

GZTT Meeting (November 11, 2020)—Summary of Discussions

INTRODUCTION

1. The Globalization Task Team (GZTT) welcomed the recently appointed co-chair (Mr. Branko Vitas, Australian Bureau of Statistics) and members with Government Finance Statistics (GFS) expertise (Mr. Martim Assunção, Mr. Floris Jansen, Ms. Laura Wahrig (all Eurostat), and Mr. Philip Stokoe (IMF)).

TOPICS PRESENTED FOR DISCUSSION

OVERVIEW OF THE GZTT WORK

1. There was good progress on the three guidance notes (GN) drafted by the GZTT.
2. The GNs on Multinational Enterprises (MNEs) and Special Purpose Entities (SPEs) had a second round of GZTT consultation, a consultation round by the Direct Investment Task Team (DITT) and the Advisory Expert Group on National Accounts (AEG). There was general support for the recommendations included in the GNs and these are nearly final, after slight update to take onboard clarifications and comments.
3. The GN on the Valuation of imports and exports of goods (CIF to FOB adjustment) also had a second round of GZTT consultation, and a round of consultation by the Current Account Task Team (CATT), AEG, and IMF Balance of Payments Committee (BOPCOM). In this case, additional testing will be needed to finalize the GN.

DISCUSSION ON GUIDANCE NOTE ON VALUATION OF IMPORTS AND EXPORTS (CIF TO FOB ADJUSTMENT)

4. The feedback from AEG and BOPCOM Meetings (October 2020) shows that the use of transaction values seems to be the preferred option for the valuation of imports and exports of goods, on a conceptual basis. Albeit this was the preferred option, it was not a consensus. The AEG and BOPCOM members expressed concerns about the practical feasibility of adopting transaction values and noted the importance of the harmonization between the System of National Accounts (SNA) and the Balance of Payments Manual (BPM). Further country consultation and testing was requested to assess the practical feasibility of this option, as well as if the benefits of this change would outweigh the costs to the statistical system.

5. A testing strategy on current compilation practices and availability and access to invoice values was presented to the GZTT members. The timeline proposed seeks to receive results from the national agencies by mid-June 2021, to finalize the incorporation of the results in the GN by end-August 2021.

Tour de Table Main Discussion Points:

6. GZTT members noted that testing might require additional time to include detailed results and information from customs trade data collectors based on the International Merchandise Trade Statistics (IMTS). Coordination with customs trade collectors and IMTS needs to be considered. However, it would be useful to have at least some first results in the timeline presented to respect the deadline to complete the GN.

7. Detailed directions for the testing requirements are needed. GZTT members noted the need to compare invoice and statistical values by delivery terms and suggested that it would be suitable to circulate a template illustrating the present recording and the proposed recording using an empirical example to facilitate the consultation process. The GZTT Secretariat will circulate the testing questionnaire and template to the GZTT members for their comments shortly after the meeting. Germany will share the testing results to be presented to the OECD Working Party on International Trade in Goods and Services Statistics.

8. The GN testing and consultation will be extended to a wide set of economies, to reflect several regions and different stages of statistical development. The objective is to include national accounts and balance of payments compiling agencies. In a first stage, the agencies are asked to provide feedback on the interest in participating in the study, so that more targeted contacts are made in time to obtain results from a diverse group of economies.

DISCUSSION ON GUIDANCE NOTE ON SPES

9. The preferred option as expressed in the consultation is to leave the core SNA and BPM framework unchanged but consider supplemental information on SPEs as an encouraged breakdown of foreign controlled SPEs within the institutional sector accounts for countries for which SPEs are significant.

10. The AEG and DITT consultation regarding conceptual aspects revealed general agreement in aligning the definition of SPEs based on direct or indirect foreign control (although different terms to distinguish SPEs with resident parents are to be considered), in integrating the proposed breakdown of foreign controlled SPEs within the institutional sector accounts for countries for which SPEs are significant, and in using the same definition of SPEs as proposed in the context of ESS in the SNA for separate identification of SPEs within the institutional sector accounts (however, a more clear-cut and precise guideline should be developed to operationalize this definition).

11. On a practical perspective, members agreed to the proposal that, from a purely user needs perspective, SPEs cross-border transactions or positions that have immediate resident parents, are identified separately within cross-border statistics and not consolidated with the non-SPE resident, to the extent possible. However, practical implementation may be challenging.

12. Regarding the option to extend the existing framework, adopting the nationality-based presentation as alternative concept, without departing from the current SNA and BPM framework, the

GZTT views that this should be considered on a supplemental basis to complement residence-based statistics, and is a viable option only for countries for which SPEs were deemed important. From a conceptual aspect, DITT and AEG supported the presentation as an extension to the core framework, but in practice would involve major implications and challenges for compilers, for which international cooperation may be needed.

13. The timeline for this GN targets the public consultation to start mid-December 2020.

Tour de Table Main Discussion Points:

14. Additional written comments to the GN, concerning mainly the definition of SPE, are going to be sent by the GZTT members that recently joined the GZTT (GFS experts from Eurostat).

15. GZTT members were appraised that the current GN on SPEs, with respect to the treatment of SPEs owned by government, would be updated once the recommendations from the DITT Guidance Note D.5 “Eliminate the Imputations for an Entity Owned or Controlled by General Government that is Used for Fiscal Purposes Note” will be shared with the GZTT.

16. GZTT members supported the use of the BOPCOM definition for SPEs, the importance of ensuring harmonization between BPM and SNA, and the need to have a progressive approach to the work. GZTT members also noted the importance of clarity in the concepts (as control and ownership) and names (for example to distinguish SPEs with resident parents) used. Clear operational guidance is needed, as has been developed by the IMF in collaboration with some countries and other international organizations. GZTT members also noted the significance of highlighting data sources to support option 2 in the GN.

17. GZTT members supported the next steps for the GN.

DISCUSSION ON GUIDANCE NOTE ON MNES

18. The Feedback from GZTT, DITT, and AEG revealed general consensus to increase communication and user education around existing (not superior) indicators, that alternative measures (such as adjusted gross national income (GNI*) in Ireland) should be left up to the countries based on their own needs but not included in the SNA, and that further work may be necessary to help countries improve their estimation of CFC.

19. The consultation also revealed general consensus on the definition of MNEs and emphasizing “control” as defined by *BD4* and *BPM6*. Some key issues were raised around residency and “ownership versus control”. The need for a clear framework to determine control to facilitate data collection efforts was also noted.

20. Concerning the approach to highlight MNEs in the national accounts, the institutional sector accounts and gross value added seemed to be the preferred options by most members in the consultations, with less preference given to extended supply and use tables. However, the AEG and the GZTT recommend that the choice of which breakdown is adopted by national agencies should depend on their statistical production process and the analytical and policy needs of users.

21. The next steps include clearly define in the GN what is meant by MNEs and further discuss the control principle. The GN will also further discuss the implications of the three approaches to highlight

MNE activities and emphasize that the countries decide on which approach to implement. The GN is expected to be circulated for global consultation by mid-December 2020.

Tour de Table Main Discussion Points:

22. GZTT members agreed that the MNE definition needs to be further refined. The Secretariat will send the updated definition for comments by the GZTT members.

23. GZTT members noted the importance of the units considered in compilation to reach harmonization between national accounts and balance of payments estimates.

NEW AND REMAINING ISSUES OF GZTT

24. The conclusions of the 2020 AEG Meeting include additional topics to be addressed by the GZTT. For most of these topics, the GZTT work will build on the guidance that already exists. The Secretariat will seek additional coordination with the CATT on the overlapping topics.

25. The topics currently addressed by the Task Team on Intellectual Property Products are going to be included back in the GZTT. The Secretariat will update the GZTT Terms of Reference document, and the member list.

ACTIONS

GZTT members to:

- The GZTT members will provide feedback on the valuation of imports and exports testing questionnaire and template.
- The GZTT members will provide feedback on the updated MNE guidance note.

The GZTT Secretariat to:

- The Secretariat will update the GZTT Terms of Reference document, and the member list.
- The GZTT Secretariat will circulate the valuation of imports and exports testing questionnaire and template to the GZTT members for their comments.
- The Secretariat will send the updated MNE guidance note with definition to the GZTT members for their comments.

ATTENDEES

- **Co-chairs:** Mr. Michael Connolly (Ireland Central Statistics Office) and Mr. Branko Vitas (Australian Bureau of Statistics);
- **Participants from countries:** Ms. María Lourdes Erro Azcarate (Central Bank of Uruguay – Retired); Mr. Dirk Van den Bergen (Statistics Netherlands); Ms. Ann Lisbet Brathaug (Statistics Norway); Mr. Paul Feuvrier (Central Bank of Luxembourg); Mr. Satoru Hagino (Fukuyama University, Japan); Ms. Grace Kim (Australian Bureau of Statistics); Mr. Sanjiv Mahajan (Office of National Statistics,

United Kingdom); Ms. Norhayati Razi (Bank Negara, Malaysia); and Mr. Jens Walter (Deutsche Bundesbank).

- **International Agencies:** Mr. Martim Assunção (Eurostat); Ms. Francien Berry (IMF); Mr. Celestino Giron (ECB); Mr. Daniel Iscru (Eurostat); Mr. Floris Jansen (Eurostat); Mr. Rami Peltola (UNECE); Ms. Tihomira Dimova Rodde (UNECE); Mr. Herman Smith (UNSD); Mr. Steinar Todsen (Eurostat); Mr. Philip Stokoe (IMF); and Ms. Laura Wahrig (Eurostat).
- **Secretariat (IMF):** Ms. Jennifer Ribarsky, Ms. Padma Sandhya Hurree Gobin, and Ms. Margarida Martins.
- **Unable to attend:** Mr. Nadim Ahmad (OECD); Ms. Yang Can (State Administration of Foreign Exchange (SAFE), China), Ms. Lamia Laabar (Haut-Commissariat au Plan, Morocco), Mr. Roberto Ramos (Getúlio Vargas Foundation, Brazil); Mr. Dylan Rassier (Bureau of Economic Analysis, United States); Mr. Andrey Tatarinov (ROSSTAT, Russia), Mr. Themba Munalula (Common Market for Eastern and Southern Africa (COMESA); and Ms. Jennifer Withington (Statistics Canada).