

**12th Meeting of the Advisory Expert Group on National Accounts,  
27-29 November 2018, Luxembourg**

**Agenda item: 2.a**

**Economic ownership and intellectual property products**

Introduction

National accounts are designed to measure economic activity based on national boundaries and residency. This poses problems when it comes to allocating output and value added of multinational enterprises to national economies. These challenges have become more severe with the increasing importance of intellectual property products (computer software, research and development, entertainment, literary and artistic originals, as well as knowledge assets that may not yet be recognised in the national accounts, such as product design, brand equity, etc.), which can be relocated relatively easily, often for fiscal optimisation purposes, from one economy to another. Similarly, they may also increase the scope of transfer pricing. The net result of these phenomena can be a shift in recorded economic activity from one country to another, with noticeable impacts on macro-economic aggregates such as GDP, despite the fact that little, from a traditional production perspective, has changed, and there are growing concerns that they may be distorting the traditional use of statistics on economic growth and productivity.

Two papers are attached: one by Brent Moulton and Peter van de Ven, presented at the NBER-CRIW Conference on “The Challenges of Globalization in the Measurement of National Accounts” (Washington DC, March 9 – 10, 2018); and another one which provides an overview of the main outcomes of the discussions in an Informal Reflection Group of the OECD Committee on Statistics and Statistical Policy (CSSP). Both papers review the current international standards, and investigate approaches that respond to the concerns expressed about measuring GDP in a globalised world. They consider options, which stay well within the boundaries of the current international standards, by proposing additional breakdowns and types of analysis that would be helpful to explain economic developments. In addition, and perhaps more importantly, they present more fundamental considerations about the treatment of economic ownership of intellectual property products, and the recording of Special Purpose Entities (SPEs), which call for a re-interpretation or modification of the current international standards for compiling national accounts. The conclusions of the discussions on the report of the Informal Reflection Group in the June 2018 meeting of the CSSP are annexed to this cover page.

Documentation

- Brent Moulton and Peter van de Ven, Addressing the Challenges of Globalization in National Accounts, Paper presented at the NBER-CRIW Conference on “The Challenges

of Globalization in the Measurement of National Accounts” (Washington DC, March 9 – 10, 2018), COM/SDD/DAF(2018)6, more in particular sections 2 and 5.

- Globalisation, Intellectual Property Products and Measurement of GDP: Issues and Proposals, Paper by the CSSP Informal Reflection Group, presented at the 15<sup>th</sup> Meeting of the Committee on Statistics and Statistical Policy (Geneva, Switzerland, June 20 – 21, 2018), SDD/CSSP(2018)6.

#### Main issues to be discussed

The AEG is requested:

- To provide its opinion on the various alternatives to provide further information on the activities of multinational enterprises, by promoting further breakdowns in the supply and use tables and in the institutional sector accounts, and by having improved statistics on the global activities of these enterprises.
- To provide its opinion on the recording of economic ownership of intellectual property products (IPPs) within (multinational) enterprises, and the subsequent allocation of IPPs and related income across countries.
- To provide its opinion on the recording of Special Purpose Entities (SPEs), for which it is evident that they do not have any autonomy of decision.
- To provide advice on the way forward in dealing with the above issues.

**Annex: Summary record of item 3 on the agenda of the 15th Meeting of the Committee on Statistics and Statistical Policy (CSSP), 20-21 June 2018, Geneva, Switzerland**

**Item 3. Globalisation measurement**

5. Mr. Pesendorfer introduced the item as a follow-up to the discussion at the 2017 meeting on the impact of globalisation on the measurement of GDP and other key economic aggregates. At that meeting, CSSP had concluded that further reflection on the topic was warranted, and had decided to set up a small informal reflection group to review the question from the perspectives of policy and analytical users and producers. The Reflection Group completed its review in May 2018 and prepared a report [SDD/CSSP(2018)6] for the Committee's consideration.

6. Mr. Paul Schreyer, Deputy Director of the SDD, presented the Reflection Group's main conclusions along with the following recommendations:

- A reflection on how to determine statistical residency of units should be undertaken, reviewing whether current criteria are still up to the task. [...] This entails working out an implementable definition of economic ownership with lists of criteria to establish the presence of production, such as managerial and strategic decision-making, financial planning etc.
- Develop MNE accounts to track outputs and inputs [that] would complement conventional national accounts and, with breakdowns by the country of their affiliates, provide insights on the potential impact of relocations.
- Improve methods to value investment in IP assets [...].
- Develop a common understanding for the most pertinent additional break-downs that should be provided in the national accounts.
- Elaborate communication strategies around GDP and other national accounts aggregates both new and existing.
- For certain administrative or analytical uses [...] it may be appropriate to use or develop alternative aggregates specifically designed for this purpose [...]. These should be derived from existing national accounts.

7. Mr. Schreyer also set out a number of possible next steps, including i) to convey recommendations to WPNA, ISWGNA and European groups; ii) to set up a possible informal reflection group of WPNA to elaborate criteria for economic ownership and explore issues concerning allocation of SPEs to HQs; iii) to continue interaction with OECD Centre for Tax Policy to keep a close link with BEPS Country-by-Country reporting activities; iv) to continue work on the MNE information base ADIMA (Analytical Database on Individual Multinationals and their Affiliates).

8. Mr. Pesendorfer then invited Mr. Nadim Ahmad, Head of SDD's Trade and Competitiveness Statistics Division, to provide more information on the ADIMA initiative [SDD/CSSP(2018)11]. Mr. Ahmad informed that the database was being populated solely by publicly available (sustainable) sources, such as annual company reports, Orbis, LEI, and with innovative, efficient, smart data tools (e.g. fuzzy matching techniques). Preliminary results of the top 37 US MNEs have proved promising, but refinements continue to be made. Mr. Ahmad indicated that CSSP delegates could play a crucial role in the development of validation mechanisms and a dissemination strategy.

9. After making his own remarks, Mr. Pesendorfer opened the floor to comments. A number of delegates intervened (Korea, Canada, Japan, France, Australia, Germany, Finland, Czech Republic, Mexico, New Zealand, UK, Italy), with several providing complimentary remarks on the Reflection Group's work and insights which they characterised as demonstrating the value of collaborating across different groups. A number of delegates expressed their support for the proposal to take the work back to existing international groups. Others provided feedback on specific recommendations.

10. Mr. Pesendorfer summarised the discussion by noting that delegates found the work of the Reflection Group welcome, useful and focusing on the right questions. Delegates acknowledged the Recommendations, and noted that some would require more technical work and others would merit multilateral discussion (e.g. National Accountants with Tax Accountants). The importance of communication was also emphasised. Mr. Pesendorfer indicated that the Bureau would decide on any possible follow-up by the CSSP. He also asked that delegates send any feedback on ADIMA [SDD/CSSP(2018)11] to the Secretariat.