

Task Force on The SNA Research Agenda – Subgroup on Globalization
Subgroup meeting (teleconference)
November 22, 2019
Final Minutes

- **Participant list**

- **Co-chairs:** Mr. Michael Connolly (Ireland Central Statistics Office) and Mr. Paul Roberts (Australian Bureau of Statistics);
- **Participants from countries:** Ms. María Lourdes Erro Azcarate (Central Bank of Uruguay); Ms. Ann Lisbet Brathaug (Statistics Norway); Mr. Satoru Hagino (Fukuyama University, Japan); Ms. Lamia Laabar (Haut-Commisariat au Plan, Morocco); Mr. Sanjiv Mahajan (Office of National Statistics, United Kingdom); Mr. Dylan Rassier (Bureau of Economic Analysis, United States); Ms. Norhayati Razi (Bank Negara, Malaysia); and Mr. Jens Walter (Deutsche Bundesbank);
- **International Agencies/Regional Organizations:** Mr. Nadim Ahmad (OECD); Mr. Celestino Giron (ECB); Mr. Themba Munalula (COMESA); Mr. Rami Peltola (UNECE); Ms. Tihomira Dimova Rodde (UNECE); Mr. Herman Smith (UNSD); and Mr. Steinar Todsén (Eurostat);
- **Secretariat:** Jennifer Ribarsky (IMF), Padma Sandhya Hurree Gobin (IMF), and Margarida Martins (IMF).

1. **Welcome by co-chairs; Members of subgroup introduction – name and organization**

2. **Discussion of the valuation of imports/exports (CIF-FOB) consultation**

a. **Outcomes**

- The Secretariat provided a summary of the written consultation of subgroup members concerning the issues note on CIF-FOB valuation of imports and exports. Most of the members within the subgroup (11 in a total of 16 replies from countries, including the view from the UK expressed during the meeting) had chosen option 4 (*It can be considered to amend the BPM guidelines and adopt the valuation on a true transaction or actually observed prices basis*). This option was in general considered conceptually sound, but the respondents expressed the need for further consultation regarding practical considerations.

b. **New evidence on whether the transaction (invoice) value can be implemented**

- The Secretariat provided an overview of the summary of discussion at the October 2019 BOPCOM meeting where the joint IMF-OECD paper on the *Asymmetries Arising from the CIF/FOB Adjustments in Recording International Trade in BPM6 and 2008 SNA* was presented. The BOPCOM paper, shared with members of the sub-group, includes the results from the IMF/OECD Survey on the use in practice of trade invoice values. The responses were from 66 countries (30 OECD and 36 non-OECD). Country views show little support to using invoice values amid concerns about its practical implementation. In general, the countries took one of three positions: (i) favorable to the proposal (around 20 percent); (ii) unfavorable to the proposal (around half of the respondents); and (iii) favor

more investigations (around 30 percent). These results seem to be contrary to the results of the Subgroup consultation.

- The BOPCOM, recognizing that the proposal entails both conceptual changes (e.g., on the very concept of freight services) and practical data collection challenges, agreed that further research is needed before deciding on moving away from FOB valuation. It also agreed on the usefulness to gather further information from additional countries about the feasibility of using invoice values (transactions) to assist compilation of imports/exports in balance of payments and national accounts. This entailed an enlarged survey sample.

c. Way forward

- The meeting agreed that the way forward includes additional investigation on the practical feasibility of using transaction value data. This view was equally expressed in the written consultation by most of those who selected option 4.
- The members of the sub-group provided additional views during the discussion:
 - Option 4, and the use of transaction values, is conceptually valid, but practical considerations should be taken into account in the decision (Australia, ECB, Eurostat, Germany, Ireland, Malaysia, Uruguay, UNSD, UK, and US);
 - There is a need for the concepts in the discussion to be well defined, and CIF/FOB are concepts that should be maintained (UK);
 - In some countries, option 4 would be implementable, as there is available information, and possible access, to invoice value data (Australia, Eurostat, Germany, Ireland, and Uruguay); The invoice value data are currently in use in some countries (Australia and Norway);
 - In many countries, the estimates of the CIF/FOB adjustment are not considered statistically sound due to the lack of information. Therefore, the current situation is considered problematic, as it contributes to inconsistencies across countries because different methods are used, and further work is needed in this topic (Japan, Ireland, UK and Uruguay);
 - The harmonization between the SNA and BPM is important, but also with other areas of statistics, as environmental accounts (Uruguay, UK, and US);
 - The harmonization within the SNA, especially considering the impact of a change in the core accounts and in the SUT/IOT framework should also be considered (Malaysia, Norway, and UK);
 - Although feedback was provided, some additional consultation with other agencies is needed in some cases (COMESA, Malaysia, and US).
 - Unlike Europe, the customs information might not be so comprehensive in some countries, and the lack of resources may raise additional practical challenges (COMESA); for some countries there might also be challenges in obtaining the data from customs administration (Japan);
 - It would be important to get in contact with the World Customs Organization, to try to find additional information on the availability of transaction value data in countries (Germany);
 - A discussion of when the changes should be implemented is relevant, for example, at the time of a benchmark revision of the national accounts (COMESA);
 - The subgroup should discuss additional issues with potential for mismeasurement error, for example, the treatment of online purchases (Australia);

- The importance of sharing information among countries (UK).
- The main focus for SUTs is to obtain consistent product balances. At the product level, there will be a clash between data from two different sources: The cif and fob values of imports and exports from the foreign trade statistics and the transaction values reported by enterprises. To the extent that they are inconsistent (which they will be if the border crossing values (cif-fob) are not reflecting the actual place of change of ownership, and thus the invoiced amount. (For example, the reported output valued at basic prices may reflect the price at a physical delivery point inside the importing country). These inconsistencies will imply that some remaining categories of use will be incorrectly estimated when the supply and use of the product is forced to balance. The introduction of the change of ownership principle in the 2008 SNA did to some extent alleviate this problem but does not solve the problem arising from the fact that the cif and fob values may not be good approximations for the change of ownership valuation. (UK)

3. Status of work on remaining issues

- The co-chairs and Secretariat are currently working on the remaining two issue notes. The merged note on 'intra-MNEs flows' and "Treatment of MNEs and special purpose entities, and identifying economic presence and residency" will be circulated for consultation by the end of December 2019.
- The initial third issue paper on 'IPPs', drafted by Australia is currently being reviewed by the Eurostat, to bring additional information to the discussion. This paper will be circulated to the subgroup around February 2020.
- Any additional topics will be addressed by email.

4. Agreed actions

- **CIF/FOB**
 - **Subgroup members:** further investigate the practical feasibility of implementing the use of invoice value, based on questions to be sent by the co-chairs and the Secretariat;
 - **Secretariat:** further investigate the use of the IMF/OECD survey to obtain information on country practices;
 - **Secretariat:** investigate the possibility of contacting the World Customs Organization.
- **Other topics**
 - **Co-chairs and secretariat:** send draft issue note and ask for feedback of members of the subgroup (by end-December 2019);
 - **Subgroup members:** provide feedback on draft issue note to be sent by Co-chairs and secretariat;
 - **Co-chairs and secretariat:** circulate papers by Australia and Eurostat (around February 2020).

5. Due to time limit, the remaining issues on the agenda were not discussed.

6. Next meeting (teleconference)

- Date not agreed yet.

IMF Secretariat
January 24, 2020