

Sharing data reported by complex multinational enterprises: a cooperative approach between Deutsche Bundesbank and Banque de France

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Introduction

- Not at least since the „Irish Case“ it has become clear that economic decisions of MNE in a globalized world could have sizeable effects on Business Statistics (BS), National Accounts (NA), Foreign Trade Statistics (FTS) and the Balance of Payments (BOP)
- The main characteristic of an MNE is the internationality of its operations, organized across borders to maximize the efficiency of production and to minimize their tax burden
- To measure their operations adequately and symmetrically in statistics like the BOP, a close cooperation of statisticians in all countries affected by MNE transactions are of utmost importance
- To better capture and understand intra-group flows between France and Germany the Banque de France (BdF) and the Deutsche Bundesbank (BBk) strengthened their cooperation in the last years by focusing on MNEs, which are of high relevance to their respective BOP

The approach

- Since decades, the BdF and the BBk have worked closely together in various fields of the BOP (conceptual/methodological issues, bilateral asymmetries and organizational questions)
- Regular meetings of the senior management and on the expert level reflect this constructive collaboration between both institutions
- Intra group flows (and stocks) of MNEs play always an important role in these meetings due to the close interconnection of both economies
- The cooperation established in the field of MNEs mainly rely on two parallel workstreams

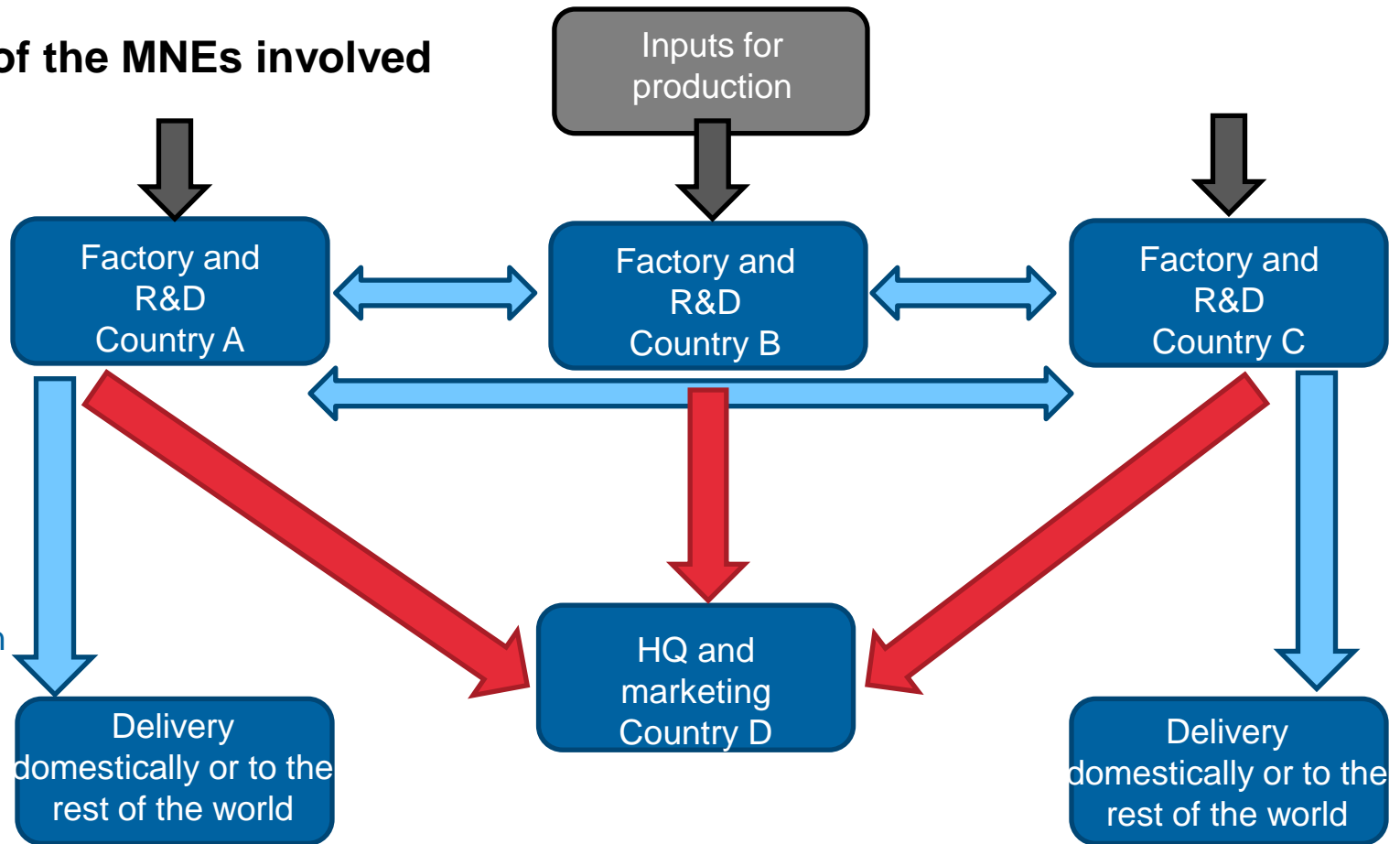
Overview of the MNEs involved

Stages in the production

Intermediate production

Commercialisation

Delivery



↔ Flows of goods and services
→ Invoicing to HQ

The work streams

Inter-institutional work stream

Stakeholders: BdF, BBk, *Insee*, *Destatis*, *French Customs*

Issues: *Understanding of the business, methodology, compilation*

Information flow

France

Stakeholders: BdF, Insee + MNE

Germany

Stakeholders: BBk, Destatis + MNE

Issues: information, kind of operations, reporting system, valuation etc.

External work stream with MNE (subsidiary/parent)

Inter- Institutional Work stream

- Exchange views on the respective comprehension of the MNE, what are the operational tasks in the countries?
- Exchange information about the current reporting practice and problems
- Conceptual treatment of operations in the respective country
- Detecting differences in the treatment of cross border flows → reason for asymmetries
- Clarifying the issues to get a common view
- Open questions to be addressed in workstream II
- Discussion of outcomes of workstream II
- Final agreement on the future statistical treatment and data collection in the relevant statistics (BOP, FTS, NA)

Works tream II in detail France (1/2)

External work
stream with MNE
(subsidiary/parent)

- Doubts about the consistency between the reporting of the MNEs and its activity
- Meeting with the MNEs to understand its global production arrangement
- Meetings with experts of related statistics
- Regular meeting with the MNEs to understand its reporting and the data reported to other statistical institutions (also allowing us to exchange confidential information between institutions)
- In-depth analysis between statistical institutions of our understanding (national accounts, foreign trade statistics and profiling division) in dedicated workshops

Work stream II in detail

France (2/2)

External work
stream with MNE
(subsidiary/parent)

- Meeting with workstream I to check our respective understanding and clarify doubts leading to a common vision but also new questions
- Explanation of our new questions to the MNEs and definition of answers
- Final meeting with workstream I to reach a common definition of the MNEs' activities and how they should be reported
- Meeting with the MNEs to explain our understanding of their global production arrangement and the new reporting requirements and definition of the main stages of the implementation of the new reporting
- Secondment of Banque de France's experts to the MNEs to adapt the reporting

Work stream II in detail Germany (1/2)

External work
stream with MNE
(subsidiary/parent)

- Detection of anomalies in reported data of the MNE
- First discussion with experts of related statistics (FTS, NA)
- Contact with the national MNE (explaining the issue)
- Meeting with the MNE and all institutional stakeholders
- Agreement with MNE to exchange confidential information between institutions (very important!)
- Clarification of the production chain inside the group
- Organization of the MNE reporting system

Work stream II in detail

Germany (2/2)

External work stream with MNE (subsidiary/parent)

- Explanation of statistical treatment of the intra group flows (processing, final export/import, merchanting, valuation, institutional units)
- Documentation of new insights for workstream I
- Addressing questions from workstream I
- Final meeting with MNE and institutional stakeholders to agree on future reporting and corrections for backward revisions (BOP, FTS)
- Discussion of technical aspects i.a. time to change computer systems to fulfill the „new“ requirements by the MNE
- Agreement on the date to start with revised reporting

Conclusions

(1/2)

- Exchange of views between all statistical stakeholders and MNE (parent, subsidiary) on national and international level fosters the understanding of MNE activities
- Insights into the group's operations, its international production arrangements and internal pricing help to improve the statistical reporting in a common and coherent way in all statistics
- A coordinated approach of statistical institutions across countries regarding reporting requirements of an MNE is of utmost importance also for the group entities
- It improves the understanding about statistical needs and interdependencies between various statistics of the responsible units in the group. Furthermore, it fosters the internal communication between the group members in different countries.

Conclusions

(2/2)

- The work in „two work streams“ has eased the communication between the experts (rapid conclusions on conceptual issues and methods) on the one hand and talks with national group members (simple communication without language barriers, openness to admit mistakes) on the other hand.
- However, even with an optimal cooperation between all stakeholders the process is very time consuming. From our experience at least two years are needed from the initial start to a full „harmonized“ reporting in all countries.
- But it is all worth to produce statistics which reflect faithfully the volume of trade of MNEs' complex global production arrangements.