Globalisation: A Challenge for National Statistics

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Introduction (1)

Four prespectives on globalisation:

– **Measurement of the phenomenon**

– **Behaviour of MNEs**

– **Impact of globalisation on economic, social and environmental issues**

– **Impact of globalisation on measurement of traditional indicators**

Introduction (2)

– **Some examples from practice**

– **WGGNA: Terms of reference**

– **WGGNA: List of issues**

– **Main conceptual issue: allocation of output and value added**

– **Conclusions and items for discussion**

Some examples from practice

Fiasco System International Ltd.

x mln. dollar	PS T-1	PS T	
Turnover	3900	7500	+192%
Cost and expenses	2750	4800	+176%
Gross profit	1150	2700	+230%
Expenses developm. and research	350	600	
Selling expenses	450	850	
Administrative expenses	80	80	
Operating income	270	1170	**+333%**
Net property inc. rec.	0	-30	
Income before taxes	270	1140	
Employees	229	234	

Model T-Ford Company Ltd.

x mlns. euro.	Prod. Statistics T-1	Prod. Statistics T	Adjusted by NA T
Production (o.w.export) -Export industrial services (= compensation by parent company)	1400 (1220)	155	1440 (1280)
Interm.consumption (o.w. import)	1340 (1100)	95	1380 (1130)
Gross value added	60	60	60
o.w. wages	55	55	55
Operating income	5	5	5

Special Purpose Entities (2005)

Value Added	-1200
Compensation of employees	-340
Operating surplus (gross)	-1540
Property income received	56780
Property income paid	-53960
Primary income (gross)	1280
Taxes on income	-1280
Disposable income (gross)	0
Capital formation (gross)	-1120
Net lending	-1120

R&D-expenditure

– **Research among 8 MNEs**

– **46% of all R&D-expenditure in the NL**

– **NL-share of worldwide total employment: 13%**

– **NL-share of worldwide R&D-employment: 46%**

– **Only 1 MNE reports substantial R&D-exports**

– **Other 7 MNEs only report zero or very small amounts of R&D-exports**

Ratio of profits to compensation of employees for affiliates of US-MNEs

All Countries	**0.84**
Europe	**0.58**
Ireland	**6.64**
Other Western Hemisphere	**11.71**
Barbados	**34.97**
Bermuda	**36.06**
UK-islands, Carribean	**8.83**
Other Middle-East	**9.40**

WGGNA: Terms of Reference (1)

– **Objective: To review the main distortions in the compilation of NA and related source statistics, as caused by globalisation**

– Outcome: Report with recommendations and best practices

- Identify areas most affected
- Proposals to improve surveying, processing and integration of data
- Proposals to arrive at international consistency
- Proposals to improve international guidelines
- Proposals to create medium for exchange of best practices

WGGNA: Terms of Reference (2)

– **Timetable:**

  – **Autumn 2007: 1st meeting of LG**

  – **April 2008: 1st meeting of WGGNA**

  – **June 2008: Progress report to CES**

  – **End 2008 – Beginning 2010: Two meetings of LG and WGGNA**

  – **April 2010: Presentation of the report to NA-meeting**

  – **June 2010: Presentation of the report to CES**

WGGNA: List of issues (1)

– **Allocation of output and value added to national economies**

– **Specialisation of supply chains**
  – **Transactions in intellectual property**
  – **SPEs**
  – **Processing**
  – **Toll manufacturing**
  – **Merchanting**
  – **Consignment goods**
  – **Commissionaire Trading**

WGGNA: List of issues (2)

– **Specialisation of supply chains (cont.)**
  – **Re-exports and centralisation of logistics**
  – **Other centralised services**

– **Issues related to households, persons and employment**
  – **E-commerce**
  – **Labour mobility**
  – **Remittances**
  – **Tourism and second homes**

WGGNA: List of issues (3)

– **Other issues**
  – **Foreign Direct Investment and related income**
  – **Transit trade**
  – **Common trading and currency blocks**

Main conceptual issue: Allocation of output and value added (1)

Two basic options:

– Data according to business accounting

– Adjust transfer prices to "true" market-equivalent prices

=> Directly affects GDP(-growth)

=> No impact on GNI

Main conceptual issue: Allocation of output and value added (2)

- **International guideline (SNA-update)**
- **Adjusting data:**
  - **Possible in practice?**
  - **Does it add to analytical usefulness?**
  - **International consistency?**
- **Using Business Accounting data:**
  - **The end of GDP?**
  - **International consistency?**
  - **Time-consistency of resulting data?**

Conclusions, items for discussion

– **Globalisation will not go away; most probably, it will grow (at an increased pace) in future**

– **Within NSIs: individual treatment of MNEs to arrive at a consistent recording in source statistics and NA**

– **Internationally: More co-operation necessary**

– **Allocation of output and value added?????**