

**14<sup>th</sup> Meeting of the Advisory Expert Group on National Accounts,  
5-9 October 2020, Virtual Meeting**

**Agenda item: 4.1**

**Summary of progress of the Globalization Task Team (GZTT)**

**Prepared by IMF, Secretariat on September 17, 2020**

Background

The Globalization Task Team (GZTT) is currently being chaired by Mr. Michael Connolly, Ireland CSO. Mr. Paul Roberts, retired, Australian Bureau of Statistics (ABS), was co-chair until the end of July 2020.

The members of the GZTT are both national accounts and balance of payments compilers. The GZTT has the following geographical representation:

America:	Brazil, Canada, Uruguay, and US
Africa:	COMESA member countries
Asia:	Australia, China, Japan, and Malaysia
Europe:	Germany, Ireland, Luxembourg, Netherlands, Norway, Russia, and UK
Middle East:	Morocco
IOs:	ECB, Eurostat, OECD, IMF, UNECE, and UNSD

Summary of progress on research issues

As per the terms of reference, the AEG identified the following issues as a first priority. These are the active research issues currently being undertaken on the SNA Research Agenda:

- CIF-FOB valuation of imports/exports.
- Treatment of multinational enterprises and special purpose entities.
- Identifying economic presence and residency.
- Intra MNE flows.
- Economic ownership and recording of intellectual property products.

These three issues will be addressed together in two guidance notes.

The Task Team on IPPS is the lead on this issue; co-chairs and several GZTT members are members of the task

The four priority issues listed above, except for the IPP, will be addressed in three guidance notes produced by GZTT. The status of the work is listed below. The task team consists of both national accounts and balance of payments compilers. Given the coordination between the updates of the SNA and the BPM, the GZTT is ensuring coordination and collaboration with the Current Account Task Team (CATT), the Direct Investment Task Team (DITT), and the Balance of Payments Task Team (BPTT), created under the purview of BOPCOM. Furthermore, the subgroup has reached out to other groups such as UN Merchandise Trade Statistics Manual and UN Task Team on Globalization and Digitalization.

1. Valuation of imports and exports (CIF-FOB adjustment)

- A draft issue paper was circulated to the subgroup in September 2019. Several rounds of follow-up consultation have been undertaken and have been sent to the task team.
- To see if a change is implementable, the GZTT has been reviewing the customs data sources. There was a meeting on March 9 between the IMF (including balance of payments), OECD, and a UN merchandise trade statistics representative to discuss the availability of transaction value on customs documents.
- The draft guidance note was circulated to the task team and CATT at the end of August. **Feedback from the consultation was due by September 9.**
- An initial draft guidance note is available for AEG meeting in October 2020. While there appears to be an emerging conceptual preference there is ambiguity as to whether the preferred concept is implementable. It is still unclear how widely transaction values are available in customs documents. Furthermore, some major traders (such as Canada, United States, and Australia for exports) have indicated that transaction values are unavailable.

2. Treatment of MNEs (including intra-MNE flows), SPEs, economic presence and residency

- A draft issue paper was circulated to the subgroup on January 17, 2020. The Secretariat finalized the consultation note at the beginning of August 2020, after a second round of review. The note summarizes task members responses and points to a way forward for the guidance notes. The note is posted as background information. Additionally, to bring in the cross-border perspective, where the responses from the GZTT members were mostly skewed to national accounts, balance of payments compilers were consulted.
- Secretariat prepared two guidance notes (GNs) and circulated to the task team, comments are due by **September 25**: (1) Treatment of MNEs (which includes a discussion of economic presence and intra-MNE flows); (2) Treatment of SPEs (including if they are considered an institutional unit)
- The current guidance notes contain concrete proposals and it is hoped that the GZTT consultation will provide a hierarchy of preferences, given that they vary across

countries and the way forward for the countries that plan to compile additional measures.

- The note will be circulated to DITT for feedback by **October 5, 2020** to ensure coordination and collaboration. It may be noted that no duplication of efforts has been entertained such that the topics which are being considered by the GZTT will not be separately researched by the TTs created by BOPCOM. Instead the objective will be to draft guidance notes that include the views of both national accounts and balance of payments. In that regard, the MNEs and SPEs GN may, at a later stage, refer to consultations or recommendations, if any, of any related topics that have been discussed at the different TTs, which may have an impact on MNEs and SPEs GN.
- Two draft guidance notes are available for AEG meeting in October 2020.

### 3. Economic ownership and recording of intellectual property products.

- An outcome of the 2019 BOPCOM was to create a Task Team on Intellectual Property Products (IPPs) to research issues related to the cross-border IPP trade. Since many of the difficulties with assigning economic ownership of IPPs occurs amongst members of an MNE group and to avoid duplication of efforts the ISWGNA decided to join forces with the BOPCOM task team. This group consists of both BOPCOM appointed members and the GZTT appointed members, including the co-chairs of the GZTT and AEG members Michael Connolly and Paul Roberts (retired in July 2020).
- A preliminary issue note was circulated to the task team and feedback was provided by the end of August 2020. An updated version of the preliminary note is expected shortly.
- Given the lack of progress, the issue will not be discussed at the AEG meeting in October 2020.

#### Additional Globalization research issues

The SNA Research Agenda document lists additional items under the Globalization topic that are not currently being researched by the GZTT. However, they may be actively being researched by other task teams. A separate document is prepared on recommendations on what additional items should be added to the GZTT active research list.