

GZTT Fifth Meeting (April 5, 2022)—Summary of Discussions

INTRODUCTION

1. The fifth meeting of the Globalization Task Team (GZTT) was conducted virtually on April 5, 2022. In their opening remarks, both Messrs. Michael Connolly and Branko Vitas, co-chairs, thanked the team for the ongoing excellent collaboration since April 2019, when the Task Team was initially established by the Intersecretariat Working Group on National Accounts (ISWGNA) before thereafter becoming an official joint task team with the IMF Committee on Balance of Payments Statistics (Committee). It has been three years of hard work to tackle the cross-cutting nature of the research issues, under the research agenda of the GZTT and active engagement between both national accounts and balance of payments compilers.

TOPICS PRESENTED AND SUMMARY DISCUSSIONS

OVERVIEW OF THE RESEARCH AGENDA

2. The co-chair provided an overview of the GZTT's achievements to date. In fact, the GZTT has almost completed on its work agenda.¹ Part of the work has been successfully conducted in collaboration with the Current Account Task Team (CATT), and in consultation with the Direct Investment Task Team (DITT). Discussion on all four high-priority topics has been completed, with the recommendations of two GNs having been approved at the March 2022 joint Committee/AEG meeting—G.4 “Treatment of SPEs and Residency”, and G.5 “Economic Ownership and Recording of Intellectual Property Products (IPPs)”. The GNs G.1 “Valuation of Imports and Exports”, and G.2 “Treatment of MNE and Intra-MNE Flows”, already discussed in October 2021, will be circulated for the final approval of the Committee and AEG.

3. The GZTT has advanced well on its medium-priority topics. The GN G.6 was drafted jointly with the CATT's GN C.4. “Merchanting and Factoryless Producers; Clarifying Negative Exports in Merchanting; Merchanting of Services”. GN G.7 “Global Value Chains and Trade in Value Added” and GN G.9 “Payments for ‘Knowledge-Based’ (Non-Produced) Capital” have both been discussed at the March 2022 joint Committee/AEG meeting. The recommendations put forward in G.7 have been endorsed, while for G.9 both Committee and AEG members were supportive to the GZTT's proposal of undertaking a targeted testing on the measurement of marketing assets before deciding on the final recommendation. The Committee and AEG remained favorable to the preferred treatment of marketing assets as produced on conceptual grounds and were of the view that the testing might resolve the practical concerns that were raised during the *2008 SNA* preparation. Some members even emphasized

¹ Appendix I provides a summary status report on the high- and medium-term priority issues.

the need for agreeing on a conceptually sound treatment and not to be guided only by practical difficulties.

4. Subsequent to the March meeting, the GZTT is expected to update the GN G.9, incorporating the results of the testing of the national accounts community and ensuring consistency with ongoing discussions on the concept of rent, to be circulated to the Committee and AEG members via written procedure for approval. Actually, should the status quo (continue treating these assets as nonproduced) be maintained, the Committee and the AEG agreed that clearer guidance is still needed on the treatment of payments for the rights to use marketing assets. There was a slight preference to treat those payments as services (the default solution in *BPM6*, if a split is not possible). There was also a large support for creating a new subcategory on the payment for nonproduced nonfinancial assets other than natural resources in the primary income account. Eurostat is preparing a more general GN on rent that will also be discussed as part of the update process.

5. GZTT members took note of the status of the recommendations for each GN discussed and endorsed. Now that the work on the drafting of the SNA and the BPM is starting, and the GZTT has almost completed its work program, it was noted that should the editorial teams have any questions, the co-chairs and secretariat of the GZTT could reach out to the members moving forward. Members also raised the importance of ensuring consistency of the recommendations with the ISIC and CPC update. For instance, the factoryless goods production spans across different industry and product classification. The ISIC update will be finalized this year while the CPC update will be presented next year for adoption at the UN Statistical Commission.

6. With respect to involving countries in the update process or assisting them with respect to implementing the recommendations, the GZTT was informed that communicating with countries has been one of the early elements of the update process. The global consultation has been very successful with the participation of both balance of payments and national accounts compilers. International organizations will maintain supporting countries on specific issues via conducting workshops or user conferences. The IMF will help by way of its regional capacity development as well as targeted technical assistance missions to countries to help them undertake estimates. The IMF's Statistical Forum this year will be on 'Measuring the Tangible Benefits of Intangible Capital', which will explore how we can better measure intangible capital to better support investment policy, taxation policy and macroeconomic analysis. Forthcoming events are the UNECE May 2022 Conference on update of the standards and Eurostat user conference in November 2022.

TESTING EXERCISE FOR GN G.9

7. Further to the approval of the Committee and the AEG, the GZTT will move forward with testing its recommendation of treating marketing assets as produced assets. The objective of this exercise is to see if compilers have the available data sources, and if a methodological guidance can be developed to calculate the current production. Depreciation rates/service lives to calculate capital stock and consumption of fixed capital must also be estimated. The testing exercise is expected to start during April 2022 and should be completed by November 2022. From the global consultation exercise, four countries have indicated that they had undertaken some research, namely France, the Netherlands, Belarus, and the UK. Economies that agreed with marketing assets being conceptually produced (potentially another 34 countries) will be contacted soon.

8. Some members noted that the timeframe for the consultation seemed overly optimistic to be able to come up with a decent methodology. The Netherlands, for instance, indicated that the Supply and Use Tables were the source available for their research, so only rough estimates of marketing assets could be made. In that respect, the testing phase should include what data sources are available. Eurostat GFS colleague stated that they were also interested more generally in own-account capital formation and what CFC costs should feed into production. Furthermore, the test could include the full set of accounts to include an analysis of the impact on the value of equity.

9. Recognizing marketing assets as produced should utilize the lessons learnt from capitalizing R&D. It was also noted that costs associated with marketing assets may also overlap with other assets. Consequently, the accounting perspective needs to be explored to see how marketing assets are valued on the balance sheet when they are recognized. Lastly, it was noted that communication with the classification community (CPC and ISIC) on the potential change in the standards is essential.

10. The Chair and Secretariat took note of the concerns expressed and reassured members that the exercise was not really to have a fully developed methodology at this time but to understand what data sources are currently available and if it is feasible to move ahead with the recommendation of treating marketing assets as produced assets. The testing will not only help in knowing what we have but also in understanding what we don't have. The exercise will need to ask open questions on how to implement the recommendation rather than dictating to countries on what to do. Currently, there is no internationally agreed statistical methodology on how to produce these estimates. The basic assumption can be that sum of costs is a way to go but other viable methods (e.g., income-based approach) could be discussed as well. Pertaining to sum of costs, the issue is also which costs to include—are advertising expenditures a good proxy?

11. It was also announced that there will be a special session at the UNECE Expert Group on National Accounts meeting in May 2022 on Treatment of Marketing Assets. Two presentations are scheduled, the first one by the accountant from Statistics Ireland, who will present the recommendations for the recording of Marketing assets in the IAS (IAS38) and evaluate what data might be available to respondents from their accounting systems. The second presentation will be by Carol Corrado, from the US Conference Board, who will present work that she and others did on using (a portion of) advertising expenditures to produce estimates of investment in “brand equity”

ACTIONS

- *No action required*

ATTENDEES

- **Co-chairs:** Mr. Michael Connolly (Ireland Central Statistics Office) and Mr. Branko Vitas (Australian Bureau of Statistics).
- **Participants from countries:** Mr. Dirk van de Bergen and Joseph Haynes (Statistics Netherlands); Ms. Ann Lisbet Brathaug (Statistics Norway); Mr. Paul Feuvrier (Central Bank of Luxembourg); Mr. Stefan Hauf (DESTATIS, Germany); Mr. Satoru Hagino (Fukuyama University, Japan); Ms. Grace Kim (Australian Bureau of Statistics); Ms. Natalia Kupriyanova (Central Bank of Russia);

Mr. Sanjiv Mahajan (Office of National Statistics, United Kingdom); Ms. Lizbeth Leyva Marin (INEGI, Mexico); Mr. Dylan Rassier (Bureau of Economic Analysis, United States); Mr. Jens Walter (Deutsche Bundesbank); and Ms. Jennifer Withington (Statistics Canada).

- **International Agencies:** Mr. Celestino Giron (ECB); Mr. Herman Smith (UNSD); Mr. Rami Peltola (UNECE); Floris Jansen and Daniel Iscru (Eurostat).
- **Secretariat (IMF):** Ms. Jennifer Ribarsky, Ms. Padma Sandhya Hurree Gobin, and Ms. Margarida Martins (absent).
- **Unable to attend:** Ms. María Lourdes Erro Azcarate (Central Bank of Uruguay - Retired); Ms. Yang Can (State Administration of Foreign Exchange (SAFE), China); Ms. Lamia Laabar (Haut-Commissariat au Plan, Morocco); Mr. Themba Munalula (Common Market for Eastern and Southern Africa (COMESA)); Mr. Roberto Ramos (Getúlio Vargas Foundation, Brazil); Mr. Andrey Tatarinov (ROSSTAT, Russia); Ms. Tihomira Dimova Rodde (UNECE); Mr. Phil Stokoe (IMF); and Ms. Laura Wahrig (Eurostat).

Appendix I. GZTT Research Agenda

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	Awaiting final BOPCOM/AEG endorsement.
<i>Treatment of multinational enterprises (MNE) and special purpose entities (SPE), Identifying economic presence and residency, and Intra-MNE flows</i>				
G.2	Treatment of MNE and Intra-MNE Flows	H	DITT	Awaiting final BOPCOM/AEG endorsement.
G.3	Transfer pricing within MNE group [#]		DITT	Subsumed under GN G.5
G.4	Treatment of special purpose entities and residency	H	DITT	Approved and endorsed at the joint BOPCOM/AEG March 2022 meeting.
G.5	Economic ownership and recording of intellectual property products [#]	H	DZTT, DITT	Approved and endorsed at the joint BOPCOM/AEG March 2022 meeting.
Medium-priority items				
G.6/C.4	Merchanting and Factoryless goods producers and recording of their transactions	M	CATT	Awaiting final BOPCOM/AEG endorsement.
G.7	Global value chains and trade in value-added	M		Approved and endorsed at the joint BOPCOM/AEG March 2022 meeting.
G.8	Typology of global production arrangements	M		Part of GN C.4
G.9	Payments for “knowledge-based capital”	M	DZTT	Approved for testing at the joint BOPCOM/AEG March 2022 meeting.