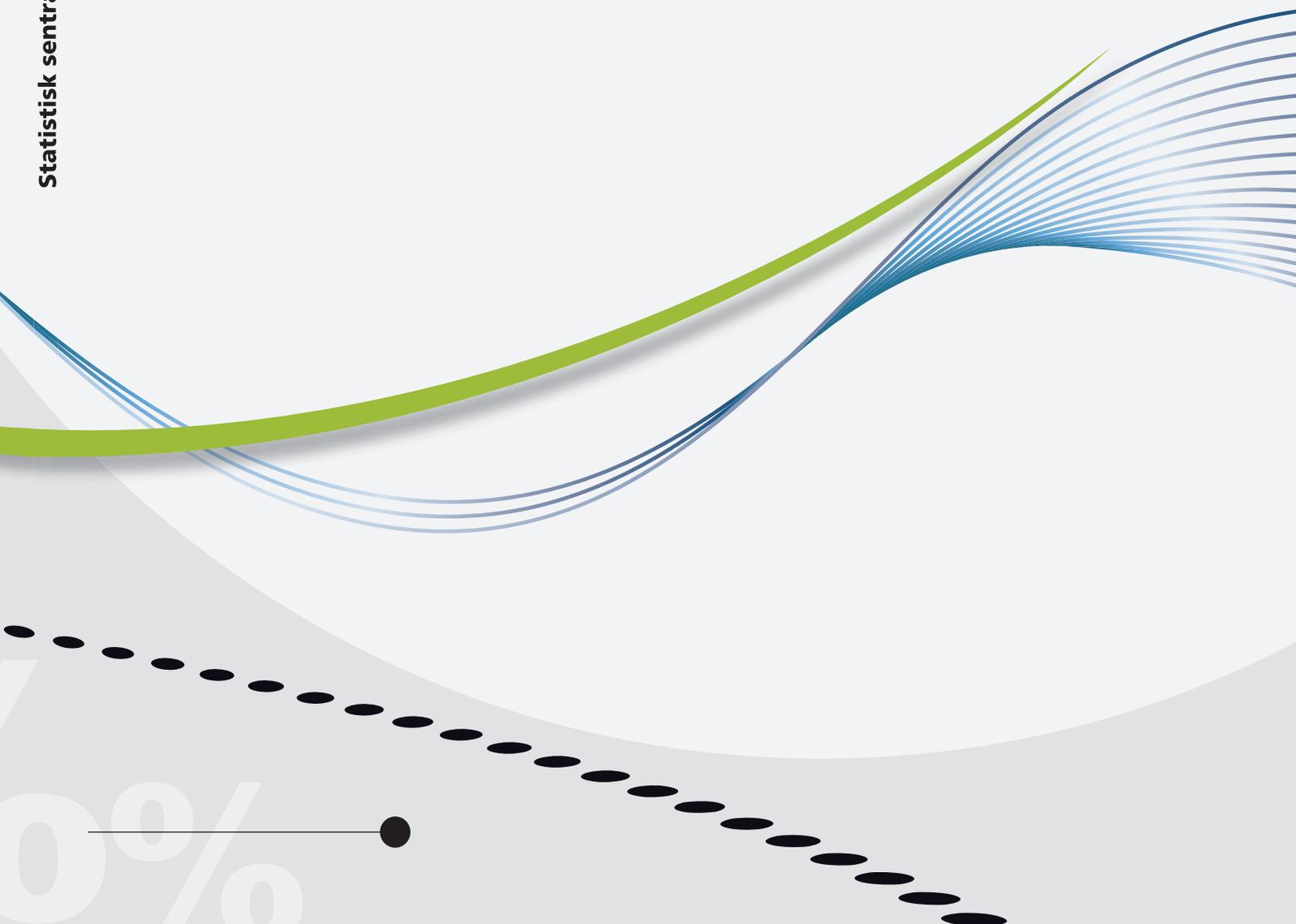


Trude Nygård Evensen

Goods sent abroad for processing and merchandising in the Norwegian national accounts



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Preface

This report describes the results from a project exploring the possibilities of introducing the new international recommendations on the treatment of processing and merchanting in the Norwegian national accounts. The project was part of the main revision of the Norwegian national accounts in 2014 and was financed jointly by Eurostat and Statistics Norway.

Author of this report has Trude Nygård Evensen at the Division for national accounts in Statistics Norway.

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Statistics Norway, 12 January 2015

Hans Henrik Scheel

Abstract

The growing trend in globalisation of economic activities has presented the national accounts with new challenges. How to delineate the national economy from the rest of the world and how to measure the national production activities as opposed to other countries' production activities have been on the agenda of international statistical forums at least the last decade. In particular two types of activities have been heavily discussed, that is processing and merchanting.

The new European recommendations on national accounting (ESA 2010), as well as the world-wide System of National Accounts (2008 SNA) and the IMF methodology on Balance of Payments statistics (BPM6) provide new guidelines on how to record processing and merchanting activities. The new key is change of economic ownership instead of physical movement of commodities. Being a small, open economy, Norway has many enterprises involved in global manufacturing, as well as some global service providers. In Statistics Norway we have studied data needs and methods related to the estimation of processing abroad, as well as merchanting, according to new principles. As a part of the project we have

- been studying the principles of the new recommendations.
- analysed the new data requirements from both external trade statistics and structural business statistics
- formulated and tested estimation methods, based on available data, for possible implementation in major revision in 2014.

For some identified corporations with production abroad, micro data from trade statistics and the link to structural statistics has been studied. Analysing the economic behaviour of these enterprises and presenting some simple data examples, the project sought to outline what kind of extra data is needed to implement the recommendations on how to value production, export and import according to ESA 2010.

During 2011-2014 we have also participated in international discussions and cooperation regarding these topics, more specifically in the Eurostat Task Force on 'Goods sent abroad for processing', and in the UN/EC Task force on Global Production.

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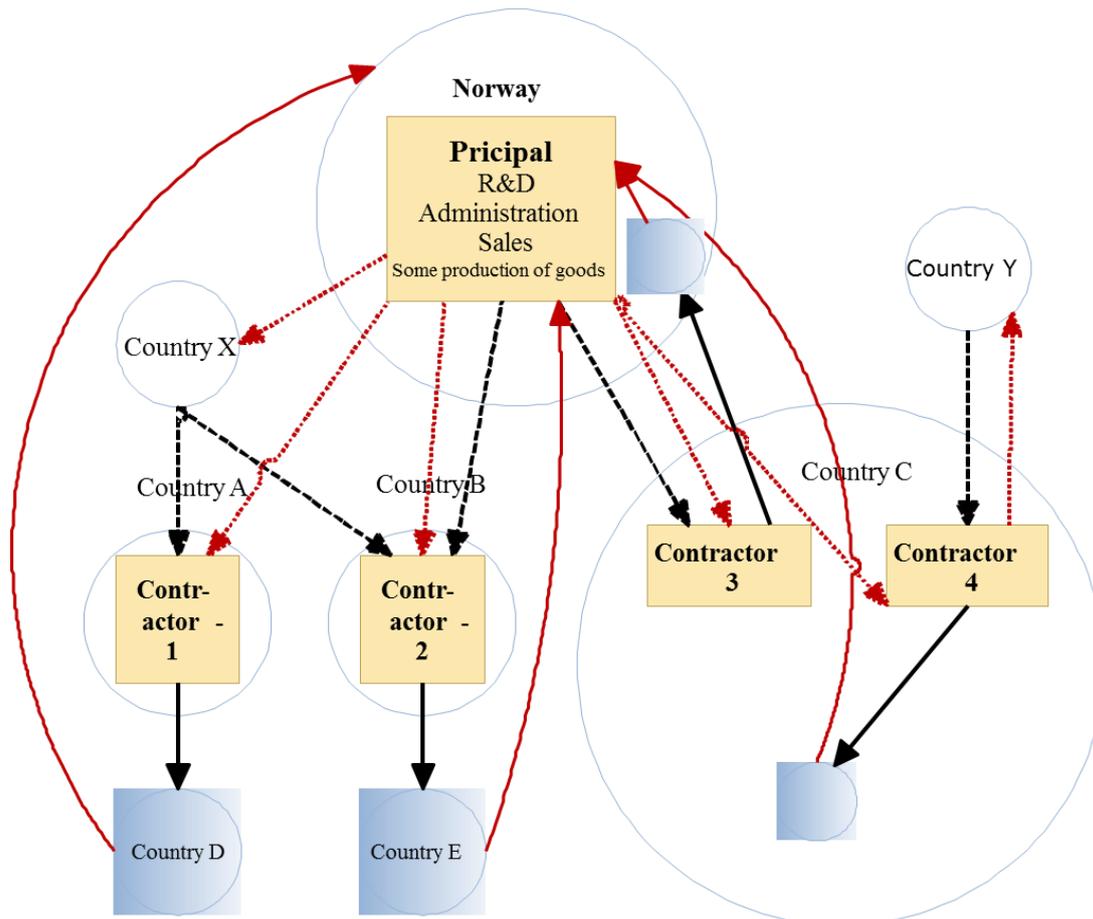
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1. Principles

Global manufacturers organize their production in many different ways, as pointed out by e.g. *United Nations (2011)*. International recommendations for national accounts (ESA, SNA and BPM) describe the treatment of global production in terms of two main models: goods sent abroad for processing and merchandising. The updated ESA 2010 (as well as 2008 SNA and BPM6) have changed the recommendations on how to record processing and merchandising. Economic ownership is now the key, instead of physical movement of goods.

However, the “standard example” for goods sent abroad for processing, where a principal in Norway sends raw material out of the country to be processed in another country, and then receives finished goods in return (as explained in chapter 5 in *United Nations, 2011*), is not the most typical example of how the Norwegian economy is influenced by global production arrangements. More typical would be that the Norwegian enterprise arranges for production in for example an Eastern European country, with raw materials bought in Asia, and sells the finished products to continental Europe and the USA. The research and development activities take place in Norway, and the enterprise’s annual financial accounts include sales income etc. also from the activities abroad. It is not clear from the detailed financial reports if the Norwegian enterprise owns the material input or not or only owns the intellectual property products, i.e. factoryless goods producer (FGP). In addition it is necessary to distinguish between other global arrangements, for examples foreign direct investments.

According to the recommendations, goods which are transformed or processed while in the economic ownership of the Norwegian entity should be recorded under goods for processing heading “manufacturing services on physical inputs owned by others” in the services accounts.



If the Norwegian entity only purchases goods from country X for sale in country Y the goods change economic ownership, but do not physically enter the economy where the owner is resident. By convention this should be treated as merchanting, and the acquisition of the goods intended for resale should be shown as negative exports. When sold, the goods should be recorded (positive) exports (2008 SNA, para 14.73). Hence, the challenge is to clarify whether the principal owns the goods throughout the processing, or buys them in a finished state.

After studying actual corporations in our project we experience that to categorize the different organisation models found in global manufacturing according to principles of the ESA 2010 is not easy in practice. The organisation of production abroad for a corporation of significance for the resident economy may for example be something like the organisation model in the figure on page 6.

2. NA-sources - coverage of national incomes and costs

To construct NA-data for processing services and merchanting, or figures comprising these services, the following sources are available:

- Structural Business Statistics, of this: The copy of the standard financial reports that the tax authorities collect from the enterprises (the Standard Industry Form).
- PRODCOM
- External trade in goods statistics
- External trade in services statistics

2.1. Structural Business Statistics

The annual structural business statistics is the main source for calculating figures for output, value added, compensation of employees and gross fixed capital formation in manufacturing industries, as well as in most service industries, in the annual national accounts. The structural business statistics is based on data from administrative registers and some additional information from questionnaires reported to Statistics Norway. The administrative registers contain copies of the standard financial reports which tax authorities collect from the enterprises (the Standard Industry Form). The questionnaire covers, among else, information about variables as sales revenues, compensation of employees, and other costs, specified by local kind-of-activity units within the enterprise.

It is the reported figures for sales revenue and other incomes for the reporting enterprise in the Standard Industry Form that is the basis for calculation of resident output. Intermediate consumption as well as consumption of employees and gross fixed capital formation is also collected from the financial reports.

2.2. Balance of Payments (BOP)

In Norway BOP is integrated in the national accounts (NA). The division for national accounts is responsible for compiling both NA and BOP figures. BOP figures for exports and imports of products are a part of, and consistent with figures for exports and imports of products in the NA supply and use tables. The main sources for calculation of exports and imports in the NA and BOP are:

- Statistics on external trade in goods
- Statistics on external trade in services

The statistics on external trade of goods for Norway is based on customs declarations for goods that cross the border of the country. Beyond this, figures for exports of crude oil and natural gas are based on reports from the enterprises

operating the petroleum fields, terminals and pipelines, and the Norwegian Petroleum Directorate.

Since the main principle is that the goods have to cross the border to be registered as import or export in the administrative system, it follows that the export of goods does not include sales to non-residents if the good is produced abroad and transported directly to the customer's country.

The Norwegian statistics on external trade of services is based on a quarterly survey of domestic non-financial enterprises. The survey asks the national reporting units about imports and exports of services, specified by type of service. The services are defined according to the EU standard Classification of Products by Activity (CPA).

The population in this survey is built on information from the Financial Census from 2003, the foreign payment statistics from the Central bank of Norway from 2004 (the last production year) and Central Register of Establishments and Enterprises. The population is updated by the use of different administrative registers, such as the Register of Cross border Transactions and Currency Exchange, information through contact with the largest reporting enterprises and information through media.

The instructions for reporting in the survey states that all services including trade delivered to the reporting enterprise by companies, affiliates, legal persons or other units regarded as non-residents, and for which payments are made to the counterparts are regarded as imports.

All services including trade delivered from the reporting enterprise to companies, affiliates, legal persons or other units regarded as non-residents, and paid by the counterparts are regarded as exports.

Trade in services with foreign affiliates within the same reporting group shall be included in the reports in the same manner as other trade in services with foreign companies, specified with type of service (CPA-code). Such trade in services must also be specified in individual items. In this context, "group" means units with a certain relationship, such as parent company, subsidiaries, and branches, etc.

From this it follows that the coverage of exports and imports in the external trade of services statistics complies with the updated international principles in ESA 2010 and in principle consistent with the reporting of revenues and costs related to production in the Structural Business Statistics.

3. PRODCOM

The manufacturing statistics includes an annual survey on production and use of certain commodities, labelled PRODCOM. The PRODCOM sample cover all large¹ enterprises with local KAUs in manufacturing, mining and quarrying, representing 90 per cent of the total production. Questionnaires on output (based on sales) and use of specified commodities are sent to the respondents.

From 2008 the survey includes a question about production abroad. The question is: *How large part (percent) of the reported turn-over is sales of goods produced abroad?*

For the accounting year 2010 there were 532 enterprises, of 2169 respondents, that claimed that some, or all, of the reported output were produced abroad. In total, *about 10 percent of reported sales were reported as production abroad.*

¹ The cut-off limit has been set to 10 employees in some divisions, and to 15 or 20 in other divisions.

316 respondents did not answer the question, and the quality of the reporting is unknown. Thus, there is some uncertainty in the data. There has been, however, an analysis of whether the reporting of production abroad seems stable from year to year, and stability in the data has been confirmed.

Production abroad seems to be most significant in the industry groups *Manufacture of wood and wood products* and in *Manufacture of motor vehicles, trailers and semi-trailers and transport equipment*. Even though many enterprises contribute to production abroad, the largest enterprises dominate in value terms:

- The 10 largest units with output abroad, contributed to 59 per cent of the total value of output abroad.
- The 3 largest with output abroad, contributed to 41 per cent of total value of output abroad

Measured in value terms, the production abroad is most significant in *Manufacture of machinery and equipment n.e.c. (SIC 28)*, as well as in SIC 29-30. Included in this group is *Building of ships, oil platforms and modules*. The largest companies with production abroad in these branches supply different products, as well as some services, mainly to oil and gas extracting companies (in Norway and globally).

From NA's point of view, it would be useful if the survey also included questions about the organisation of the output abroad. Presently, there is no way to decide whether the production abroad fits with the processing model or with merchanting (included FGP) or other global arrangements.

4. Information about goods sent abroad for processing and processed goods in the statistics on external trade of goods

The statistics on external trade of goods includes procedure codes that are supposed to be used for goods that are sent abroad for processing and for reimported goods after processing. In theory, this could have given us information about

- goods sent out of the country for processing (the total amounts in NOK, what kind of goods and – on a micro level- which units that export them).
- re-imported goods after processing (the total amounts in NOK, what kind of goods and – on a micro level- which units that import them).
- goods imported to be processed in Norway (the total amounts in NOK, what kind of goods and – on a micro level- which units that import them).
- Goods re-exported after processing in Norway (the total amounts in NOK, what kind of goods and – on a micro level- which units that export them).

However, up to today the procedures are not always followed. An analysis of the results carried out a few years ago found that the data were not rational.

The Directorate of Customs and Excise now plans to change the procedures, partly based on suggestions from Statistics Norway. We expect therefore the procedures in the future get easier to understand and follow, and therefore improve the data quality. If so, this will give more relevant information in the future.

5. Information about processing fees in the statistics on external trade of services

If a resident unit sources out production to an unit abroad, and the organisation of the production abroad fits with the model of processing, there should in principle be an import of a processing fee. On the other hand – if a resident unit processes

goods for a non-resident unit, there should in principle be an export of a processing fee. Imports and exports of processing services should then be detected in external trade of services statistics.

The Norwegian statistics on external trade of services is, as mentioned earlier, based on a quarterly survey of national non-financial enterprises. The survey asks for:

- **Contract work and other manufacturing services**
with the following recommendations about the contents:
 - **Income:** Export value of payment for contract work and other manufacturing services from non-resident customers. Includes also processing services
 - **Cost:** Import value of contract work and other manufacturing services paid to non-resident suppliers. Includes also processing services

This item includes processing services, so the reported figures for imports and exports might be seen as a maximum level of imports and exports of processing fees, given the assumption that the level is correctly reported and other statistical uncertainty is not too insignificant.

For the period 01.01.2011 - 30.09.2011 the reported figures for this item were in total:

Exports	Imports
2 282 Million NOK	2 108 Million NOK

These figures are low, representing less than 1 per cent of total exports and imports of services, according to preliminary national account figures for 2011. It is interesting to see that the reported export figures is larger than reported import figures since we would presume that the opposite relation would be the reality.²

6. Analysing microdata

6.1. Selected units and data

Since we have no complete overview of resident units with global production arrangements, we have put up a list of examples and studied relevant microdata for *some* of the units. The selection of units to be studied in detail was based on:

- The largest units reporting production abroad in PRODCOM, measured on the basis of value connected to the production abroad.
- A couple of examples of units where the industry code has been evaluated after the production were sourced out.
- In addition we have studied a few examples of global service providers, where the control and head quarter is in Norway.

The microdata we have studied are collected from all the statistical systems described in section 3, which is external trade in goods statistics, external trade in services statistics and the structural Business Statistics, of this: the Standard Industry Form.

In addition we have looked into the companies' annual reports, with the financial statements and explanatory notes.

For these data sources, the financial statements or transactions related to a specific enterprise can be identified by organisation number. This is a unique number given to the enterprise when first registered in the Central Coordinating Register for Legal Entities. The structural business statistics also contain some information

² Other European countries reports the same; reported export figures of processing services are larger than reported import figures, even though one might suspect the opposite for many of these countries.

about establishments (local kind of activity units) within the enterprise. However, when analysing the dimension of nationality and transactions with the rest of the world, the enterprise units should be appropriate in most cases.

6.2. The largest units reporting production abroad in PRODCOM

As mentioned in section 4, the largest enterprises with reported production abroad, are either suppliers of machinery and equipment to oil and gas extracting companies (in Norway and globally), or manufacturing of ships, oil platforms and modules. In both cases oil and gas extracting companies (in Norway and globally) are significant customers.

Units in manufacture of machinery and equipment n.e.c.

The companies studied with industry code *Manufacture of machinery and equipment n.e.c.*, provide mechanical components, equipment and tools related to land and offshore drilling rigs, as well as services related to drilling and extraction of oil and gas worldwide. The products are of high quality and usually highly advanced oilfield products and services. The enterprises own daughter companies abroad and in Norway, and the head offices are located in Norway.

At the same time the national enterprises are also part of large multinational enterprises (MNE). The examples cover both enterprises which is part of a MNE with head office in Norway, and enterprises which is part of a MNE with head office abroad.

From PRODCOM we know that most of the reported sales revenues for these units are related to production abroad. Based on contact with the enterprises and description in the enterprises' annual reports, we know that the employees in Norway are mainly highly qualified engineers, occupied with research, design and testing, as well as repairs of machinery and equipment. The research done in Norway is related to development of new products and to improve existing products. The national enterprises promote for, and make sale arrangements of, finished goods to the customers. The actual production of the goods is however mainly sourced out to enterprises abroad.

For these large enterprises, the production abroad is sourced out to many different producers abroad. The subcontracts may be producers within the same MNE, but not always. The largest enterprise, measured by the value of output related to production abroad, states that different contracts are used. Whether the enterprises pay for raw materials or not may vary, but usually there are *franchising contracts*. They find it impossible to answer to which extent the enterprise pay for input materials in the production process (per cent of raw materials used), because they not have this information available in their accounting system.

One large enterprise answers that it pays for all the raw materials used in the production abroad.

Studying the relevant microdata for these enterprises, we find that the enterprises' reporting of sales revenues in the Standard Industry Form (SIF), in its annual financial statements and in PRODCOM, mostly is consistent. In the explanatory notes to the annual financial reports, sales revenues are reported by geographical areas. This makes it possible to separate resident customers from customers abroad. Further, this makes it possible to compare the revenues from customers abroad with the reported export figures from the external trade in goods statistics and the external trade in services statistics. In the examples we have studied, there is a difference between reported sales revenue from abroad (in the annual financial statements), and reported export. For one of the studied objects, there is a major difference. The main explanation for the difference is that the external trade

statistics only cover goods crossing the national border. The goods produced abroad are directly transported to the buyer's country of destination, and not at any point in time crossing the Norwegian border (this is confirmed by the largest enterprise).

Since the calculation of output in the national accounts is based on the reporting of the sales revenue as reported in the SIF, and the calculation of exports and imports mainly is based on the external trade statistics (goods crossing the border), this means that there will be a discrepancy or inconsistency between calculated output and exports and imports in the national accounts. Thus, inconsistency in the supply and use account will occur.

The information given in SIF and the financial statements show relatively small commodity costs compared with an average manufacturing unit while the costs of contract works are relatively high. This might imply that the enterprises pay the external contractor for producing the goods, but do not own the material inputs. However, the enterprises own the intellectual property products.

This brings us back to the question of how the production abroad is organized, and the difficulty to decide whether the actual units perform processing or merchanting or is a factoryless goods producer.

However, it should in theory be possible for the enterprises, based on information in their accounting systems, to specify costs related to payments to foreign suppliers in the same way as they specify sales revenues from foreign customers. In principle, this is nearly the same as they do when reporting to the external trade statistics of services, but new questionnaires will represent an increased response burden for the enterprises.

National units in the branch building of ships, oil platforms and modules

Building of ships and – from the 1970s – also building of oil platforms and modules traditionally has been a major part of the manufacturing industry in Norway. In the latest decades, an increasingly part of the production has been sourced out to other countries, for instance the ship's hull is produced in Poland, towed to Norway and finished domestically. The national enterprises in this branch may own and operate more than one shipyard, in Norway and in other countries, and/or they buy services from foreign shipyards (subcontractors). In the latter case it is clear that the Norwegian enterprise owns the right to the design, but it is not clear whether they also have the ownership of the input of the hull.

The hull (as a whole or in parts) is usually produced abroad by a subcontractor (which may be an affiliate within the same MNE, or in an unit not connected to the enterprise) and is towed to Norway. Also machinery, equipment and other parts may be produced abroad. On the shipyard in Norway (or at a shipyard in another country) the different parts are put together by different subcontractors. A subcontractor could hire workers from for example Poland to do most of the mechanical work. The major and growing part of the employees in Norway are highly qualified engineers that are working with research and design etc, and coordinating the process and perform other administrative services. More than half of the employees in manufacturing are "white collar" employees. The reported production abroad, as per cent of total reported output in PRODCOM, is high but has decreased. The industry is, however, an important and significant part of manufacturing totally.

Available information from the existing data sources and what we do *not* know is analogous with the previous example, and this brings us also to the same main conclusions.

6.3. Units with no remaining manufacturing production in Norway

Finally, we have looked at two different national units which previously had manufacturing production in Norway, but in the recent years have sourced out the entire manufacturing production to units abroad. Both these enterprises develop and sell advanced communication equipment. The first enterprise has sourced out production to a daughter company in an Eastern European country, while the second enterprise use several independent contractors in different countries. Both companies state in their annual reports sales revenues from customers in various countries, and the sales revenues from Norwegian customers constitute less than 10 per cent.

Both enterprises have earlier been contacted about the ownership to raw materials in the production process. The first company answered that the national enterprise never has had any ownership to raw materials used in production abroad. The second company answered that about 20 per cent of the raw material is acquired and paid by them and send to the contractors abroad that perform the installation works. The rest (80 per cent) of the raw materials used in the production is acquired and paid by others.

The first of these enterprises was (when we first looked into it) kept within the manufacturing industry in the business register, while the latter was moved to the retail and wholesale trade industry. The previous choices made by the business register regarding classification of these units, were by our opinion questionable, in spite of both similarities and dissimilarities, and have now been changed.

Units registered in the wholesale and retail trade industry is not included in the population to the PRODCOM survey. Except from this, the data situation – and the conclusions based on studying micro data for these enterprises – does not distinguish much from what we have pointed out in previous sections. The first mentioned enterprise, which has established a daughter company abroad producing the goods, might be treated as a foreign direct investment enterprise, while the second one is a factoryless goods producer. According to the present NACE and ISIC rules, the FGP should be classified within trade (merchandising arrangement). The ongoing UNECE Task Force on Measuring Global Production has questioned the present classification rules related to FGP, and has proposed to the Advisory Expert Group of national Accounts that FGPs should be treated as a subcategory under manufacturing. This case is not finally decided.

6.4. National units providing services on a global market

Even though this study deals with global manufacturing, we have also included a few global service providers, in order to look into similarities and differences to global manufacturers. The example units are all registered within the industrial division *71 Architectural and engineering activities; technical testing and analysis* in the Norwegian Business register.

Two of the units are registered with the more detailed industry code *Technical testing and analysis*.

The largest company is a MNE with 300 offices in 100 countries all over the world and with the main office in Norway. The MNE helps companies all around the world to control risks related to business, operational, technical and community relations. Units within maritime industries or energy supply are in focus. The third enterprise describes itself as a “knowledge based engineering company where the means and value is connected to the intellectual capital”. The enterprise is a part of a MNE with head office in Norway, and it delivers, among else, project leading services and product development, also to unit within the same MNE.

In theory the concepts for recording import and export of services in the statistics on external trade is in line with the international recommendations and also with reporting of sales revenues in the Standard Industry Form and annual financial statements. However, in practice there may be challenges connected to capturing national transactions and national activity also related to global service providers. Problems may occur in relation to, for example transfer pricing and net recording within affiliates within the same MNE. We have also discovered that the recording of sales revenues in the financial reports sometimes cover also revenues from production abroad (or income from FDI). The conclusion is that the data challenges are more or less similar independent of the enterprise being a manufacturer or a producer of services. However, units registered in service industries in the Norwegian business register are not part of the population to the PRODCOM survey, hence no data about production or FDI income from abroad are available.

The largest company states, in contact with Statistics Norway, problems to limit the transactions to some national unit, because:

- Organisation structure within the MNE cross the legal structure
- Technical expertise and support functions are delivered internally in the MNE
- Research and development of services is performed centrally, but are available to all units within the MNE
- International contract can be entered both in local offices and in central units within the MNE.
- Recovering of payments from customers worldwide is centralised in the MNE.
- Financing of subsidiaries

In total this means a great volume of internal and external transactions across the national borders. For a couple of the service suppliers we have studied, the declared sales revenues from customers abroad, according to information in the explanatory notes to the annual reports, is minor compared to the reported export of services in the statistics on external trade in services. This is the opposite result of what we found about the relation between declared sales revenues from customers abroad and reported export in statistics on external trade for the other selected units in our study. However, regardless of positive or negative differences between the figures from the two different data sources, the existence of a significant difference indicates problems with capturing the domestic activity also for global service providers.

7. Conclusions

7.1. Analysing microdata – summing up

Analyses of structural business statistics compared with external trade in goods statistics shows that it might be an imbalance between domestic output and exports. This is related to revenues being included in the reported sales revenues in the structural business statistics, while external trade in goods statistics only covers goods that physically cross the national border. Likewise, the import of goods according to the external trade in goods statistics will include all goods crossing the Norwegian border, where we in theory should record import of a processing fee. *This means that exports and imports in the external trade of goods statistics is neither consistent with the reporting of incomes and costs related to production in the Structural Business Statistics and nor in line with the updated principles in ESA 2010.*

Other issues:

- *Processing or merchanting?*
 - The national enterprises can often not specify to which extent they own the input (raw materials) used in the production abroad
 - The enterprise with the largest reporting of sales revenues from production abroad states that the contracts with the suppliers abroad usually follow a *franchising model*.
 - Following from this: It is not possible to make a proper distinction between processing abroad and merchanting (and/or FGP) for all national units with production abroad.
- *Registration of industry code (SIC 2007) in the Central Register of Establishments and Enterprises*
 - If the production abroad is considered as merchanting, and most of the sales revenues are related to trade, then the actual unit in principle should not be considered as a part of manufacturing industry, but as an unit in the wholesale and retail industry. But where should we put the limit? And there is still an open end related to the classification and treatment of factoryless goods producers, as stated under section 8. The study shows that for rather similar enterprises with slightly different production arrangements abroad, some of the units are classified as manufacturing units, while others are classified within wholesale and retail trade. At the same time, there are also examples of units with similar kind of production and organisation of production abroad that have been classified in other service industries. This shows that the classification rules need to be improved, and also that the criteria of economic ownership of raw material are not easy to follow in practise.

The selected examples of enterprises have outsourced parts or all of their production to units abroad. However global manufacturing also goes the other way: National enterprises may be contractors to principal enterprises abroad. Also *inward processing*, generally, will demand information to correct export and import data so that recorded export and import in the BoP and national accounts are in line with the international recommendations. However, in practice, in Norway inward processing is of very small significance and the few cases we know of have consistent and complete information, which allow us to treat/correct the data in accordance to the new recommendations.

7.2. Implementation of new principals in the main revision 2014 - conclusion

Based on available data, an attempt was made to put up corrections of external trade in goods statistics in order to implement the new principles. However, for the concept of outward processing (resident principal sending goods abroad for processing), we have concluded that available data, presently, are too incomplete and uncertain regarding a) to give meaningful estimations of import of processing services, and b) to make corrections of export and import of goods.

Likewise, lack of relevant data makes it impossible to implement the new recommendations regarding merchanting (sales incomes as export of relevant goods and purchasing costs as negative export of relevant goods).

The conclusion above is influenced also by the problems related to making a proper distinction between the global production arrangements, as processing, merchanting and factoryless goods producers (FGP). In addition, we think that we should wait for the final recommendations regarding how to classify and treat FGP. Nevertheless, estimates for gross domestic value added and net trade balance is

unaffected by the decision not to include the new principles for processing and merchanting.

For inward processing (for principals abroad by resident contractors), the available information data seems more complete and consistent and the new principles will be implemented as part of the main revision 2014.

7.3. Which extra information is needed? Final remarks

The new international recommendations in 2008 SNA and BPM6, which underlines the ownership principle, makes figures in the enterprises financial statements and in the Standard Industry Form more in line with the recommendations related to domestic activity and business accounting principles, which the business statistics are based upon.

On the other hand we will have to reclassify figures from the statistics for external trade in goods when compiling BOP and national accounts figures for exports and imports. In Norway additional data are needed to do this reclassification.

In addition we still need to investigate whether the reported revenues and costs in the Structural business statistics for some specific units within MNEs depart from, or are consistent with, the recommendations in the 2008 SNA/ESA 2010, including challenges related to transfer pricing.

The recommended recording of processing and merchanting in the national accounts require a system in the Norwegian Central Register of Establishments and Enterprises for following up on individual producing units and estimations based on detailed information from each single unit.

Altogether the new recommendations do not seem to make the compiling of transactions between domestic units involved in global production and rest of the world any easier.

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