

**16<sup>th</sup> Meeting of the Advisory Expert Group on National Accounts,  
12-14 July 2021, Remote Meeting**

**Agenda item: 5.1**

**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 April 2021. For the GN on “Valuation of Imports and Exports of Goods in the International Standards (CIF to FOB Adjustment)”, initial results of the online questionnaire are available and a subset of countries will be contacted for online testing. The GNs on special purpose entities and multinational enterprises (MNEs) have been reviewed by the Balance of Payments Task Team and the AEG and have moved to public consultation. The GZTT and Current Account Task Team (CATT) have joined forces to produce one integrated guidance note that will address “Merchanting and Factoryless Goods Producers and Recording of their Transactions” (G.6); therefore, this issue will be addressed in CATT GN C.4. “Merchanting and Factoryless Producers; Clarifying Negative Exports in Merchanting; Merchanting of Services”.

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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 Conolly (CSO, Ireland – co-chair) and Mr. Branko Vitas (ABS, Australia – co-chair).

## INTRODUCTION

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- 1. The Globalization Task Team (GZTT)<sup>2</sup> has made further progress in its Guidance Notes<sup>3</sup> (GNs) in light of the discussions at both the Committee and the AEG meetings in February 2021 and April 2021, respectively.** 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).
- 2. Initial results of the valuation of imports and exports online questionnaire to test the practical feasibility of recording exports and imports of goods at their observed transaction value have been received.** The initial results will be presented for information in the accompanying GZTT document (BOPCOM VM2 21/15). The survey, which was launched simultaneously by the UNSD and the IMF, on March 12 had an initial deadline of April 12, 2021, which was then extended to April 26. The first stage testing was successful as it witnessed the participation of 119 economies. The objectives of the survey questionnaire accessible to both national accounts and balance of payments compilers,<sup>4</sup> were 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.
- 3. The second stage of testing the adoption of the observed transaction value (invoice value) has commenced and will last through August 2021.** Currently, 43 economies with an adequate geographical representation, have volunteered for a more detailed testing. The second stage will investigate the impact of adopting invoice (transaction) values for the valuation of imports and exports of goods in national accounts and balance of payments.
- 4. The GN on G.2 “MNEs and Intra-MNE Flows” has been reviewed by the Balance of Payments Task Team (BPTT) and AEG and has moved to global consultation.<sup>5</sup>** The global consultation addresses the relevant key concerns: (i) if MNEs are material, (ii) support for the GZTT recommendations, and (iii) implementation questions. Given that the GN is based on well-established practices, the assumption is that there is no need for further practical testing but rather the questionnaire already encompasses the practical aspects.
- 5. The GN on G.4 “Treatment of Special Purpose Entities (SPEs) and Residency” has also been reviewed by the Balance of Payments Task Team (BPTT) and AEG and has moved to global consultation.** The global consultation will focus on (i) if SPEs are material and there is user demand for data; (ii) support for the GN’s recommendations; (iii) the current IMF data collection initiative on SPEs for external sector statistics; and (iv) if the recently released SPEs Operational Guidelines by BOPCOM are

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

<sup>3</sup> Appendix I provides a summary status report on the high- and medium-term priority issues.

<sup>4</sup> Both national accounts and balance of payments compilers were asked to either send separate responses or a single coordinated one.

<sup>5</sup> Contrary to the BPM GNs, the GZTT GNs are subject to eight-week consultation. The links to the questionnaire have been posted simultaneously on the UNSD and IMF’s *BPM6* Update website.

comprehensive enough for national accounts purposes. Similar to G.2, there is no intention for practical testing for this GN; the more so that the IMF has already launched its data collection on SPEs within cross-border statistics and has conducted three regional workshops since December 2019. The practical concerns have been included in the questionnaire itself. SPEs incorporated by general government for fiscal purposes have not been covered in G.4 but rather GZTT members have been consulted on the DITT's GN D.5 "Eliminating Imputations for Entities Owned or Controlled by General Government for Fiscal Purposes" to provide their feedback. This has been referred in G.4.

6. **Good progress has been made in drafting of GN G.5 "Economic Ownership and Recording of Intellectual Property Products (IPPs)".** Consultation of the initial draft within the GZTT will take place by the end of June. Furthermore, it was deemed that the issue of transfer pricing within an MNE (G.3) is linked to the IPP issue, so the possibility of subsuming this issue within G.5 is being explored. A decision will be taken after G.5 is drafted whether a separate GN on transfer pricing is still required.

7. **The GZTT and CATT will jointly draft the GN "G.6 Merchanting and Factoryless Goods Producers and Recording of their Transactions".** Because the issues in GN G.6 overlap substantially with GN C.4. "Merchanting and Factoryless Producers; Clarifying Negative Exports in Merchanting; Merchanting of Services", the GZTT and CATT agreed to join forces in drafting a GN that addresses both the national accounts and balance of payments perspectives. Therefore, issue G.6 has been subsumed under C.4. The drafting team comprises of both the GZTT and CATT members and an initial draft will be circulated for consultation amongst both TTs by the beginning of July.

8. **The GZTT is also making progress on medium-term priority GNs.** Drafting teams have been established for G.7 "Global Value Chains and Trade in Value-Added" and G.9 "Payments for 'Knowledge-Based Capital'". Drafts to be circulated for discussion amongst the GZTT during end-July–early-September period. The remaining GN, G.8 "Typology of Global Production Arrangements" will build on chapter 2 of the *Guide to Measuring Global Production* and given that it is linked to the outcomes of G.6/C.4, it will be drafted after C.4.

**Appendix I.**

<b>Issue No.</b>	<b>Research Topic</b>	<b>Classification</b>	<b>Links to other TTs</b>	<b>Status</b>
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
Treatment of multinational enterprises (MNE) and special purpose entities (SPE), Identifying economic presence and residency, and Intra-MNE flows				
G.2	Treatment of MNE and Intra-MNE Flows	H	DITT	Guidance note presented at October 2020 and April 2021 AEG meetings Global consultation week of June 7, 2021; responses due August 4, 2021
G.3	Transfer pricing within MNE group <sup>#</sup>		DITT	To be drafted after G.5 (if required)
G.4	Treatment of special purpose entities and residency	H	DITT	Guidance note presented at October 2020 and April 2021 AEG meetings Global consultation week of June 7, 2021; responses due August 4, 2021
G.5	Economic ownership and recording of intellectual property products <sup>#</sup>	H	DZTT, DITT	Initial draft to be circulated to GZTT for discussion by July 2021
Medium-priority items				
G.6/C.4	Merchandising and Factoryless goods producers and recording of their transactions	M	CATT	Now a joint GN with CATT and will be subsumed into C.4.  Initial draft to be circulated to GZTT and CATT for discussion by July 2021
G.7	Global value chains and trade in value-added	M		Initial draft to be circulated to GZTT for discussion by Sept. 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

## 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)

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### International Organizations:

Mr. Celestino Giron (ECB)

Mr. Nadim Ahmad (OECD)

Mr. Martim Assunção (Eurostat)

Mr. Daniel ISCRU (Eurostat)

Ms. Laura Wahrig (Eurostat)

Mr. Floris Jansen (Eurostat)

Ms. Francien Berry (IMF)

Mr. Philip Stokoe (IMF)

Mr. Herman Smith (UNSD)

Mr. Tihomira Dimova (UNECE)

Mr. Rami Peltola (UNECE)

### Former members:

Mr. Paul Roberts (ABS, Australia, former co-chair)

Mr. Filippo Gregorini (Eurostat)

Mr. Steiner Todsén (Eurostat)

### Country Representatives:

Mr. Roberto Luís Olinto Ramos (FGV, Brazil)

Ms. Natalia Kuprianova (Central Bank of Russia)

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)

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