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Abstract 1

Meaningful information for domestic economies in the light of globalization – will additional macroeconomic indicators and different presentations shed light?

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Globalisation is a historic process of increasing interaction between national economies on a world-wide scale. While not new, interconnectedness has accelerated in recent years as it is closely related to activities by MNEs. Fragmented production processes span the whole world, exploiting comparative production advantages and tax competition between nations. This is also helped by the fact that increasingly a main component of many (particularly high tech) products is intellectual property. Exactly those intangible assets of an MNE, however, are extremely mobile and often huge.

In methodological terms, in the most recent releases of the international standards for National Accounts and BOP (2008 SNA, ESA 2010, BPM6), globalisation phenomena such as "goods send abroad for processing" and "merchanting", "special purpose entities" or "other captive institutions" have been given more attention and subsequently more detailed guidance has been developed. Various tools have already been developed by statisticians and initiatives have been taken to go beyond GDP.

We have, however, to admit that we are only at the very beginning of getting a grip on properly measuring globalisation in a systematic cross-country way in practise: Which parts of the production activities of MNEs are actually taking place in the domestic territory of any given country? Or in other words, how can we distinguish between movements in GDP or its components which are relevant for the domestic economy and those which are driven by the worldwide activities of multinational companies?

Efforts to single out globalisation activities and present them alongside purely domestic developments are very challenging, given that they require statisticians to isolate in balance sheets and flow accounts those positions and flows relating to the re-routing of profits. This may require intra-MNE information and raises sensitive questions concerning enhanced cross border cooperation amongst statistical authorities. Nevertheless, the price for not addressing them would be increasing irrelevance of our statistical products and growing bias and asymmetries between countries.

As shown by the so-called "Irish case" indeed globalisation presents significant communications challenges, particularly for small and open economies. In its aftermath, Eurostat with its partners in the European Statistical System is looking into how, within the existing accounting frameworks, additional indicators and presentations of the accounts that allow users to follow domestic and global developments could be conceived. The work takes recommendations into account, which have been developed by a high level group in Ireland for improving insight into the Irish economy. It goes, however, beyond that as any new indicator or breakdown should be, particularly in a European context, comparable across countries and not be seen as a GDP or GNI "a la carte" for each country to choose from under specific circumstances.

Points to be addressed are:

a. development and expansion of existing indicators;
b. identification of where additional detail would best help to provide insights;
c. the potential to develop new indicators;
d. whether new presentations of existing information, e.g. in "building blocks" or with further sector breakdowns, would improve communication and understanding.

The paper presents the findings of the respective European work streams to date and invites a critical review of the suggestions to be put forward.

Key words: National Accounts, globalisation, indicators