

STREAMLINING GLOBALISATION INTO OFFICIAL STATISTICS

**“Good statisticians go to heaven
but multinationals go everywhere”**

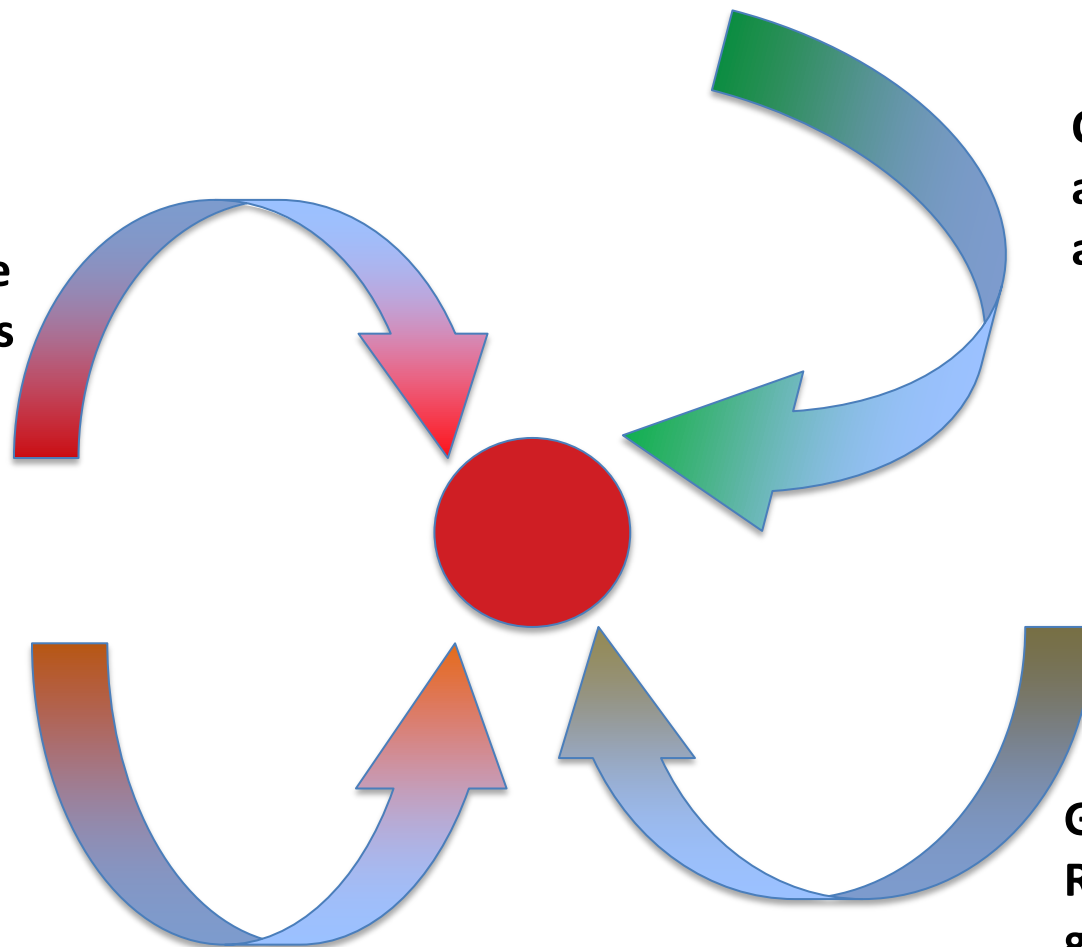
UN Expert Group on International Trade and Economic Globalization Statistics EGM on ITEGS
2nd Meeting on Handbook
NY 29 November to 01 December 2017

Dr. Stefano Menghinello
Director of Business Statistics
Italian National Institute for statistics

Toward an integrated approach: the Global Enterprise Centered perspective

Debate on new
statistical units,
registers, SBS
Action plan, large
enterprise groups
profiling

Consistency
across NA, SBS
and STS domains



Expanding specific
domains: MNE
statistics,
international
sourcing survey

GVC approach:
Rethinking about
global production
organisation

Context

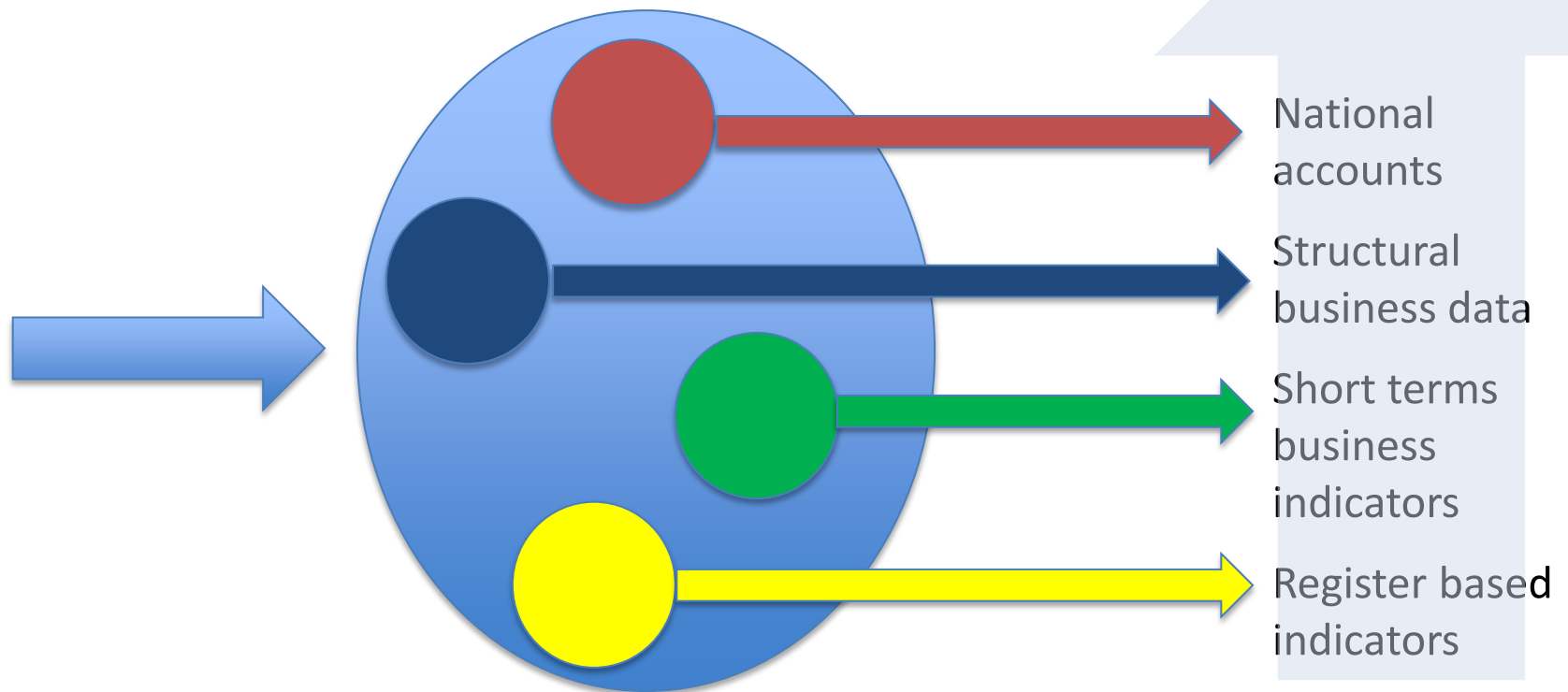
- HARD LESSONS FROM THE DATA: FROM RIGA MEMORANDUM TO DUBLIN GDP REVISION IN LINE WITH INTERNATIONAL GUIDELINES
- THE SCOPE OF A GLOBAL ENTERPRISE-CENTRED (GEC) PERSPECTIVE
- THE KEY ASSETS OF GEC PERSPECTIVE: SHARING THE KNOWLEDGE, BUILT AN APPROPRIATE DATA INFRASTRUCTURE AND REDESIGN THE PROCESS
- A PROPOSAL TO INTRODUCE A DEDICATED CHAPTER (NEW CHAPTER 7) IN THE HANDBOOK

Hard lessons from the data

- Although the pipeline approach in official statistics production has been progressively discarded by NSI **the way globalization is managed within NSI is still very “local” and “incidental”**.
- **Only few statistical domains have built over the last few years a sound knowledge on how to effectively manage globalization related issues**, such as MNE statistics, foreign trade data by limited to specific movements, profiling of large economic units (business register and/or Large cases unit).
- **Most of this knowledge has not yet been incorporated in statistical production process** thought appropriate procedures/check points and remains based on occasional business cases
- **Compilation manuals and recommendations only marginally address the globalization related issues with an operational approach**
- **Minor differences in definition between domains are ampered by globalization** related issues reducing the consistency across domains and the business relevance of data

Hard lessons from the data

.....as a result, individual signal from outside can be interpreted and processed in a different way inside NSI....



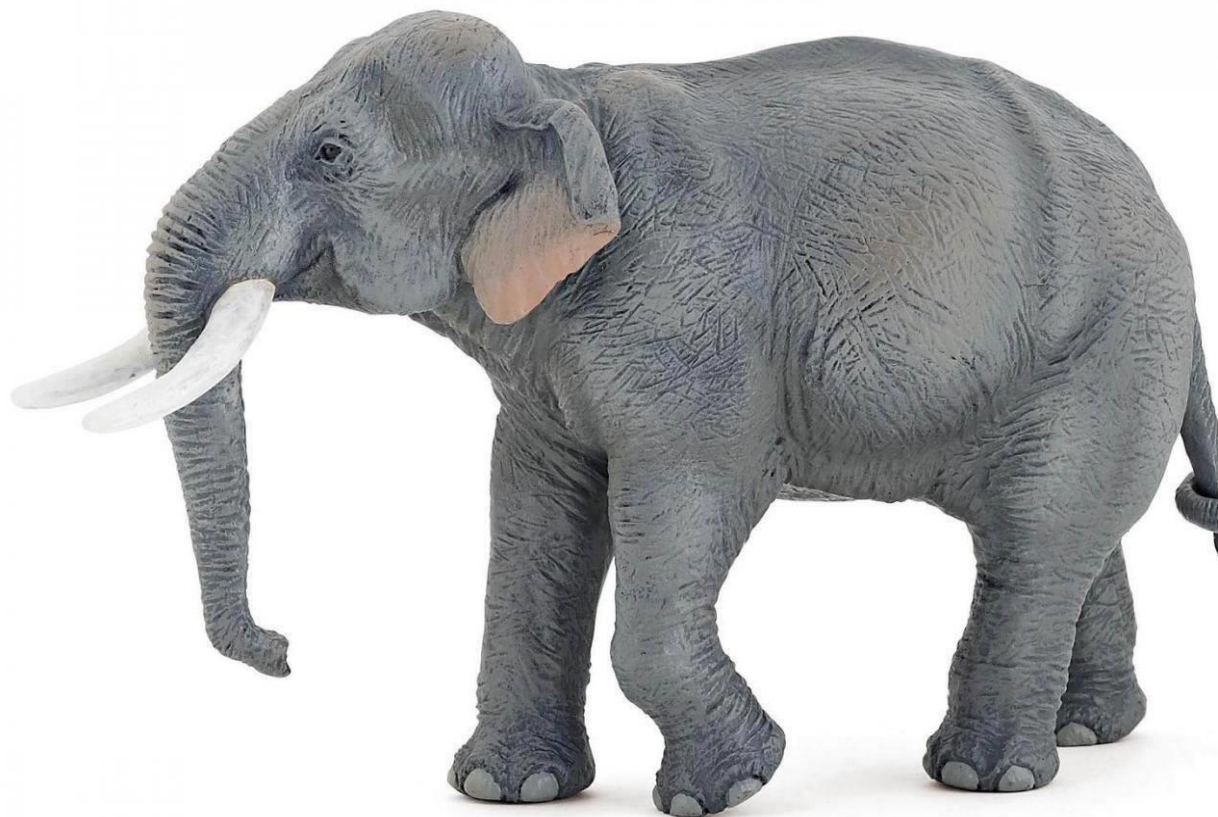
Hard lessons from the data: some examples

- **Top exporting companies** (top 100 exporting companies in Italy) used to be manufacturers or wholesales with at least 100 person employed. **Recently legal units with few person employed (fiscal entities, SPE) rank very high in the top list.** This introduces inconsistency with both BR and SBS data and make TEC data not business relevant if not properly treated.
- **Minor differences in definition between domains in short terms statistics** - such as the inclusion of goods and services without manufacturing processing in the index of industrial turnover and the exclusion for the index of industrial production - **are very much ampered in some industries by globalization as long as large MNE operations directly impact on them.**
- The international organization of core activities and business functions makes the data collection of key variables, such as Intra-muros R&D more complex and the production of final figures more complicated.
- **Structural changes such as international sourcing occur at a very quick pace often combimined with global fiscal planning making some basic assumptions on short terms indicators not anymore realistic**

Toward an integrated approach: the Global Enterprise Centered perspective

- ✓ Given differences across statistical domains in terms of overage, definitions and procedures, there is an **increasing evidence on the use of micro-level integrated data and consideration of business case related to MNE operations.**
- ✓ Since globally interconnected large enterprises (**MNEs and large international suppliers**) are the leading actors of globalisation, **the focus should be on those companies based on individual integrated data**
- ✓ This approach acknowledges **that MNE operations have a relevant impact on national figures and they effect on potential biased within or across domains is even larger** (for instance MNE can contribute up to 60-70% of national exports but they are also responsible for almost 100% of suspected transactions).
- ✓ This is also a **cost efficient approach** since monitoring top MNEs across different domains can be managed by small unit of very skilled persons
- ✓ **A common conceptual framework is needed to understand, analyze and process the data directly or indirectly affected by globalisation.**

Toward an integrated approach: the Global Enterprise Centered perspective

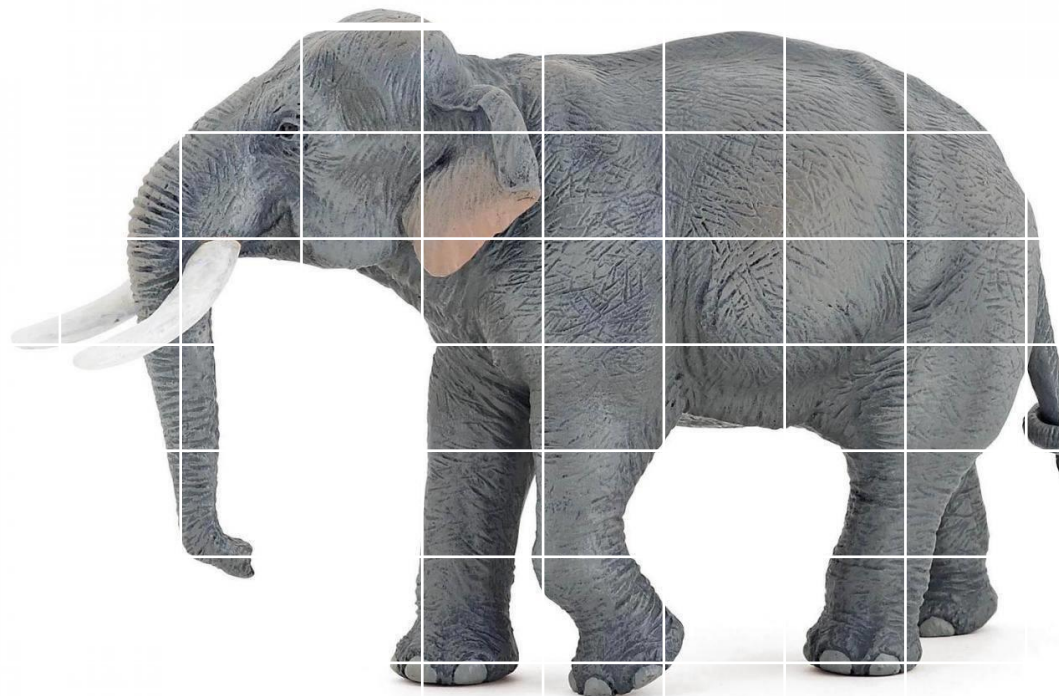


The standard approach of statisticians to measure the impact of MNEs on official statistics

The big elephant



Toward an integrated approach: the Global Enterprise Centered perspective



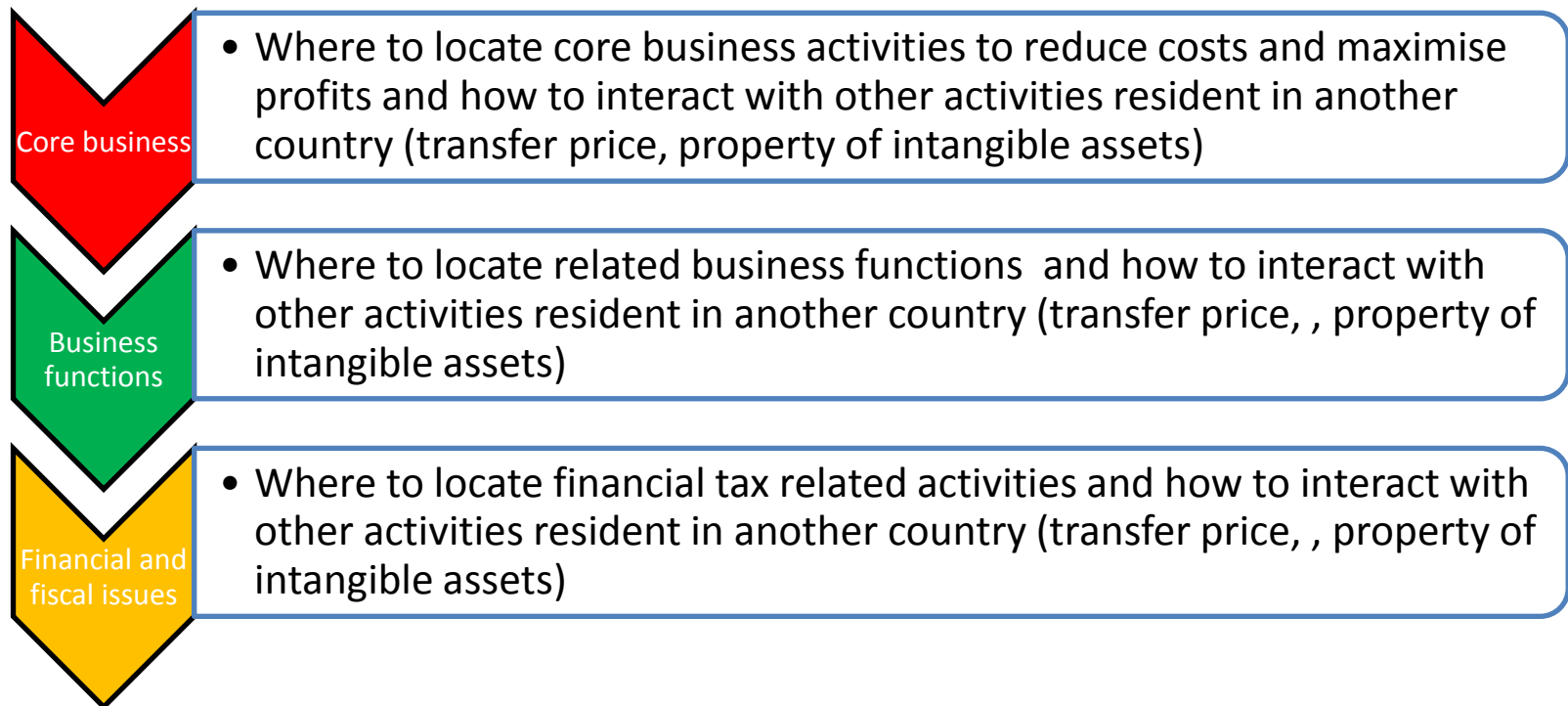
Check list:

- To identify the UBO and the global perimeter of control
- To understand MNE decision process
- To develop relevant classifications to understand the organisation of business
- To develop routines to manage high frequency business cases (monitoring top companies across domains)

THE SCOPE OF A GLOBAL ENTERPRISE-CENTRED (GEC) PERSPECTIVE

So from where to start?

The decision process of a Global Enterprise



The economic behaviour of a MNE is quite often the syntesis of multiple strategies

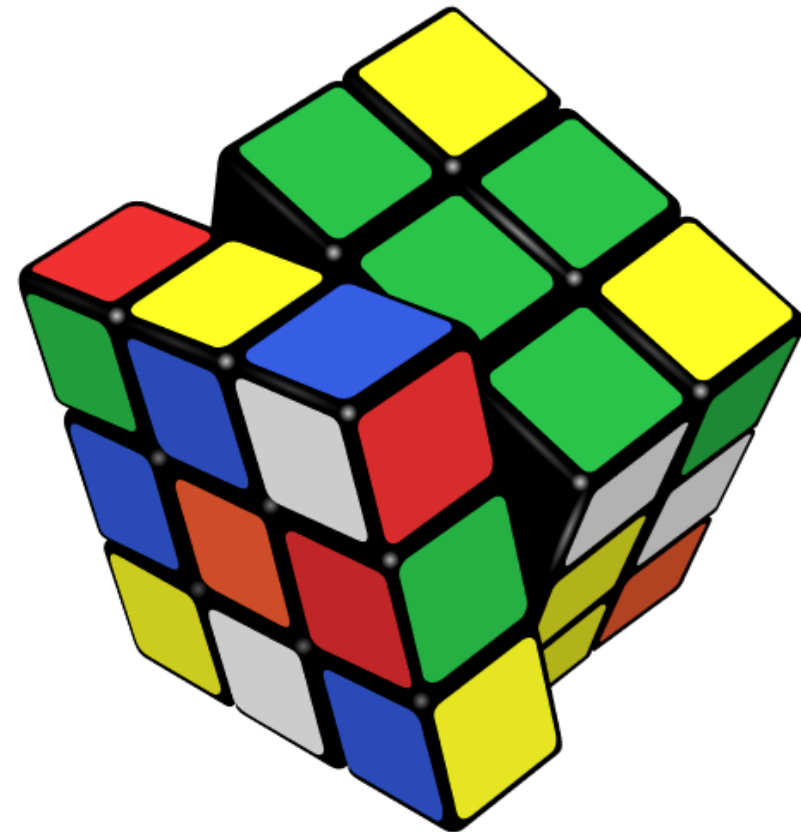
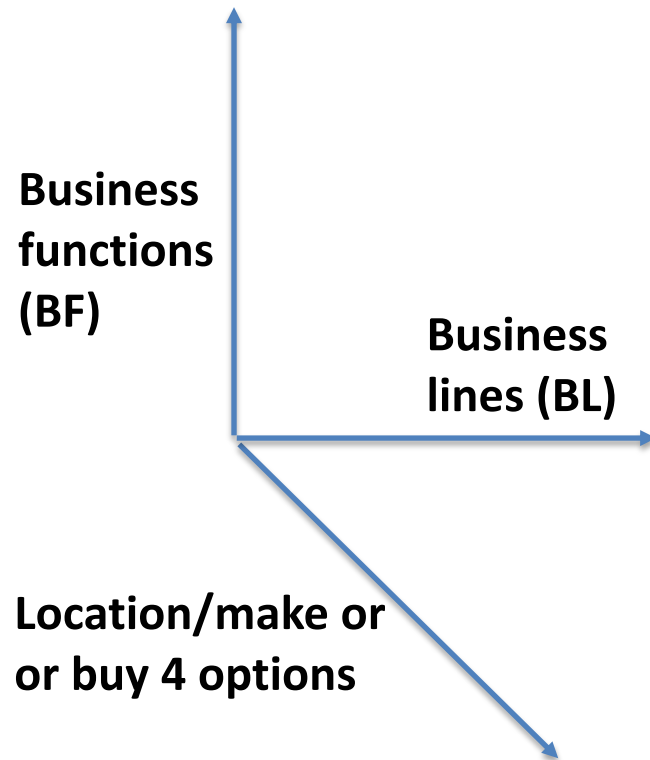
THE SCOPE OF A GLOBAL ENTERPRISE-CENTRED (GEC) PERSPECTIVE

The business structure of a **Global Enterprise**

- ✓ **Business lines (BL or operational segment) are the basic components of a GE.** They are also **consistent with their accounting system (consolidated data).**
- ✓ **A production process is associated to each business line** and it encompasses both core activities (production of goods and services) and business functions (**BF**)
- ✓ Business decisions on core activities can be taken independently from each other, as well as business functions can serve specific core activities or all core activities
- ✓ Corporate functions (financial or legal services) usually follows an independent approach
- ✓ The **basic structure that fully describes the organization of a GE** is composed by four matrixes (Make-home, buy-home, Buy abroad, Make abroad)
- ✓ **Strategic decisions usually concern where BL, BF and CF are located and how they interact given national and global institutional settings.**
- ✓ The legal structure of the GE is generally less stable and for sure less meaningful than the basic business structure of a GE

THE SCOPE OF A GLOBAL ENTERPRISE-CENTRED (GEC) PERSPECTIVE

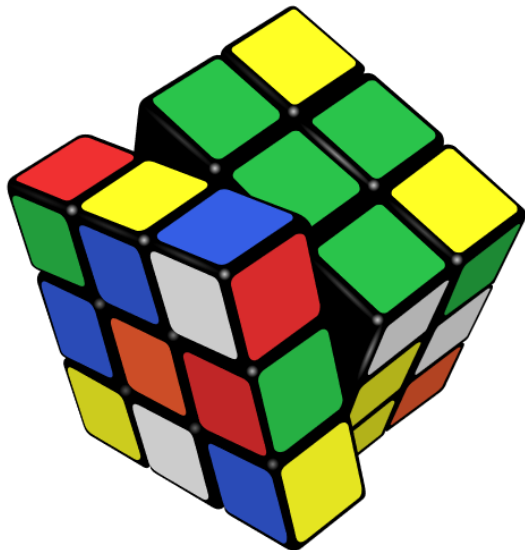
The basic structure of a Global Enterprise



THE SCOPE OF A GLOBAL ENTERPRISE-CENTRED (GEC) PERSPECTIVE

What you see is quite often not what it really is relevant for the GE and therefore for the quality of official statistics

The basic structure of a GE:
BL*BF matrix



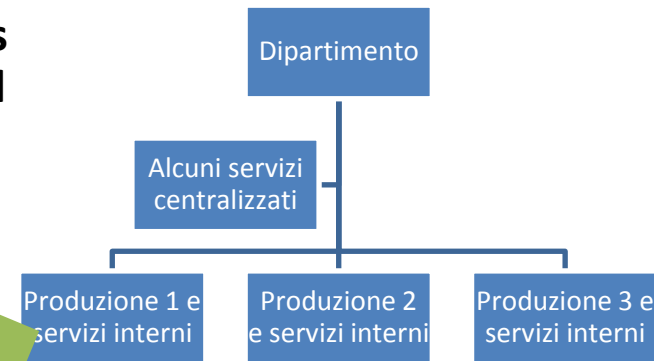
Decisions on core business



Decisions on business functions



Decisions on global tax planning and financial issues



A possible configuration of the GE legal/hierarchical structure

THE KEY ASSETS OF GEC PERSPECTIVE

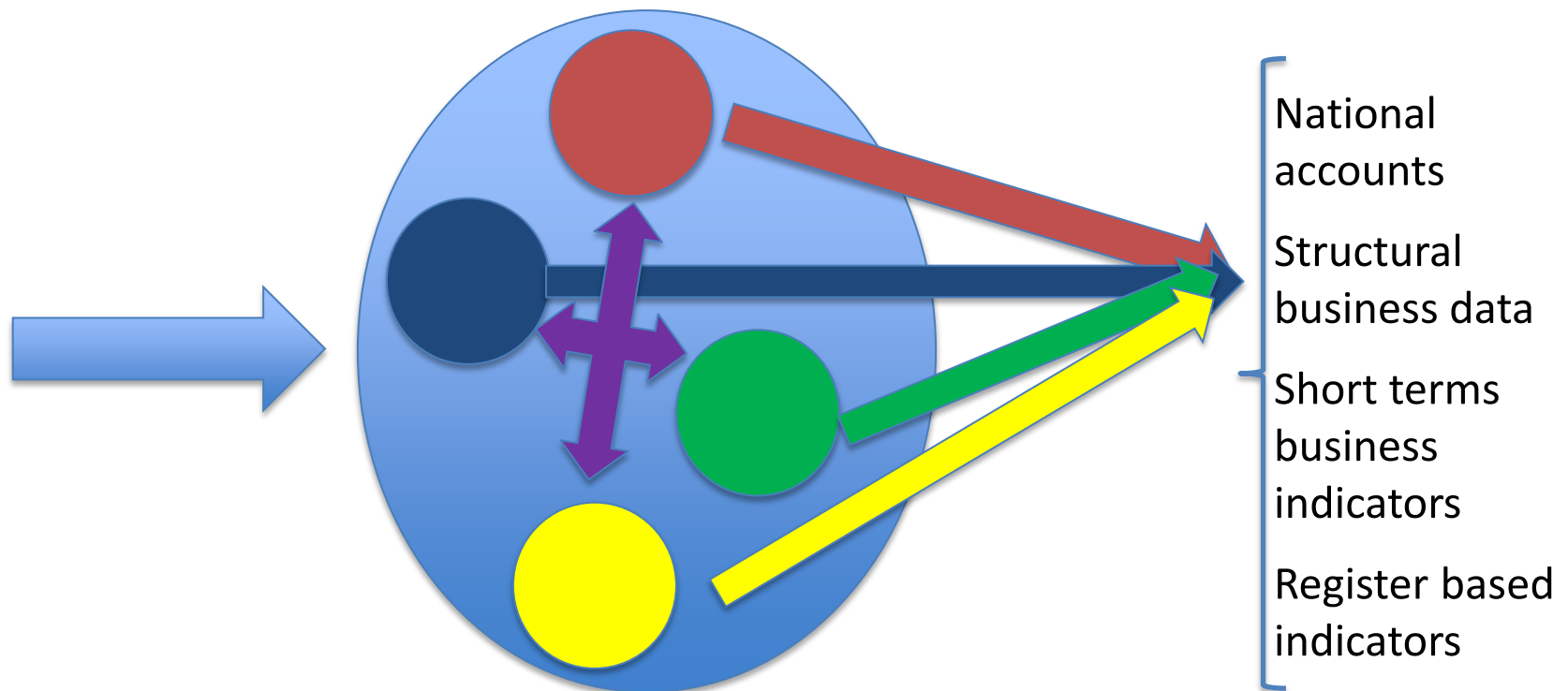
SHARING THE KNOWLEDGE: A sound knowledge of globalization is usually available for a limited number of persons within NSI mostly by accident (no explicit training, knowledge sourcing from international Task Forces. In Europe (EU) capacity building in this area was built for FATS, EGR, profiling, specific movements in foreign trade). This knowledge should be further expanded and shared with an explicit training strategy.

BUILT AN APPROPRIATE DATA INFRASTRUCTURE: Different actors within NSI should work and share knowledge starting from a common data framework at the firm level integrating statistical and administrative data sources. In Italy we have built the SBS-Frame that provides a common firm level integrated data source to compile SBS statistics and National Accounts figures. We plan to expand it to Short Terms Statistics given differences in variables definitions and survey methodology

REDESIGN THE PROCESS: Statistical processes within and between key statistical domains (STS,SBS,NA) should be redesigned: introduction of a Large cases Unit, assessment and continuous monitoring of major inconsistencies across domains

GLOBAL ENTERPRISE AND CONVERGING APPROACHES

.....as a result, individual signal from outside will be interpreted and possibly processed in the same way inside NSI....



A proposal to introduce a specific chapter

During a conference call in early November it was proposed to reshape a bit the contents and the division of labour between chapters 7,11 and 12 in order to more clearly spell out the conceptual framework behind those chapter/the manual as well as to provide operational guidance to countries that are facing complex globalisation related issues.

A new chapter was proposed as follows

Chapter 7 – Conceptual issues of Global enterprise

Introduction

The concept of the global enterprise

Cross-cutting perspective of National Accounts on global enterprise

Cross-cutting perspective of Structural Business Statistics on global enterprise

Cross-cutting perspective of Short-term statistics on global enterprise

Conceptual view on the new types of international organization of production

International Sourcing (Definition of Business Functions)

Factoryless Goods Producers

Conclusions

Chapter 7 – Conceptual issues of Global enterprise will design a conceptual framework to support a better understanding of specific topics included in other chapters as well as it will provide some operational guidance to countries on how to face globalisation challenges in official statistics

Specific goals

- ✓ provide some guidance on how business statistics can “bridge” GVC and satellite national accounts
- ✓ provide a conceptual framework to bring together different statistical and analytical issues such as business functions, ownership linkages, etc...
- ✓ Highlight the pervasive impact of globalization if «external signals» are not consistently addressed within NSI production pipeline
- ✓ provide some useful guidelines on how to best address problems related to globalization
- ✓ Provide indications on how to best exploit data for GVC analysis