



Global Conference on Macroeconomic Statistics for the Future

Brussels, 10-11 November 2022

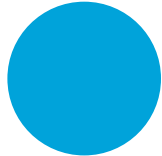
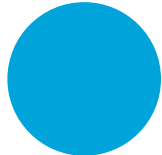
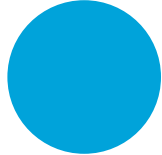
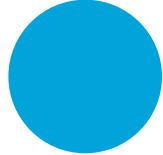
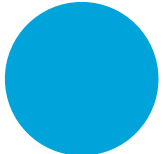
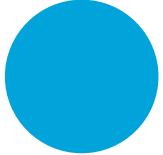
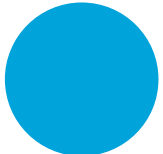
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Overview of globalisation issues and how they are addressed for the SNA update

Session 4

Michael Connolly
CSO Ireland and Co-chair of Globalisation
Task Team

Outline

-  Introduction - progress to date and objectives
-  Understanding MNE Company structures
-  Insight on Global Value Chains and Trade in Value Added
-  Examples of Multi-National Trading Arrangements
-  IPP and Marketing assets
-  Valuation of Exports and Imports
-  Summary -Recommendations

Globalization Task Team (GZTT)—Current Members

Chairs:

Mr. Michael Connolly (CSO, Ireland)

Mr. Branko Vitas, (ABS, Australia)

Secretariat:

Ms. Jennifer Ribarsky (IMF)

Ms. Margarida Martins (IMF)

Ms. Padma Sandhya Hurree Gobin (IMF)

International Organizations:

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Mr. Nadim Ahmad (OECD)

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Mr. Floris Jansen, Ms. Laura Wahrig (Eurostat)

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Mr. Herman Smith (UNSD)

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Mr. Sanjiv Mahajan (ONS, UK)

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Ms. Ann Lisbet Brathaug (Statistics Norway)

Ms. Jennifer Withington (Statistics Canada)

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Ms. Lamia Laabar (Haut-Commissariat au Plan, Morocco)

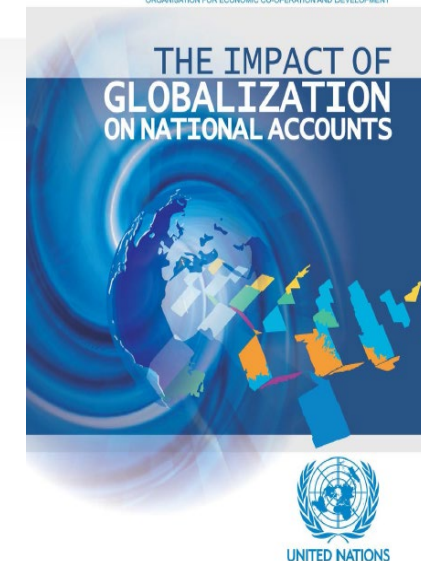
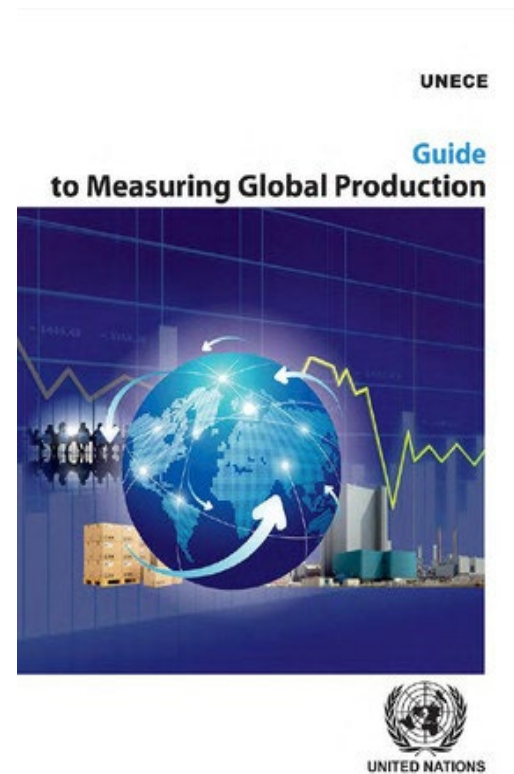
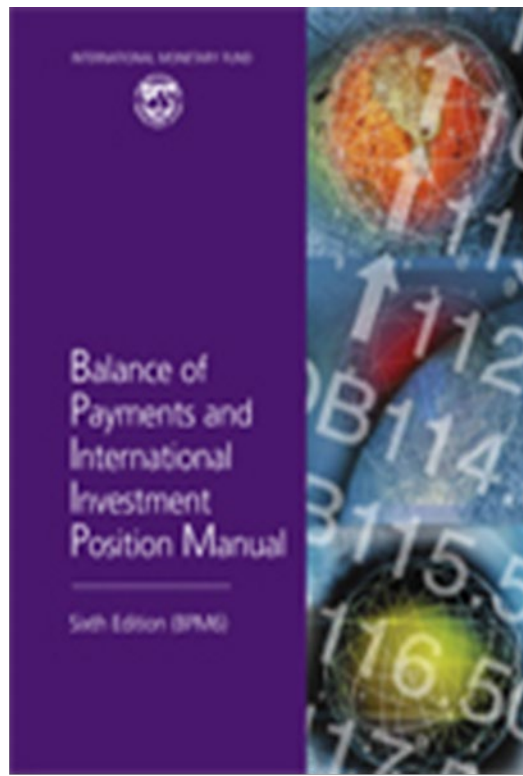
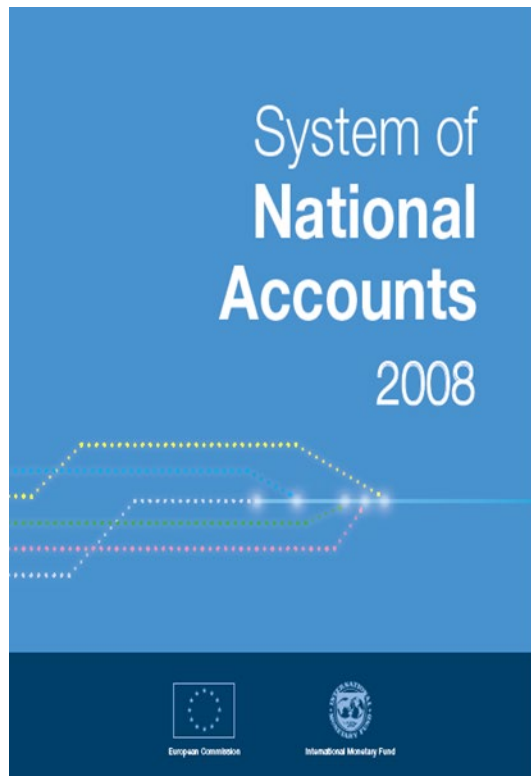
Ms. Yang Can (SAFE, China)

Mr. Themba Munalula (COMESA)

Ms. Lourdes Erro (Uruguay)

Mr. Dirk van den Bergen (Statistics Netherlands)

Considerable progress since last update



G.1

Valuation of Exports and
imports

G.2

Multinational Corporations

G.3

Transfer Pricing

G.4

SPEs

G.5

Economic Ownership of
Intellectual Property

G.6

Factoryless Goods
Producers

G.7

Global Value Chains
TiVa, GVS and eSUTs

G.8

Typology of Global
Production

G.9

Marketing Assets



Corporate Structures

- MNEs - G.2
- SPEs - G.4



Trading Arrangements

- GVCs , TiVa, eSUTs – G.7
- FGPs and Contract Manufacturers – G.6/C.4 / G.8



Specific Transactions

- Intellectual Property Products - G.5 / G.3
- Marketing Assets – G.9



Exports and Imports

- Valuation - G.1

Globalization Task Team – how we addressed issues

**Emphasize
Existing
SNA
Indicators**

Develop
granular or
supplemental
data

Come up with
alternative
presentations
or extensions

**Redefine
SNA
Indicators**

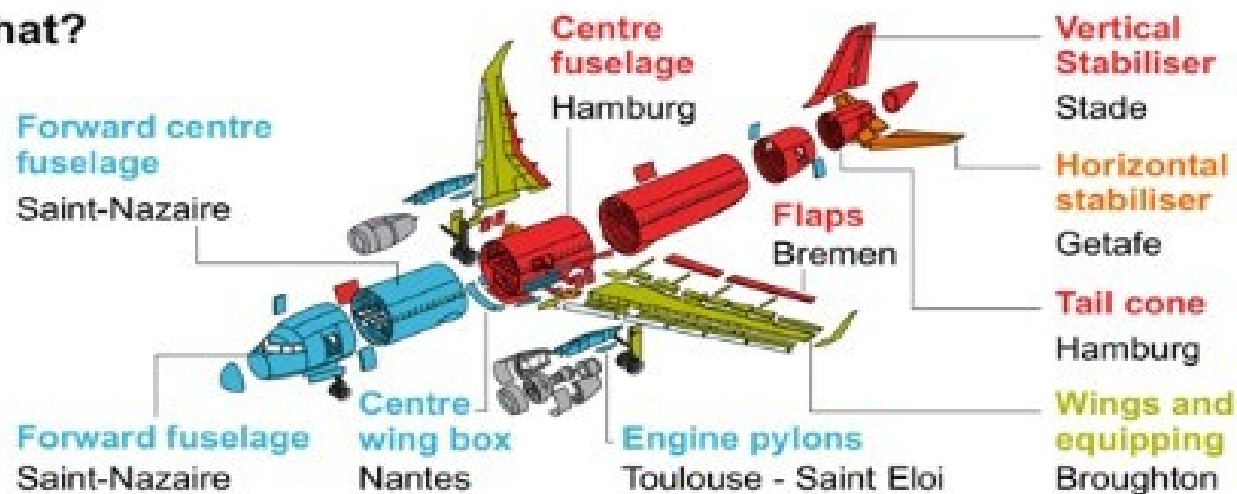
MNEs, roughly account for one-third of global output and between 50-60% of global exports



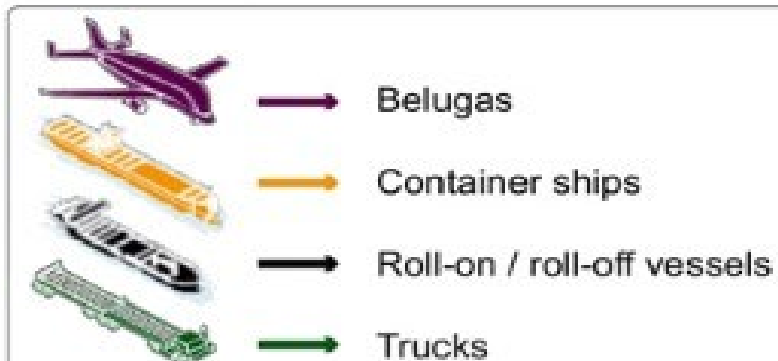
A320 Family workshare + transport

Who makes what?

- AIRBUS**
- in **FRANCE**
 - in **GERMANY**
 - in **UK**
 - in **SPAIN**



Operations in seven countries, three continents, 24 hours a day

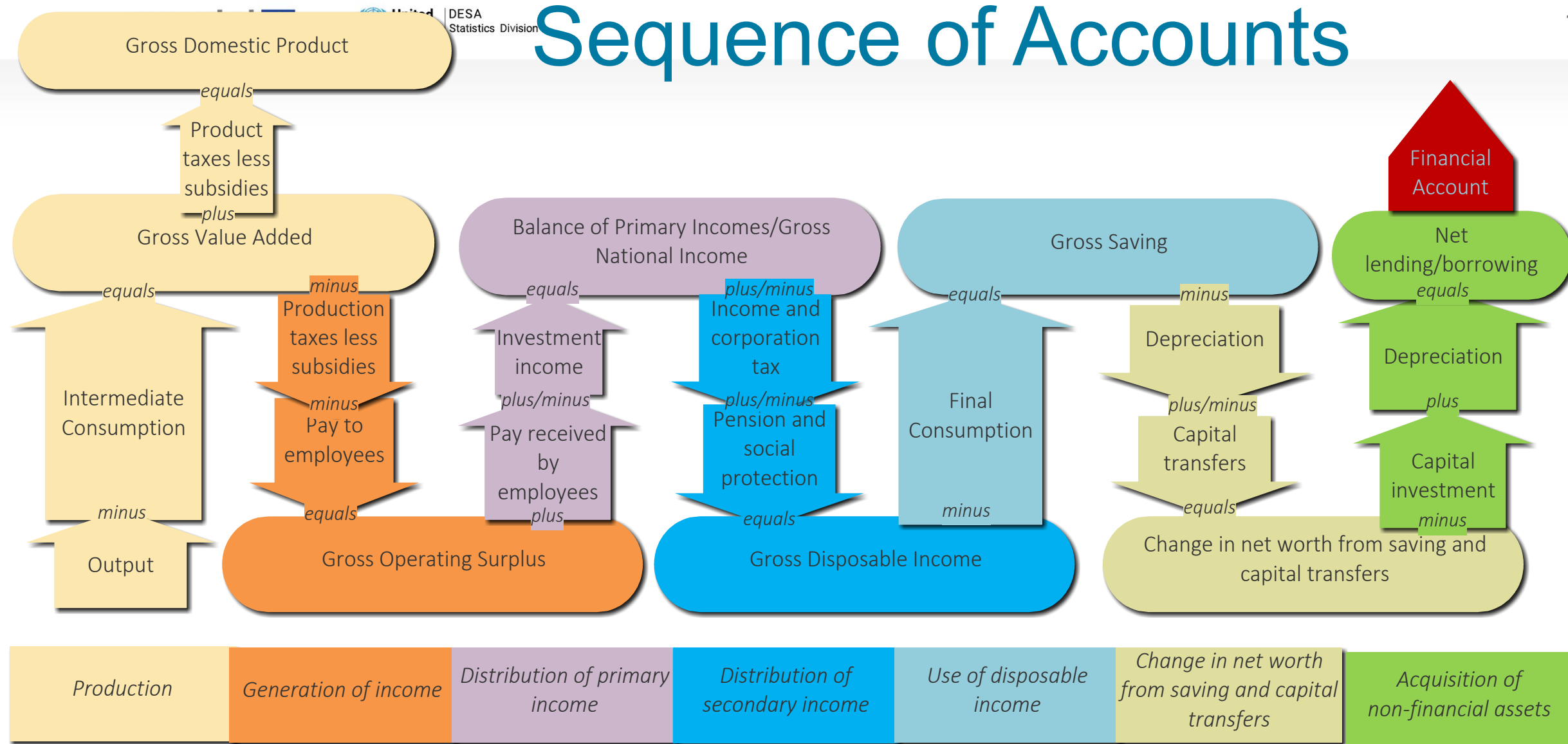


Recommendation 1 : Institutional Sectoral Accounts Template

- ✓ It is supported by the existing SNA framework **to identify foreign-controlled nonfinancial/financial corporations.**
- ✓ **Requires additional subsectors**, national private nonfinancial /financial corporations which are part of domestic MNEs
- ✓ Also proposed providing granularity through eSUTs and Foreign / Domestic split to Industry based presentations by ISIC

Financial Corporations						
Total	Total	Domestically controlled financial corporations				Foreign-controlled financial corporations
		Public financial corporations	<i>Of which:</i> Public financial corporations, which are part of domestic multinationals	National private financial corporations	<i>Of which:</i> National private financial corporations, which are part of domestic multinationals	
Nonfinancial Corporations						
Total	Total	Domestically controlled nonfinancial corporations				Foreign-controlled nonfinancial corporations
		Public nonfinancial corporations	<i>Of which:</i> Public nonfinancial corporations, which are part of domestic multinationals	National private nonfinancial corporations	<i>Of which:</i> National private nonfinancial corporations, which are part of domestic multinationals	
S11	S11DO	S11001	S110011	S11002	S110021	S11003

Sequence of Accounts



Including Depreciation / Degradation in Economic Growth - Need to focus on Net measures



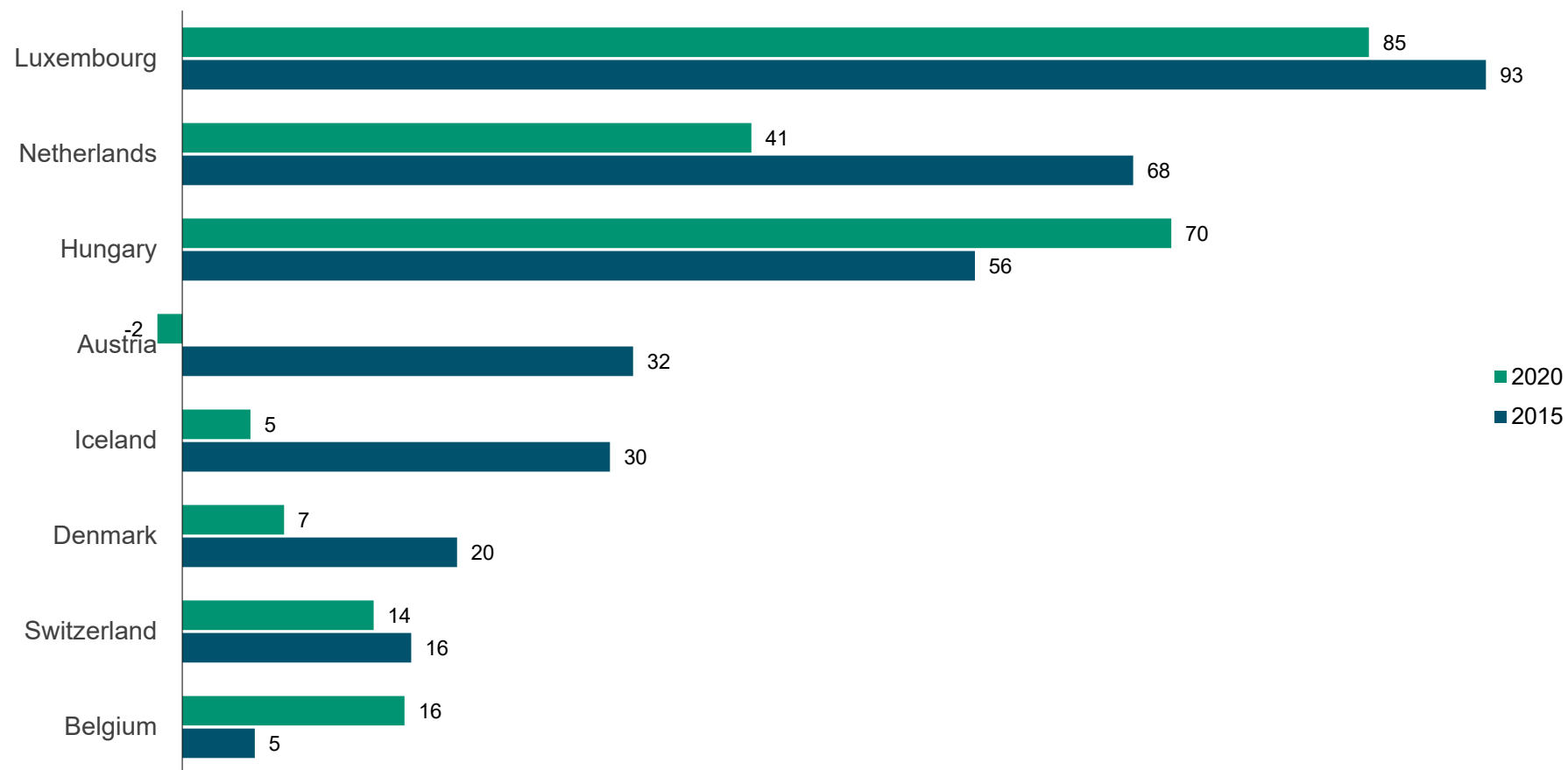
SPEs

simply corporate letterboxes?

- Accounting statements
- Balance Sheets
- Transactions
- Employees ?



Share of SPEs in global FDI stock, 2020



G20 (DGI-2) Institutional Sector Accounts (Financial and Nonfinancial Corporations)

Non-Financial Corporations							
Total	Domestically controlled non-financial corporations					Foreign-controlled non-financial corporations ⁱ	
	Total	Public non-financial corporations	Of which:	National private non-financial corporations	Of which:		Of which:
			Public non-financial corporations, which are part of domestic multinationals		National private non-financial corporations, which are part of domestic multinationals		SPEs
S11	S11DO	S11001	S110011	S11002	S110021	S11003	

Financial Corporations							
Total	Domestically controlled financial corporations					Foreign-controlled financial corporations ⁱⁱ	
	Total	Public financial corporations	Of which:	National private financial corporations	Of which:		Of which:
			Public financial corporations, which are part of domestic multinationals		National private financial corporations, which are part of domestic multinationals		SPEs
S12	S12DO	S12001	S120011	S12002	S120021	S12003	
				= Target			
				= Encouraged			

Global Conference on Macroeconomic Statistics for the Future *Other aspects of SPE activities.*

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Recommendation 2 : G.4 Treatment of Special Purpose Entities and Residency

GN recommends **no change** made to the residency principle in the SNA and BOP frameworks, SPEs with non-resident parents should **continue to be classified as institutional units** in the economic territory in which they are located.

A definition of SPEs that is **consistent** between national accounts and external sector statistics.

Distinguishing **separate “of which” category** (within the non-financial and financial corporations’ sectors) for foreign-controlled SPEs.

- ✓ **Unanimously supported the proposals** on (i) adopting the SPEs definition, in both *BPM7* and *2025 SNA*; and (ii) integrating the proposed breakdown of foreign controlled SPEs within the ISAs for countries for which SPEs are significant, leaving the core BPM and SNA framework unchanged.
- ✓ Agreed to drop the term “foreign controlled” before SPEs given that the definition already contains foreign control as one of its elements.

G7/G6/C4/G.8 MNE Trading Arrangements

- Why have Global Production arrangements (GVCs) developed
- Consider an example of the concepts - Goods for Processing (GFP), Factoryless Goods Production (FGP) and Merchanting
- Recording data on a change in economic ownership basis v's cross border movements
- Real impacts on National Accounts of getting Global Production right and wrong

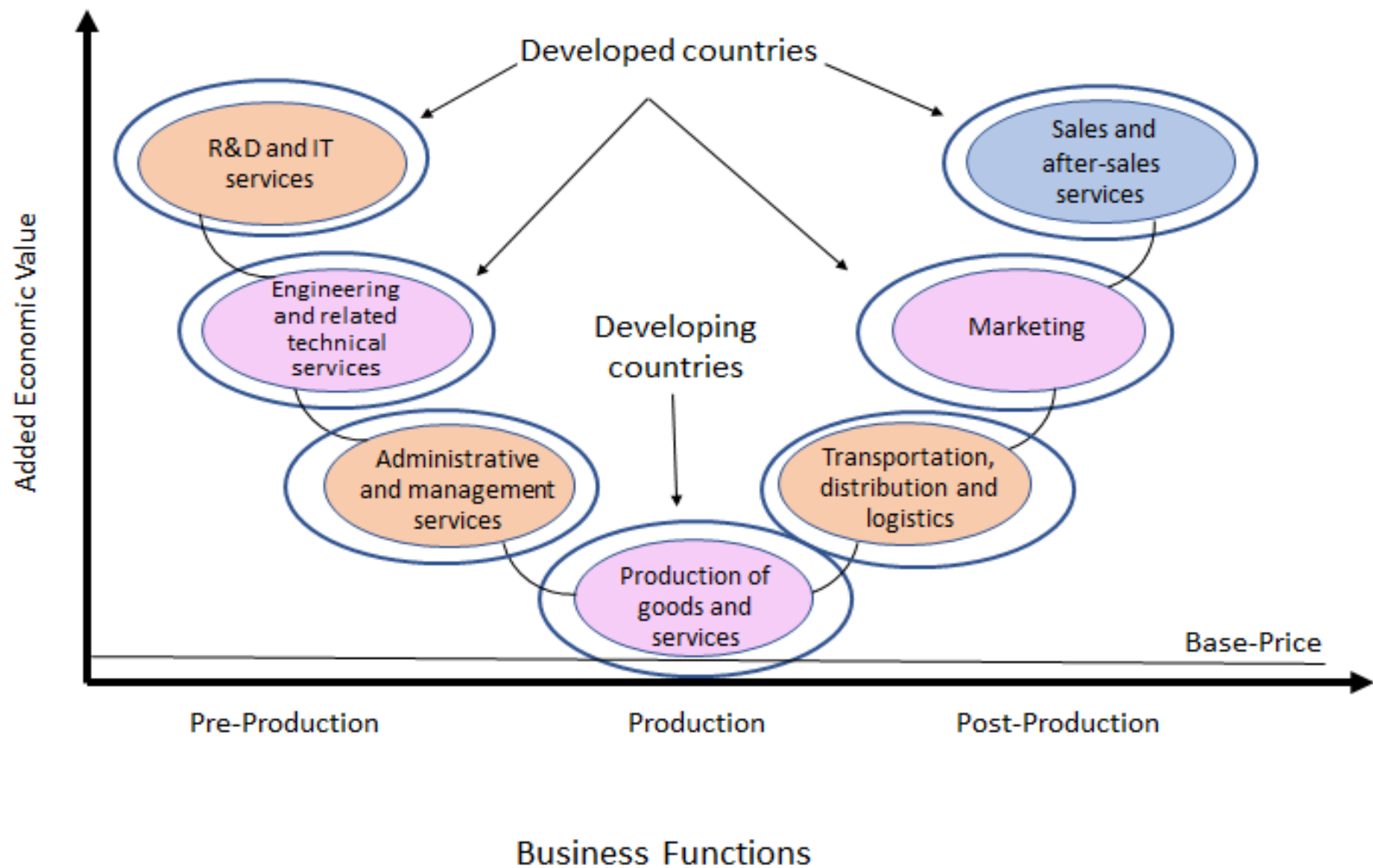
Before - all the activity at one site

Now:

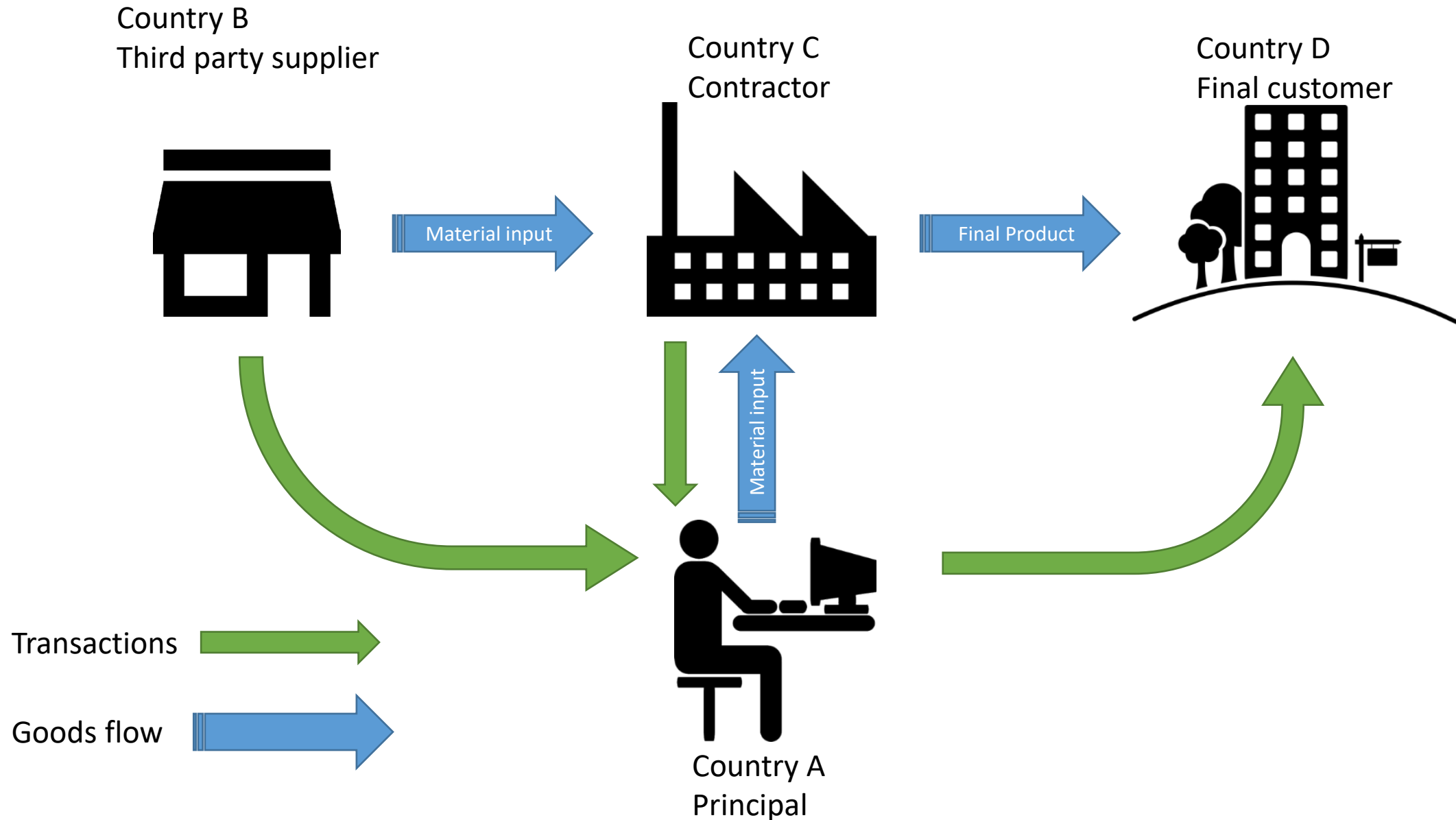
- Fragmentation
- Specialisation
- Cost optimization
- Tax optimization



How business functions are generally located about generation of value added in a GVC

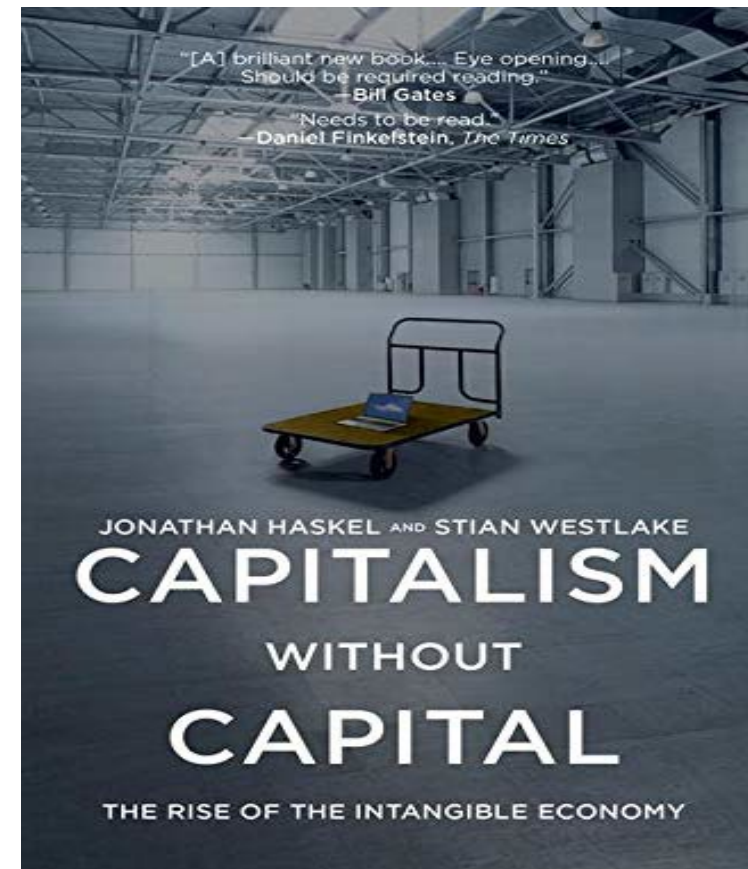


The flows of goods and transactions in a processing arrangement



G.5 - Economic Ownership of Intellectual Property Products

- Statistical challenge- identifying economic ownership of **previously produced** intellectual property products (IPPs) amongst units of a Multinational Enterprise (MNE).
- MNE can register the **previously produced** IPP in an economy that maximizes the overall post-tax MNE profits.
- Determining economic ownership of IPPs, and the recording of related transactions affects the recording of assets and related income flows.
 - IPP asset can be leveraged as an input into the production of other (non-IPP) goods and services.
 - IPP asset can earn revenue through royalties and license fees.
- Creation of IPP assets at one location of MNE group is often funded by affiliates elsewhere in the group.



Questions to be answered

1. *Did a transaction occur between affiliates in the MNE Group to acquire a previously produced IPP asset?*
2. *Is the receiving entity an Institutional Unit in the economy?*
3. *Is the IPP directly engaged with production or is it located with the producer of the IPP?*
4. *Does the entity receive income related to the IPP or pay royalties for its use?*

Recommended approach

- Based on the *Guide to Measuring Global Production (GMGP)* decision tree.
- Assigns economic ownership to a unit on the basis of whether it is
 - (i) a producer of the IPP
 - (ii) whether it receives explicit payment to produce the IPP or a payment to acquire the whole of the previously produced IPP (corresponding with a change in ownership) or
 - (iii) making use of the IPP (no change in ownership).
- Changes in ownership mainly follow the type of monetary transaction observed

Transfer Pricing and BEPS

Implementation of BEPS in the intervening period since the publication of the GMGP in 2015

- additional validation to the approach taken in constructing the decision tree.
- BEPS has resulted in a greater coincidence between generation of value added and the economic ownership of the IPP assets.



G.9 - Marketing Assets

- **Should Marketing Assets be treated as Produced Non-Financial Assets**
- Should the existing definition of intellectual property products be expanded with a new sub-category for marketing assets.
- *Payments for the use of a marketing asset (franchise fee): should they be recorded as output in the form of the sale of a service or income.*
- Should Outright acquisition/sale of a marketing asset: recorded in the goods and services account



Incoterms[®] 2020

Incoterms[®] 2020 Rules Responsibility Quick Reference Guide



Freight Collect Terms

Freight Prepaid Terms

Groups	Any Mode or Modes of Transport		Sea and Inland Waterway Transport				Any Mode or Modes of Transport	
Incoterm [®]	EXW Ex Works (Place)	FCA Free Carrier (Place)	FAS Free Alongside Ship (Port)	FOB Free On Board (Port)	CFR Cost and Freight (Port)	CIF Cost Insurance & Freight (Port)	CPT Carriage Paid To (Place)	CIP Carriage & Insurance Paid to (Place)
Transfer of Risk	At Buyer's Disposal	On Buyer's Transport	Alongside Ship	On Board Vessel	On Board Vessel	On Board Vessel	At Carrier	At Carrier

G.1 Valuation of Imports and Exports (CIF-FOB Adjustment)

- Guidance note (GN) on the adoption of transaction (invoice value) for the valuation of imports and exports
 - Further consultation and testing to understand the practical feasibility of the preference for recording of exports and imports of goods at their observed transaction value.

Decisions:

valuing exports and imports of goods at **invoice values**—is **conceptually sound**, but in light of the practical difficulties the **status quo is being recommended as part of the current BPM and SNA update**.

Adopting invoice value will be the standard in the next round of BPM and SNA updates, with an understanding that economies should start preparing for a transition to the use of invoice values as of the next update of the manuals

Collection of invoice data will be explored through the International Merchandise Trade Statistics (IMTS) and experimentation by economies should ensure the quality of the data.

Current Status – All endorsed except G.9

- G.2 :MNEs – Extended presentation - Control - Net Measures
- G.4: SPEs - Extended where significant - Consistent definition -
- G.7/G.6/G.GVCs etc. – Explanation and description
- G.5 :IPPs – Economic ownership based on Decision tree developed by GMGP
- G.9: Marketing Assets – Testing
- G.1 Exports and Imports of Goods – Agreed concept of invoice value - to be implemented in next update

Questions?

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