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Item 6 of the provisional agenda

**INTRODUCTION TO THE WORKING GROUP ON THE IMPACT OF
GLOBALISATION ON NATIONAL ACCOUNTS AND RESEARCH AGENDA**

**WORKING GROUP ON THE IMPACT OF GLOBALISATION ON NATIONAL
ACCOUNTS: OUTCOME OF THE FIRST MEETING OF THE LEADERSHIP GROUP**

Note by the secretariat

Summary

The terms of reference of the Joint UNECE/Eurostat/OECD Working Group on the Impact of Globalisation on National Accounts (WGGNA) establish a Leadership group (LG) composed of Canada, Czech Republic, Finland, Netherlands, United Kingdom, United States of America, UNECE, OECD, Eurostat and IMF that will steer the work of the WGGNA and report to the Conference and its Bureau. The first meeting of the LG took place on 8-9 October 2007 and discussed issues related to the output, deliverables and programme of work of the WGGNA – a summary of the decisions is presented in this paper.

I. INTRODUCTION

1. The first meeting of the Leadership group (LG) of the Working Group on the Impact of Globalisation on National Accounts (WGGNA) took place in Geneva on 8-9 October. The following members of the LG attended: Art Ridgeway (Canada), Jan Heller (Czech Republic), Eeva Hamunen (Finland), Peter van de Ven (Netherlands), Robin Lynch (United Kingdom), Francis Malherbe (Eurostat), Lucie Laliberté (IMF), Paul Schreyer (OECD), Lidia Bratanova, Tihomira Dimova and Vania Etropolska (UNECE). The meeting was chaired by Peter van de Ven, Statistics Netherlands.

II. OPENING AND ADOPTION OF THE AGENDA

2. The draft agenda for the meeting was approved. It was pointed out that the work of the group should not be limited to the corporations sector only, but should include the government and households as well.

III. TERMS OF REFERENCE OF THE WGGNA

3. The LG examined and clarified the Terms of Reference (ToR) for the WGGNA. Concerning paragraph 6 of the ToR, it was agreed that the WGGNA could review the data sources only in relation to national accounts. The research should focus not only on the domestic data sources, but also on external data sources, as well as on compilation techniques. Any recommendations will be made from the national accounts perspective and coordinated with other groups (see below (5) Inventory) working on related topics, including source statistics.

4. The WGGNA will meet once a year to take decisions on specific topics. The LG will prepare the meetings and the documentation, and will steer the work.

IV. RESEARCH AGENDA

5. The LG reviewed a document presenting a number of issues to be included in the research agenda of WGGNA.

6. The group noted that the research should not be limited to the effects of globalisation on non-financial accounts but should deal with the full sequence of accounts, including financial accounts and balance sheets. It was decided to use the sequence of accounts in the national accounts as an organizing framework for the various topics, with flagging the institutional sectors involved. After finalisation, the list will be circulated to countries to set the priority areas.

7. The LG stressed the importance of clear definitions that would help grouping the various terms that are used to describe the same economic phenomena, avoiding overlap of work on the same topic. For that reason, the various international manuals have to be consulted.

8. A paper will be produced for the next WGGNA meeting and will be organized to serve as preliminary draft for the final report to be presented at the Conference of European Statisticians in June 2010.

9. Concerning the structure of the paper, the LG decided the following:
- (a) There will be a general **introduction** to provide the rationale for this work by addressing some of the broad effects of globalisation on national accounts measurement;
 - (b) Section I will deal with problems linked to **allocation of value added and income to national economies**. Typical issues to be addressed here are transfer pricing and developing an improved understanding of the typical behaviour of multi-national enterprises (MNEs), foreign direct investment (FDI) and portfolio investment, *Societas Europaea*, etc.;
 - (c) Section II will more specifically deal with **specialisation of supply chains**: transactions in intellectual property products, intra-company and international flows of research and developments (R&D), special purpose entities (SPEs) and holding activities, marketing and sales, and several “trade related issues”. The group recommended that the latter issues linked to the different forms of trade be combined together under the following groups:
 - (i) Processing: including goods for processing, toll manufacturing, industrial and other services;
 - (ii) Merchanting: including triangular trade, re-export and transit trade, merchanting;
 - (iii) Other trade issues: including consignment goods, commissionaire trading, rebates;
 - (iv)
 - (d) Section III will cover **other issues** linked to globalisation e.g. e-commerce, second homes, remittances, labour markets, common trading and currency blocks.
10. The following persons agreed to provide contributions for the revised paper:
- (a) Robin Lynch: general introduction, problems related to globalisation and MNEs;
 - (b) Art Ridgeway and Lucie Laliberte: FDI and portfolio investment, issues linked to allocation of income to national economies;
 - (c) Paul Schreyer: transactions in intellectual property products
 - (d) Peter van de Ven: SPEs and holding activities, marketing and sales;
 - (e) UNECE: second homes, labour markets, remittances and common trading and currency block issues (the last two topics with the help of Lucie Laliberte).
11. The LG agreed on the following timetable for finalising the report:
- (a) The inputs from the members of the LG should be prepared and sent to UNECE by 25 October;
 - (b) Based on the contributions, UNECE will prepare a revised document and will circulate it to LG for comments by 10 November;
 - (c) The document should be finalised and sent to WGGNA by mid-November.

V. DETAILED WORK PLAN, INCLUDING TIME SCHEDULE AND DELIVERABLES

12. The LG discussed the output of the WGGNA and the organization of meetings in the next year. It agreed that:

- (a) The final report of the WGGNA should provide practical guidance that would be used by national accounts compilers. The exact form of the final output will be decided at a later stage;
- (b) The spring 2008 meeting of the WGGNA will cover one and a half days. Half a day will be devoted to general issues and one full day to specific topics;
- (c) A special format should be used for the issue papers on specific topics;
- (d) The editor of the final report has to be designated in 2009.

VI. INVENTORY OF TASK FORCES, WORKING GROUPS, ETC. ON GLOBALISATION

13. The group decided to prepare an inventory of all Task Forces, Working Groups, etc. created by international organizations that have undertaken work on issues related to the impact of globalisation on statistics in general and on national accounts in particular. A starting basis to identify these groups would be the Inventory of international standards and working groups by economic domains by the United Nations Statistical Division (UNSD) in the context of the Friends of the Chair Group on Integrated Economic Statistics. The UNECE will circulate that inventory to members of the LG for them to update them on relevant working groups (contact person and topics covered). The UNECE will consolidate the list. Based on this inventory, the LG could subsequently look at the most significant overlaps, and the way in which cooperation and communication with these groups can be established.

14. The Chair of the LG will contact the identified working groups and send them a letter, ToR and the finalised list of issues. When contacting the groups, it should be made clear that WGGNA will address the issues from a national accounts perspective and plans to develop practical guidelines that cover the full set of accounts, while coordinating its work with these groups.

15. The WGGNA will send progress reports once or twice a year to the working groups. In addition, individual working groups will be contacted to discuss specific topics.

VII. FIRST MEETING OF THE JOINT UNECE/OECD/EUROSTAT WORKING GROUP ON THE IMPACT OF GLOBALISATION ON NATIONAL ACCOUNTS (WGGNA) IN SPRING 2008

16. The LG discussed the organization of the spring meeting of the WGGNA. It was decided that the meeting will be merged together with the Joint Meeting on National Accounts and will be confined to one and a half days (23 afternoon –24 April 2008). A half-day meeting of the LG will be held on 25 April.

17. The LG decided to designate organisers of each session of the WGGNA meeting. The organisers will provide an issue paper and invite special discussants on the specific topics. The issue paper should cover the following items:
- (a) Description of the issue;
 - (b) What research has been carried out in this area – are there key topic papers?
 - (c) What international institutions are investigating these issues on a continuing basis?
 - (d) Are there any existing working groups, committees, etc. who are working in this area?
 - (e) What are the international guidelines for national accounts (and balance of payments)?
 - (f) Are these international guidelines clear and unambiguous? Or do they require further clarification and/or elaboration? And, if yes, what are the exact proposals for elaboration and/or clarification?
 - (g) Are there specific measurement problems? And, if yes, how can such problems be solved?
18. The LG agreed on the following agenda for the first meeting of WGGNA:
- (a) first session (23 April, afternoon): general introduction, list of issues, timetable. The session will be organised by the LG;
 - (b) second session (24 April, morning):
 - (i) Goods for processing (organiser Art Ridgeway, Statistics Canada)
 - (ii) Implications of the new treatment of goods for processing for the supply and use table (organiser Art Ridgeway, Statistics Canada);
 - (c) third session (24 April, afternoon):
 - (i) Merchanting (Bill Keating, Central Statistical Office of Ireland will be invited as organiser);
 - (ii) Behaviour of MNEs, allocation of income to national economies (Steve Landefeld, Bureau of Economic Analysis will be invited as organiser).

VIII. WEBSITE

19. UNECE will create and maintain the website of the WGGNA. Initially the website will generally follow the structure of the website of the Working Group on Statistics for Sustainable Development. The website should be open to all users.

IX. PROCESSING AND MERCHANTING

20. The LG discussed a request by the Intersecretariat Working Group on National Accounts (ISWGNA) for the development of guidelines on treating goods for processing and merchanting in national accounts as part of its output. These issues were recognised in Section II of the proposed outline above and will therefore be part of the final report for completion in 2010. To start with, the April meeting of the WGGNA will review an issue paper on goods for processing and merchanting. Peter van de Ven will write to Carol Carson and ISWGNA to inform them about the decision of the LG.

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