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For information

Progress Report on Work Undertaken by the Globalization Task Team

Prepared by the Globalization Task Team (GZTT)

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This report presents an overview of the activities and the progress made by the Globalization Task Team (GZTT) since the last IMF Committee on Balance of Payments Statistics (Committee) 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 held October 5–9, 2020, and the Committee meeting, the GZTT has revised its three Guidance Notes (GNs) 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 will be launched shortly to kick-start the testing with countries. The GNs on special purpose entities and multinational enterprises (MNEs) have almost been finalized and shall move for public consultation mid-March 2021. 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. These two remaining GNs, which suffered a slight setback in their timeline, will be shortly submitted to the Balance of Payments Task Team. Additional research issues identified by the AEG and rolled over from the defunct Intellectual Property Products Task Team have been added to the GZTT work program.

INTRODUCTION

- 1. The Globalization Task Team (GZTT)² 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 (TTs), 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 AEG and the 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 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

¹ 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).

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

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 to be adopted is a two-stage approach and will be launched jointly on the United Nations Statistics Division (UNSD) and the IMF's *Balance of Payments and International Investment Position Manual, sixth edition, (BPM6) Update webpage* by the end of February for an initial period of four weeks.** During the first stage, the questionnaires will be sent to all countries, where both national accounts and balance of payments compilers will be 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 will be 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 will be posted on the UNSD and the IMF's *BPM6 Update webpage*, a generic correspondence will be sent to all balance of payments compilers and national compilers to inform them accordingly. The GZTT members will be 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, 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 Common Market for Eastern and Southern Africa (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 "*Multinational Enterprises (MNEs) and Intra-MNE Flows*" has been revised to incorporate a refined definition for MNE, emphasizing "control" as defined by [OECD Benchmark Definition of Foreign Direct Investment, fourth edition \(BD4\)](#) 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 special purpose entities (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 preferred 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 circulated within the BPTT shortly and released for a six-week global consultation by mid-March 2021, as well as presented at the next Committee meeting.

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).**³ 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.

³ 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. Research Topics for the Globalization Task Team (GZTT)—Joint BPM/SNA

Issue No.	Research Topic	Classification	Links to Other TTs
High-Priority Items			
G.1	Valuation of imports and exports (CIF-FOB adjustment)	H	CATT
	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
G.3	Transfer pricing within MNE group [#]		
G.4	Treatment of special purpose entities and residency	H	DITT
G.5	Economic ownership and recording of intellectual property products [#]	H	
Medium-Priority Items			
G.6	Merchanting and Factoryless goods producers and recording of their transactions	M	CATT
G.7	Global value chains and trade in value-added	M	
G.8	Typology of global production arrangements	M	
G.9	Payments for “knowledge-based capital”	M	DZTT

[#] 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)