

# Globalisation - Work in Sweden

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### 1. Designing a new way of collecting data on merchanting and goods sent abroad for processing

14.187. Statistics Sweden wants to ensure better consistency between national accounts and balance of payments in the treatment of merchanting and goods sent abroad for processing. The current treatment leads to discrepancies between the two accounts, with neither national accounts nor balance of payments compiling these transactions satisfactory.

14.188. At present merchanting and manufacturing services transactions are collected via a number of sources, e.g. international trade in services survey (ITSS), customs records, structural business survey (SBS); and there are major issues:

- Manufacturing services transactions are currently included in with the merchanting transactions and additionally national accounts collect the data from the SBS while balance of payments uses ITSS.
- Balance of payments makes no estimate for manufacturing services whereas national accounts makes an estimate by using the difference between the value of the goods before and after processing.
- Balance of payments makes no estimate for inputs purchased overseas (imports) or the final sale of the goods (exports) in the international merchandise trade statistics based on ownership, but national accounts takes estimates from its Large Cases Unit (but this doesn't cover the entire economy).

14.189. The project team in Statistics Sweden generated two action points:

- a) Change SBS/Prodcom questions in order to distinguish properly between merchanting and manufacturing services (outwards processing); and
- b) Obtain a list from the SBS that identifies the companies engaged in manufacturing services.

14.190. The implementation of these action points would:

- a) Provide a better sample for the collection of data on processing fees in the international trade in services survey; and
- b) Provide a sample which would also allow the collection of data on non-cross border exports and imports of goods (i.e. goods crossing international borders which have Swedish ownership) and therefore enabling Statistics Sweden to adapt international merchandise trade data to the change in ownership principle.

### 2. Compiling relevant information on key globalisation variables

14.191. Statistics Sweden wants to compile, in a single document, standardised information on globalisation related key variables, the objectives being:

1. The document is used across different units/departments at Statistics Sweden; and
2. To allow Statistics Sweden to work in a more standardised way, namely one solution applies for the same problems across the organisation.

14.192. The document will give, using detailed structured descriptions, a full understanding of the following key globalisation variables:

1. Which role the Swedish enterprise plays in the group
2. Activity of the enterprise in Sweden
3. Income
4. Ownership of the material inputs
5. Income from activities abroad
6. Industry classification
7. Ownership of intellectual property products (IPPs)
8. R&D for own use (according to the R&D survey)
9. Problems with production/intermediate consumption
10. Problems with foreign trade

### 3. Case studies

#### Case study 1

14.193. Enterprise A - Manufacturing industry

- a) Company A manufactures goods in Sweden.
- b) After being produced the final product is sent abroad (to country B) and held as inventory (export of 50SEK recorded in Intrastat). Company A still owns the goods.
- c) Finally, the goods are sold to consumers in countries C and D, total amount received from the sale by company A is 100SEK.
- d) Problem: inconsistency between Production (SBS and STS, valued at market prices) and export figures (Intrastat, valued at delivery prices).

14.194. Solution: The Large Cases Unit delivers the correct export data (i.e. 100SEK) to national accounts.

#### Case study 2

14.195. Enterprise D - Foreign affiliate

- a) Enterprise D is foreign owned, part of a multinational group and classified in the R&D industry. The head unit of the group is located abroad.
- b) Enterprise D produces trade margins (merchanting) but their employees in Sweden work almost exclusively with R&D.
- c) Problem 1: income from trade when the activity in Sweden is R&D. Classifying the company in R&D industry is not 100 percent clear.
- d) Problem 2: which unit owns the IPP produced in Sweden?

14.196. Depending on which enterprise owns the R&D produced by the unit in Sweden the merchanting and production of this unit can be seen as:

1. Alternative 1: The Swedish unit owns the result of R&D. Production of R&D is registered as capital formation and merchanting income can be seen as licenses sold in connection to the owned IPP
2. Alternative 2: The Swedish unit "sells" the produced R&D during the period but gets paid through merchanting as compensation for the work carried out. Therefore lower production (no production for own use) than in alternative 1 and no FGCF in Sweden.

Production Account		Expenditure Approach	
Goods acquired under Merchanting	100	Export of goods	50
Goods sold under Merchanting	-50	FGCF	30
Production R&D for own use	30		
Gross Output	80	Total expenditure	80

14.197. Key question - Which unit really owns the R&D and how should we interpret merchanting income (compensation for R&D or licenses).

### Case Study 3

14.198. Enterprise E - Manufacturing industry

- a) Enterprise E is located in Sweden, foreign owned and carries out processing services for the foreign head unit.
- b) The material inputs used in the processing service come from Sweden and most part of the final processed products are sold to Swedish consumers.
- c) Problem 1: SBS collects the value of the processing service as the output value whereas STS collects the value of the final product.
- d) Problem 2: Neither the export of the material input nor the import of the final product are collected in international merchandise trade statistics (given that the head unit has ownership of these inputs and final product).

14.199. Problems:

1. Two different output figures in the SBS and STS.
2. No foreign trade flows collected.

14.200. Current solution: Output according to SBS and imputation of foreign trade flows.

### Case study 4

14.201. Enterprise F - Manufacturing industry

- a) Enterprise F is classified in the manufacturing industry. F produces "input f" in Sweden.
- b) Input f is then sent to factories abroad for further processing together with other material input from other countries. Company F still owns material input f.
- c) After the processing is carried out, company F sells the final product and delivers directly to final customers from the country where the processing service has taken place.
- d) Problem 1: Merchanting is reported and registered both in SBS, ITSS and national accounts instead of manufacturing services.
- e) Problem 2: Export of input f is registered in international merchandise trade statistics and in the national accounts (but there has been no change in ownership).
- f) Problem 3: Export of final product, import of other material inputs used in the processing carried out abroad and import of the processing service are not registered.

14.202. While overall the current treatment does not affect GDP, it is incorrect.

Current treatment		Correct treatment (ESA 2010)	
Goods sold under merchanting	100	Export of final product	100
Goods acquired under merchanting	-70	Import of material inputs produced abroad and directly sent to processor abroad	-30

Export of material input	10	Import of processing service	-30
Value added and net exports	40	Value added and net exports	40

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