



Progress Report on Work Undertaken by the Globalization Task Team

16th Meeting of the Advisory Expert Group on
National Accounts

12-14 July 2021

Outline

- **Overview of the GZTT Work**
- **G.1 Valuation of Imports and Exports**
 - Testing Strategy and Outreach
- **G.2 Treatment of MNE and Intra-MNE Flows**
- **G.4 Treatment of SPEs**
- **G.5 Economic Ownership and Recording of Intellectual Property Products**
- **G. 6 Merchanting and Factoryless Goods Producers and Recording of their Transactions**
- **Other GNs**

GZTT: Overview of the Work

- Official joint task team **Advisory Expert Group (AEG) on National Accounts/IMF Committee on Balance of Payments Statistics (Committee)**
- AEG identified the following issues as a first priority:
 - ▶ CIF-FOB valuation of imports/exports
 - ▶ Economic ownership and recording of intellectual property products (IPPs)
 - ▶ Treatment of multinational enterprises (MNEs) and special purpose entities
 - ▶ Intra-MNE flows
 - ▶ Identifying economic presence and residency
- Issues rolled over from the defunct Intellectual Property Products Task Team (IPTT):
 - ▶ Transfer pricing within MNE group
 - ▶ Payments for “knowledge-based” (non-produced) capital
- Many issues of the Task Team are intertwined and should be considered holistically
- Ongoing collaboration with other TTs: Current Account Task Team (CATT), and Direct Investment Task Team (DITT).

G.1 Valuation of Imports and Exports (CIF-FOB Adjustment)

- Guidance note on the adoption of transaction (invoice value) for the valuation of imports and exports
 - Further consultation and testing to understand the practical feasibility of the preference for recording of exports and imports of goods at their observed transaction value.
- Objectives of the testing:
 - (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.

Testing Strategy: Online Questionnaire

- Target both national accounts and balance of payments compilers to either send separate responses or a single coordinated one.
- Two-staged approach

Stage 1: Wider Audience

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.

Stage 2: Targeted approach with selected countries

- Countries in Stage 1 will be asked to volunteer for a more detailed testing to be undertaken on a targeted approach in the second phase
- Launched on March 12, 2021, simultaneously on UNSD and the IMF's *BPM6* Update webpage. Responses for stage 1 due April 12, 2021.
- **Stage 1 now closed, next presentation shows preliminary results**
- **Stage 2 closes August 30, 2021**

G.2 Treatment of MNE and Intra-MNE Flows

- **GN proposes highlighting MNEs**—recommend a breakdown (e.g., **foreign-controlled corporations and national private/public corporations which are part of domestic MNEs**) in the national accounts through the institutional sector accounts (ISAs), eSUTs (extended supply-use tables), and/or gross value-added (GVA) should be determined by :
 - national agencies dependent on their statistical production process,
 - users’ analytical and policy needs.
- GN incorporates:
 - A refined definition for MNE, emphasizing “control” as defined by *BD4* and *BPM6*,
 - A decision tree to guide national compilers.
- DITT, BPTT and AEG consulted; **approved and posted for Global Public Consultation. Responses due August 4, 2021.**
- Ready for Committee/AEG final discussion in October 2021.

G.4 Treatment of Special Purpose Entities and Residency

- GN recommends:
 - **No change** made to the residency principle in the SNA and BOP frameworks, SPEs with non-resident parents should continue to be classified as institutional units in the economic territory in which they are located.
 - A **definition** of SPEs that is **consistent between national accounts and external sector statistics**.
 - Entities incorporated in the same economic territory as their parents but not consolidated on account of being autonomous (households or securitization vehicles) **will not be termed as SPEs** for purposes of separate identification or data collection. These units will be classified based on the specific type of activity (e.g., domestic securitization vehicle or trusts).
 - Distinguishing **separate “of which” category** (within the non-financial and financial corporations’ sectors) for foreign-controlled SPEs, aligns the treatment of SPEs in the national accounts and external sector statistics.
 - DITT, BPTT and AEG consulted; **approved and posted for Global Public Consultation. Responses due August 4, 2021.**
 - Ready for Committee/AEG final discussion in October 2021 (Possibly written consultation).

Other GNs

- GN.5 “Economic Ownership and Recording of Intellectual Property Products (IPPs)”
 - Initial draft to be circulated within GZTT by end of June 2021.
 - Transfer pricing within an MNE (G.3) is linked to the IPP issue; a determination of whether a separate GN is needed will be investigated after the completion of G.5.
- G.6 “Merchanting and Factoryless Goods Producers and Recording of their Transactions” linked to C.4 “Merchanting and Factoryless Producers; Clarifying Negative Exports in Merchanting; Merchanting of Services”.
 - **Joint GN to be drafted** by GZTT and CATT members.
 - G.6 will be subsumed under C.4.
- Drafting team 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 within GZTT during end-July–early-September period.
- G.8 “Typology of global production arrangements” linked to the outcomes of G.6/C.4. Therefore, it will be drafted after C.4.

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
	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 [#]		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 [#]	H	DZTT, DITT	Initial draft to be circulated to GZTT for discussion by July 2021
Medium-priority items				
G.6/C.4	Merchanting 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

Thank you

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