

## 15<sup>th</sup> Meeting of the Advisory Expert Group on National Accounts, 6-8 April 2021, Remote Meeting

### Agenda item: 6.1

#### Progress Report on Work Undertaken by the Globalization Task Team<sup>1</sup>

*This report presents an overview of the activities and the progress made by the Globalization Task Team (GZTT) since the last Advisory Expert Group (AEG) on national accounts meeting in October 2020. In light of the feedback received from the discussion at both the Advisory Expert Group (AEG) on National Accounts virtual meeting, and the IMF Committee on Balance of Payments Statistics (Committee) meeting, the GZTT has revised its three Guidance Notes accordingly. With respect to the GN on “Valuation of Imports and Exports of Goods in the International Standards (CIF to FOB Adjustment)”, an online questionnaire was launched on March 12, 2021 for a 4-week period to kick-start the testing with countries. The SPEs GN has been finalized and is expected to move for public consultation, pending approval of the AEG and Balance of Payments Task Team (BPTT). The GN on MNEs has been revised to include a refined definition for MNE and a decision tree; it was also re-circulated within the Direct Investment Task Team on account of cross-cutting discussion on MNEs. The GN on MNEs could move to global consultation pending feedback from the April 2021 AEG meeting. Additional research issues identified by the AEG and rolled over from the defunct Intellectual Property Products Task Team (IPTT) have been added to the GZTT work program.*

#### INTRODUCTION

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1. **The Globalization Task Team (GZTT)<sup>2</sup> was established to produce one or more guidance notes on globalization issues identified by the Advisory Expert Group (AEG) on National Accounts as a first priority.** Initially established by the Intersecretariat Working Group on National Accounts (ISWGNA) in April 2019, the task team is now an official joint task team with the IMF Committee on Balance of Payments Statistics (Committee). To support Mr. Michael Connolly, from Ireland Central Statistics Office, Mr. Branko Vitas has been appointed co-chair of the GZTT, in replacement of Mr. Paul Roberts, who retired from the Australian Bureau of Statistics. Similar to other Task Teams, the GZTT has been extended to include Government Finance Statistics experts since November 2020.
2. **The GZTT has made further progress in its Guidance Notes (GNs) in light of the discussions at both the Advisory Expert Group on National Accounts (AEG) and IMF Balance of**

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<sup>1</sup> Prepared by Ms. Padma S. Hurree-Gobin, and Ms. Jennifer Ribarsky (both, IMF) – GZTT Secretariat, and reviewed by Mr. Michael Connolly (CSO, Ireland – co-chair) and Mr. Branko Vitas (ABS, Australia - co-chair).

<sup>2</sup> Given the cross-cutting nature of the research issues, the GZTT consists of both national accounts and balance of payments compilers (Appendix II).

**Payments Committee meetings in October 2020.** The GNs have been reviewed to take on board the feedback received from the meetings as well as from the consultation exercise with the Direct Investment Task Team (DITT) and the Current Account Task Team (CATT).

3. **The GZTT has prepared an online questionnaire to test the practical feasibility of the preference for recording of exports and imports of goods at their observed transaction value.** Further to the AEG and BOPCOM meetings' conclusions and following the consultation within the Current Account Task Team (CATT) it was clear that further country consultation and testing are needed. The testing's objectives, by way of a questionnaire to be sent to countries, are to assess (i) the extent of the difficulties in obtaining external trade data at observed invoice (transaction) values from customs data, (ii) the practical implementation of this change, and (iii) whether the benefits of the change shall outweigh the disruption (and cost) to the statistical system. The questionnaire was finalized in light of discussions within the GZTT and in consultation with some members of the CATT.

4. **The testing strategy adopted is a two-stage approach and was launched jointly on the United Nations Statistics Division and the IMF's *BPM6* update webpage on March 12, 2021 for an initial period of four weeks (responses are due April 12, 2021).** During the first stage, the questionnaires was sent to all countries, where both national accounts and balance of payments compilers are asked to either send separate responses or a single coordinated one. This first stage, which targets a wider set of economies, reflecting geographical representation and different stages of statistical development, will also set the pace for a more detailed investigation to follow. Actually, the countries are asked to volunteer for a more detailed testing, which will be undertaken on a targeted approach in the second phase.

5. **To ensure adequate response, the GZTT will use different outreach strategies.** As soon as the online questionnaire is posted on the UNSD and the IMF's *BPM6* update webpage, a generic correspondence was sent to all balance of payments compilers and national compilers to inform them accordingly. The GZTT members were asked to provide support in ensuring that responses come from their respective institutions/countries. The assistance of the secretariat of the different TTs, including CATT, Balance of Payments Task Team (BPTT), the OECD Working Party on National Accounts and Trade in Goods and Services, Eurostat Working Groups (e.g., National Accounts Working Group), as well as the OECD/WTO Inter-agency Task Force on International Trade Statistics will be sought to inform about the public consultation. The representative of the COMESA on the GZTT will assist to reach out to its African member states. Target countries on the GZTT, namely Germany, Ireland, and Uruguay have already agreed to do active testing.

6. **The GN on "*MNEs and Intra-MNE Flows*" has been revised to incorporate a refined definition for MNE, emphasizing "control" as defined by *BD4* and *BPM6*, together with a decision tree to guide national compilers.** The revised GN has been circulated, for a second round, to the DITT members to seek their comments in light of their discussion on MNEs, and ultimate investing economy. With respect to highlighting MNEs in the national accounts through the institutional sector accounts and gross value added, the AEG and the GZTT have both recommended that the breakdown should be determined by national agencies dependent on their statistical production process, users' analytical and policy needs.

7. **The GZTT has not included an elaborated discussion of SPEs incorporated by government in the revised version of its GN on "Treatment of SPEs", at this stage.** The GZTT, while

acknowledging the issue in the GN, has opted to defer this discussion to the DITT, as part of its GN D.5 “*Eliminating imputations for entities owned or controlled by general government for fiscal purposes*”. The views of the GZTT, if any, will be highlighted as an outcome of the discussion of the GN D.5, when it will be circulated within the GZTT for comments. The GNs on “*MNEs and Intra-MNE Flows*” and “*Treatment of SPEs*” are expected to be ready for a six-week global consultation, once approved by the AEG and BPTT.

8. **Moving forward, the GZTT has to complete two high-priority GNs, which were rolled over from the joint (BOPCOM/ISWGNA) Intellectual Property Products Task Team (IPTT).**<sup>3</sup> The GZTT has already developed a work plan for the second priority items and is actively coordinating with the CATT on G.6 where a joint guidance note is envisioned. Appendix I shows the first priority issues identified by the AEG and the second priority issues recently added during the October 2020 AEG meeting. The GNs will be developed in the course of 2021. The GZTT is also expected to provide comments, as part of the consultation process, for those GNs produced by the other TTs that pertain to globalization issues.

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<sup>3</sup> The IPTT, which used to be a separate TT, has now been combined with the GZTT. As such all the research issues of the IPTT will be addressed under the work plan of the GZTT.

## Appendix I.

### Globalization Task Team (GZTT)-Joint BPM/SNA

Issue No.	Research Topic	Classification	Links to other TTs	Status
High-priority items				
G.1	Valuation of imports and exports (CIF-FOB adjustment)	H	CATT	Draft guidance note publicly posted Stage 1: Questionnaire posted March 12, 2021; responses due by April 12, 2021 Stage 2: Detailed pilot study due August 30, 2021
G.2	Treatment of MNE and Intra-MNE Flows	H	DITT	Guidance note presented at October 2020 and April 2021 AEG meetings Depending on outcome of April 2021 AEG and BPTT consultations, may be ready for global consultation
G.3	Transfer pricing within MNE group#		DITT	To be drafted after G.5
G.4	Treatment of special purpose entities and residency	H	DITT	Guidance note presented at October 2020 and April 2021 AEG meetings Pending approval of AEG and BPTT, may be ready for global consultation
G.5	Economic ownership and recording of intellectual property products#	H	DZTT, DITT	Initial draft to be circulated to GZTT for discussion by May 2021
Medium-priority items				
G.6	Merchanting and Factoryless goods producers and recording of their transactions	M	CATT	Initial draft to be circulated to GZTT for discussion by May 2021
G.7	Global value chains and trade in value-added	M		Initial draft to be circulated to GZTT for discussion by May 2021
G.8	Typology of global production arrangements	M		To be drafted after G.6
G.9	Payments for “knowledge-based capital”	M	DZTT	Initial draft to be circulated to GZTT for discussion by July 2021

# This was added from the roll-over of the former Intellectual Property Task Team into the GZTT.

## Appendix II. Members of the Globalization Task Team

### Chairs:

Mr. Michael Connolly (CSO, Ireland)

Mr. Branko Vitas, (ABS, Australia),

### Secretariat:

Ms. Jennifer Ribarsky (IMF)

Ms. Margarida Martins (IMF)

Ms. Padma Sandhya Hurree Gobin (IMF)

### International Organizations:

Mr. Celestino Giron (ECB)

Mr. Nadim Ahmad (OECD)

Mr. Filippo Gregorini (Eurostat)

Mr. Steiner Todsén (Eurostat)

Mr. Martim Assunção (Eurostat)

Ms. Laura Wahrig (Eurostat)

Mr. Floris Jansen (Eurostat)

Mr. Philip Stokoe (IMF)

Mr. Herman Smith (UNSD)

Mr. Tihomira Dimova (UNECE)

Mr. Rami Peltola (UNECE)

### Country Representatives:

Mr. Roberto Luís Olinto Ramos (FGV, Brazil)

Mr. Andrey Tatarinov (ROSSTAT, Russia)

Mr. Sanjiv Mahajan (ONS, UK)

Ms. Grace Kim (ABS, Australia)

Mr. Dylan Rassier (BEA, US)

Ms. Ann Lisbet Brathaug (Statistics Norway)

Ms. Jennifer Withington (Statistics Canada)

Mr. Jens Walter (Deutsche Bundesbank)

Mr. Paul Feuvrier (Central Bank of Luxembourg)

Ms. Norhayati Razi (Bank Negara, Malaysia)

Mr. Satoru Hagino (Fukuyama University, Japan)

Ms. Lamia Laabar (Haut-Commissariat au Plan, Morocco)

Ms. Yang Can (SAFE, China)

Mr. Themba Munalula (COMESA)

Ms. Lourdes Erro (Uruguay)