports of goods on the basis of transfer of ownership
 - Recording of production abroad
 - Trade in value added
6. Organizational issues: Large and complex cases units
7. Future work and adoption of the report
8. Other business

II. Annotations to the provisional agenda

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

1. The Task Force (TF) on global production was created to support the effective implementation of those new guidelines in the System of National Accounts, 2008 (2008 SNA) and the Balance of Payments and International Investment Position Manual (BPM6), which are related to aspects of global production. The objectives of the Task Force are therefore twofold. The first goal is

to further address a number of unresolved conceptual issues. The second goal is to develop practical guidance on implementation aspects of these new global standards. In doing so, the Task Force will study the existing practices of countries in relation to the different types of global production arrangements.

2. The TF includes the following countries and international organizations: Canada, Finland, Ireland, Israel, Italy, Mexico, Netherlands, Norway, Sweden, United States, Eurostat, IMF, OECD, UNSD and WTO. Additional countries are also welcome to contribute to the work of the TF by providing case studies, comments to chapters, etc.

3. The purpose of this meeting is to review the draft chapters of the report of the TF. It is expected that countries will discuss the applicability of the proposed methods and practical guidance, but also present their specific experience in relation to the topics covered in the report.

4. Following the decision of the meeting the chapters will be finalized and incorporated into the TF report. Further, the TF report will be sent to the ISWGNA and AEG for consultation and presented to the CES Bureau in October 2013. Based on the input from the consultation the report will be finalized and submitted for adoption to the CES plenary session in April 2014.

Item 2. Introduction to the work of the Task Force on Global Production and the structure of the final report

5. The session will present the work of the TF achieved so far, the main conceptual issues in respect to global production arrangements, where additional guidance and clarification of the 2008 SNA may be required. The TF is also focusing on providing practical guidance on measurements issues. The main topics for discussion identified by the TF are:

- The industrial classification of so-called ‘Factoryless Producers’;
- Boundary between the different types of global production arrangements
- Enhancing guidance on the recording of transactions in goods according to transfer of ownership principles in the case of various global production arrangements such as processing, merchanting and quasi transit trade;
- Determining economic ownership of Intellectual Property Products (IPP) inside multinational enterprise groups, and in particular economic ownership of IPPs under legal ownership of “brass plate” affiliates;
- Measurement of goods for processing in global production chains;
- Measurement of exports of goods produced by contract manufacturers to third countries;
- Merchanting and merchanting of services in global production chains;
- Measurement and identification of inventories held abroad;
- Quasi transit trade in the context of global production chains;
- Allocation of multi-territory corporations across a number of countries in terms of attributing activities.

Item 3. Typology of global production arrangements

Documentation: Working paper No. 1

6. Leading author of the chapter is U.S. Bureau of Economic Analysis (BEA).
7. This chapter discusses a typology of global production arrangements defined as linkages within or among a group of enterprises in a particular value chain for producing specific goods or services where the production process is performed in more than one country. The lead enterprise, usually the principal, exerts a considerable amount of control over the production process by controlling access to key resources and activities, such as product design, international brands, and access to final customers.
8. The chapter clarifies the concepts of global supply chains, global value chains, and global production chains. It provides an overview of how enterprises organize their production arrangements and discusses a simple typology of global production arrangements.

Item 4. Economic ownership within global production arrangements

Principles of economic ownership (Working paper No. 2)

9. Leading author of the chapter is Central Statistics Office of Ireland.
10. The objective of this chapter is to clarify the principles of economic ownership of products and assets inside global production arrangements, including inventories held abroad. The matters of ownership are discussed in the SNA 2008 (par's 26.20 – 26.22 and 28.13 – 28.24), to some extent but the guidance does not fully extend to dealing with issues arising from global corporations and their related production chains. The chapter will address these issues from both a conceptual and a practical perspective and offer guidance as required. It will particularly focus on assigning ownership in the case of so called factoryless producers. In addition the recording of transactions between affiliates of the same parent MNE is examined.
11. The chapter will also include a comparison between how the issue of economic ownership is recognized in business accounting with particular reference to International Accounting Standards.

Transfers of intellectual property products (Working paper No. 3)

12. Leading author of the chapter is Central Bureau of Statistics of Israel.
13. This chapter deals with problems of recording international transfers of IPPs, within multinational enterprises, and in connection with international outsourcing of production activities to non-affiliated enterprises. At the basis of the problems is the difficulty of obtaining data on movement of IPPs due to their intangible nature, as well as the tendency of multinationals to place legal ownership of IPPs in countries with favorable tax and IP regulations, even if the IPPs are not produced or used in production in these countries. The importance of the problems is illustrated by country examples.
14. The chapter presents the conceptual background for recording international transfers of IPPs. It also reviews the current state of statistics on production and transfer of IPPs. Taking into account the limited information commonly available at present, a decision tree is developed. The tree is intended as a tool to help

identifying the economic owners of IPPs in global production, and subsequently recording the relevant international transfers of IPP's. The tree may also be helpful for separating cases of "brass plate" units, which only serve as a means for registration of legal ownership of IPP's and channeling of funds. The need for improved statistics, the possible modes of data collection and the need for international cooperation in preparation of statistics are also mentioned.

Item 5. Measurement issues

Multi-territory enterprises (Working paper No. 4)

15. Leading author of the chapter is Statistics Norway.

16. The activities of multi-territory enterprises provide measurement challenges to the national statistician. Multi-territory enterprises operate their activities on a temporary or permanent basis over more than one economic territory. Multi-territory enterprises are well described and discussed in 2008 SNA and BPM6, but are at the same time non-existent as a concept in the model of national accounts; the real world multi-territory enterprises are in the national accounts always allocated to separate and clearly defined economic territories and thus to separate nations. However, conducting this allocation is often quite challenging and several measurement issues, both related to the methods used and to the data available have to be dealt with. Splitting the economic activities of multi-territory enterprises per country on the basis of 'prorating' or the creation of 'notional units' is recommended if separate branches with accounts or decisions are impossible to identify (2008 SNA 26.35/BPM6 4.43). The creation of notional units may give rise to imputations of cross border financial transactions which may be difficult to account for in practice. Examples in the chapter show that there could be few alternatives to the implementation of notional units, given that the SNA/BPM framework is followed.

Merchanting of services (Working document No. 5)

17. Leading authors of the chapter are World Trade Organization (WTO) and Central Statistics Office of Ireland.

18. A case for the recording of merchanting of services is made in the Chapter (ref par 6.31 – 6.38) of the Globalization Manual. However, this is in the context of recommended future work on this topic. The purpose of the chapter is to further investigate the issue of merchanting of services, and to put forward, if needed, more compelling arguments for its inclusion in the current manual or in the next editions of both SNA and BPM.

Quasi-transit trade and related phenomena (Working document No. 6)

19. Leading author of the chapter is International Monetary Fund (IMF).

20. The chapter discusses statistical measurement issues associated with so-called "quasi-transit trade" and similar phenomena. "Quasi-transit trade" occurs when goods enter an economy and are declared by non-residents as imports for customs purposes at values that differ from those that are declared when the goods leave the same economy, without the transit economy having acquired ownership of the good. This phenomenon is relevant in the European Union (EU), where goods often enter the union without having changed ownership (so-called fiscal representatives may receive the goods and must declare them in imports). In this

circumstance, after the goods enter the EU, they can move relatively freely to or through other members of the union with minimal further customs documentation. The recording of the price difference can lead to significant statistical discrepancies and distortions in goods imports and exports data. The chapter proposes recording of quasi transit trade that adheres to the ownership principle under the sixth edition of the BPM6 and discusses approaches and data sources to compile the data.

Recording imports and exports of goods on the basis of transfer of ownership
(Working document No. 7)

21. Leading author of the chapter is Eurostat.

22. This chapter describes the methodological changes for the treatment of goods (sent abroad) for processing according to the new statistical standards, the ESA 2010, the 2008 SNA and the BPM6. In these international guidelines it has been decided to apply the general principle of change of ownership to the goods for processing. The consequences of this new treatment were studied by the Eurostat Task Force on goods for processing in year 2012, with a focus on the developments in the European Union, in order to help develop and improve the methodology. This chapter presents the main consequences of the implementation of the new treatment of goods for processing identified and recommendations agreed by this Eurostat Task Force. This chapter gives a brief description of some difficult issues which are in particular relevant for the European Union, such as the treatment of non-residents registered for VAT in the host country (VAT traders).

Recording of production abroad (Working document No. 8)

23. Leading author of the chapter is Statistics Canada.

24. The rapid expansion of multinational enterprises across the globe and the resulting fragmentation of production present some new challenges to national accountants, especially in terms of measuring domestic production and associated international trade flows, in a consistent and internationally comparable fashion. This chapter is concerned with such measurement issues. More specifically, the challenge is accurately measuring gross output and its components (including value added) as well as trade flows in the economies of the world, in the context of globally fragmented production activities. It reviews what is and what is not manufacturing (and services) in the cases of different production arrangements outlined in Chapter 1 (Typology of Global Production arrangements) and proposes a measurement strategy around these cases.

25. Consideration is given to what components of global production can be reasonably measured and whether these components can be woven into a coherent and integrated framework such as the SNA. This is framed against the pieces of a conceptual framework that ties global production to the core set of national account as currently defined by the 2008 SNA, such as domestic production and the goods and services account. In addition, some attention is given to the standard analytical macroeconomic questions as well as the uses of the core national accounts. Many of these issues have been touched on in earlier chapters, but some will be re-examined briefly in this chapter, with respect to measurement.

Trade in value added (Working document No. 9)

26. Leading author of the chapter is Organisation for Economic Co-operation and Development (OECD).

27. This chapter demonstrates the importance of all the preceding chapters. It stresses the fact that the world is increasingly interconnected and that conventional approaches used to understand how economies work can no longer rely solely on national statistics. National statistics build pictures based on inter-relationships between producers and consumers and the rest of the world. But these relationships, particularly those with the rest of the world have become increasingly more complex, and, as such, there is an increasing need to consider global production within a global accounting framework. This implies a departure from the traditional role of international organisations as compilers of internationally comparable national statistics, such as national input-output or supply-use tables. Instead it requires that they bring together these national tables to create a global table. The chapter reviews the policy drivers and needs for such a framework, the underlying methodology and assumptions used to estimate trade in value-added and the implications for statistics offices, data collection and national input-output tables in particular, before describing future longer term future avenues of research.

Item 6. Organizational issues

Large and complex cases units (Working document No. 10)

28. Leading author of the chapter are Central Statistics Office of Ireland and Statistics Netherlands.

29. In recent years, several national statistical offices have installed so-called large cases (or consistency) units. The purpose of these units is to collect and produce statistics for complex companies that are often engaged in global production. In order to collect more structured information and a better understanding of how these units operate within national statistical institutes and how they typically deal with the variety of statistical data obtained from multinational enterprises the TF developed a questionnaire, which was sent to the heads of the large cases units in a number of UNECE member countries. The findings of this survey should lead to identification of a number of best practices. Preliminary results of the survey will be presented and discussed under this item. The experience of some leading NSOs will also be presented.
