



UNITED NATIONS
DEPARTMENT OF ECONOMIC AND SOCIAL AFFAIRS
STATISTICS DIVISION

IA/ Opening Statement
13 July 2006

**Seminar
Creation, Recognition and Valuation
of
Intellectual Assets**

New York, 13 – 14 July 2006
United Nations, Conference room 6

Opening statement

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Dear Colleagues.

It is a great pleasure to welcome you to this seminar on the creation, recognition and valuation of intellectual assets. I would like to express my appreciation to the participants and experts for accepting our invitation to discuss this topical issue.

This meeting brings together statisticians, accountants, academics and leaders of the business community. A special expression of gratitude goes to Mr. Bob Shearer, Program Director National Knowledge and Intellectual Property Management Taskforce, who initiated the idea of this seminar. During the last year, we have had the pleasure to develop a dialogue with Mr. Shearer and his Taskforce members which has culminated in the organization of this seminar. Also, I would like to mention Mr. Baruch Lev from the Stern School of Business at the New York University, Mr. Charles Hulten from the University of Maryland and other colleagues from the academia. Thank you for finding the time in your busy schedules to join us and to share with us your ideas on intellectual capital. Similarly, we are honored to have here with us today representatives from national statistical offices and international organizations who are knowledgeable on this subject and I would also like to thank you for your willingness to participate.

Although this seminar focuses on the measurement and role of intellectual assets in business and economic growth, it forms a very important step towards shaping an international process to establish coordination mechanisms for sharing information on the latest developments of business practises, accounting standards and statistical standards on macroeconomic accounts like the 1993 System of National Accounts.

We are all aware that successful research and development and other business activities create considerable value in products and intellectual assets. However, the mismatch between the recognition of these values and the investments into research and development and other intangibles is a major reason for the growing disconnect between market values and financial information.

There is therefore, a need to explore existing best practices and infrastructure that support intellectual asset creation recognition and valuation. It is amazing to note the wide diversity of opinion of what this entails, particularly between the recording of the output of intellectual assets and the ability to generate a

stream of income from it. There is a gap between how value is created and how reporting systems allow communication about that value. Current accounting standards require that in order to be reported as an asset in financial statements, an item must meet the definition of an asset and should be measurable, relevant and reliable. Consequently, this leaves out most intellectual assets. I believe that this seminar would contribute to the current debate and research, taking place now all over the world in order to close this gap.

As you may know the United Nation and its partners are currently updating the statistical standards on macroeconomic accounts as described by the 1993 System of National Accounts. One of the important update issues is the capitalization of research and development and the treatment of goodwill and marketing assets such as franchises and trademarks. Although many conceptual issues in this regard have been resolved, there remain some outstanding issues, particularly ways to implement these concepts. In setting up international compilation guidelines we are also acutely aware of the wide disparity in the ability of countries to implement these guidelines. A balance needs to be found between economic reality and the ability to account for economic developments.

During the preparation of the 1993 System of National Accounts the recording of research and development and goodwill and marketing assets in the accounts was hotly debated and a decision was almost taken to treat expenditure on research and development output as capital formation. It was only late in the process that concerns about where the asset boundary should lie, led to the final decision not go ahead with this change. The update of the 1993 SNA has again taken up the issues and as expected it generated heated debates regarding the conceptual definition and the practical feasibility of implementation.

This seminar brings together experts on the recognition and valuation of intellectual assets from various communities with the objective to share experience and building consensus on the conceptual framework for intellectual assets taking into account the practical feasibility. Keeping in mind that, although country practices are in place to collect information on gross expenditures on research and development (GERD) in an increasing number of countries, its measurement remains out of reach for many developing countries. Unless we make joint efforts to reach consensus on what and how to measure the effects of intellectual assets in the economy, we will fail to set up international guidelines for measures that are universally acceptable and usable for policy formulation.

It is my expectation that this seminar could further identify strategies for the measurement of intellectual assets through a joint collaboration between the stakeholders in the various communities present today and tomorrow.

This seminar may also provide us the opportunity to move forward in establishing a process to develop coordination mechanisms for information sharing on the developments of business practices, accounting standards and statistical standards on macroeconomic accounts. The treatment of intellectual assets may be one of the many issues that need collaboration and information sharing between the academic, business and economic statistics communities.

I would like to hear from you what your thoughts are on this process of collaboration and the issues on which collaboration is further needed. You may wish to advise me on: the frequency of meetings such as annual or biennial roundtables; the composition of the level of the participants and expertise; the potential topics for research; the deliverables of meetings and external communication strategies.

Your advice and recommendations will subsequently be put forward to the Statistical Commission, the apex statistical body of the international statistical community, to seek a mandate for such a platform of exchange if you decide to establish and advance an exchange mechanism between the users and producers from various communities present today.

In closing, I would like to wish you success in the deliberations during the next two days and I am looking forward to the outcomes of this meeting.

Thank you.