

Reflecting complex global production arrangements in the balance of payments: adapting the statistical process to the challenges of globalisation

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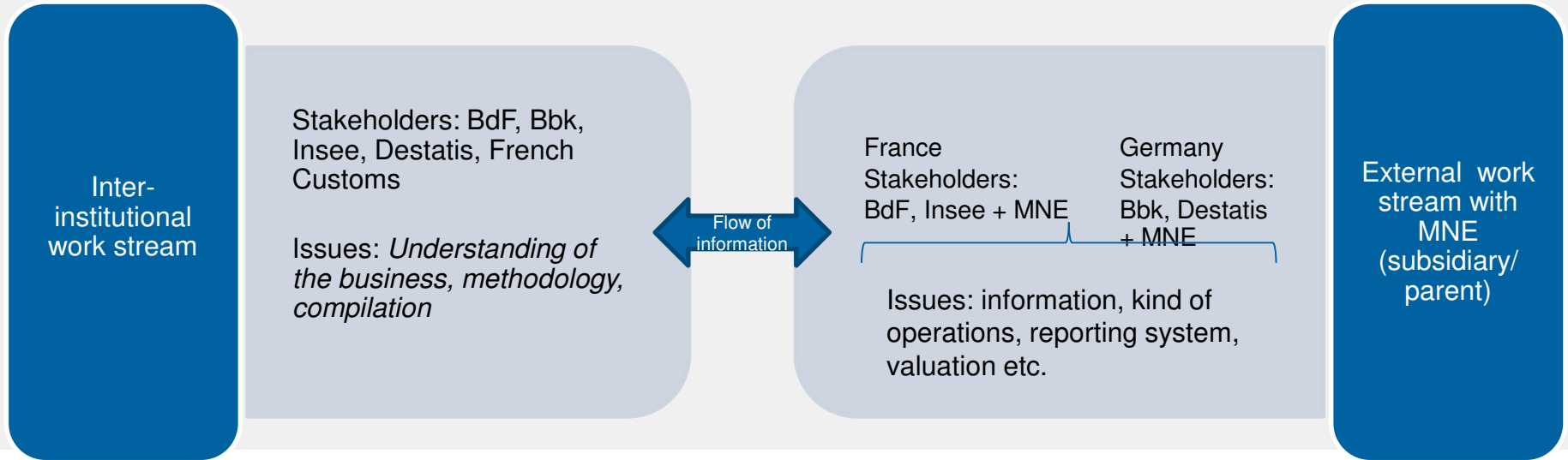
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Introduction

- Removal of restrictions on the movement of capital, dismantling of trade barriers by the World Trade Organisation's GATT and GATS agreements, decreasing transport costs and progress in information technologies have allowed companies to organize their production activities as a transnational process.
- Adequately capturing these activities in macroeconomic statistics is a challenging issue for all compilers around the globe.
- Measuring the relevant flows of goods and services consistently in national statistics like BOP, FTS or NA requires continuous and close cooperation of national statisticians.
- To better capture and understand intra-group flows between France and Germany the Banque de France (BdF) and the Deutsche Bundesbank (BBk) strengthened their cooperation in the last years by focusing on MNEs, which are of high relevance to their respective BoP.

Sharing data reported by complex multinational enterprises (1/4)

- The project was set up by the Banque de France and the Bundesbank with all relevant national statistical stakeholders to better measure and understand intra group flows of MNEs
- Organization in two work streams:



Sharing data reported by complex multinational enterprises (2/4)

Work stream I in detail

Inter- Institutional Work stream

- Exchange views on the respective comprehension of the MNEs, what are the operational tasks in the countries?
- Exchange information about the current reporting practice and problems
- Conceptual treatment of operations in the respective country
- Detecting differences in the treatment of cross border flows → reason for asymmetries
- Clarifying the issues to get a common view
- Open questions to be addressed in work stream II
- Discussion of outcomes of work stream II
- Final agreement on the future statistical treatment and data collection in the relevant statistics (BoP, FTS, NA)

Sharing data reported by complex multinational enterprises (3/4)

Work stream II in detail

External work stream with MNE (subsidiary/parent)

- Detection of anomalies in reported data of the MNEs
- First discussion with experts of related statistics (FTS, NA)
- Contact with the national MNEs (explaining the issue)
- Regular meeting with the MNEs to understand its reporting and the data reported to other statistical institutions
- Agreement with MNEs to exchange confidential information between institutions (very important!)
- Clarification of the production chain inside the group
- Organisation of the MNEs reporting system

Sharing data reported by complex multinational enterprises (4/4)

Work stream II in detail

External work stream with MNE (subsidiary/parent)

- Explanation of statistical treatment of the intra group flows (processing, final export/import, merchanting, valuation, institutional units)
- Meeting with work stream I to check our respective understanding and clarify doubts leading to a common vision but also new questions
- Explanation of our new questions to the MNEs and definition of answers
- Final meeting with the MNEs and institutional stakeholders to agree on future reporting and corrections for backward revisions (BoP, FTS)
- Discussion of technical aspects i.a. time to change computer systems to fulfill the “new” requirements by the MNEs
- Secondment of Banque de France’s experts to the MNEs to adapt the reporting
- Agreement on the date to start with revised reporting

Conclusions

(1/2)

- Exchange of views between all statistical stakeholders and MNEs (parent, subsidiary) on national and international level fosters the understanding of MNEs' activities.
- Insights into the group's operations, its international production arrangements and internal pricing help to improve the statistical reporting in a common and coherent way in all statistics.
- A coordinated approach of statistical institutions across countries regarding reporting requirements of an MNE is of utmost importance also for the group entities.
- It improves the understanding about statistical needs and interdependencies between various statistics of the responsible units in the group. Furthermore, it fosters the internal communication between the group members in different countries.

Conclusions

(2/2)

- The work in “two work streams” has eased the communication between the experts (rapid conclusions on conceptual issues and methods) on the one hand and talks with national group members (simple communication without language barriers, openness to admit mistakes) on the other hand.
- However, even with an optimal cooperation between all stakeholders the process is very time consuming. From our experience at least two years are needed from the initial start to a full “harmonized” reporting in all countries.
- But it is all worth to produce statistics which reflect faithfully the volume of trade of MNEs’ complex global production arrangements.