

Task Force on the SNA Research Agenda – Globalization Task Team

Task Team meeting (teleconference)

June 16, 2020

Draft Minutes

1. Welcome by co-chairs.

2. Official launch of the update of the International Statistical Standards

- The update of the System of National Accounts (SNA) was formally launched at the 2020 United Nations Statistics Commission (March 2020) with the target date of March 2025. The update of the Balance of Payments Manual (BPM) was equally launched by the IMF Committee on Balance of Payments Statistics (BOPCOM) in March 2020, with the same target date. With the simultaneous update of both manuals, the objective is to have a high degree of collaboration and maintain alignment.
- The governance structure of the update involves international agencies, including the members of the Intersecretariat Working Group on National Accounts (ISWGNA), Advisory Expert Group on National Accounts (AEG), and BOPCOM. Different Task Teams (TTs) were created in collaboration with experts from national agencies to address the several research topics on the SNA and BPM Research Agendas. The governance structure has been designed to foster collaboration between the different TTs and across the statistical domains with a view to avoid duplication of work, and reach agreement on any cross-cutting issues.
- The goal is to complete the work on the guidance notes by the beginning of 2022. The international agencies are currently in the process of designing an overarching project management to provide more clarity on active research issues and establish the review and agreement process, particularly when both ISWGNA and BOPCOM are involved.

3. Discussion of Multinational Enterprises (MNEs) and Special Purpose Entities (SPE) consultation

a. Summary of outcomes of consultation on MNE and SPE

- The issue paper on MNEs and SPEs combined inputs from Ms. Ann Lisbet Brathaug (Statistics Norway) and Mr. Dylan Rassier (Bureau of Economic Analysis, United States), as well as other available past discussion and relevant research on the topics.
- The issue paper, which included approximately 26 questions was circulated for consultation among the GZTT. The Secretariat received 17 replies from 15 countries, and 2 international agencies, of which ECB and Eurostat.
- The main outcomes of the consultation of the Globalization Task Team on MNE and SPE include:
 - o Little appetite to change the core of the current statistical standards to account for both the MNEs and SPEs. The preference was more skewed towards the computation of supplemental indicators, taking into account the statistical capacity and specific country needs.
 - o Focus on the use of indicators beyond GDP, within the system of national accounts, that are less sensitive to the impacts of globalization such as GNI and GNDI. MNE activities can be

- more intuitively analyzed by highlighting and promoting the use of indicators such as GNI and GNDI. The consultation showed a preference for gross measures since net measures are more challenging to compile and need further development on the consumption of fixed capital measures.
- For MNEs, there is broad support for the additional institutional sector breakdown of foreign-controlled MNEs, domestic MNEs, and other domestic companies, leveraging on the work of the G20 DGI, recommendation #8 – sectoral accounts.
 - Promoting and supporting the compilation of extended Supply and Use Tables (SUTs) as supplemental tables seems possible within scope of the SNA; however, prescriptive breakdowns or inclusion in core SUTs may not be feasible and should be left out of scope of the core SNA. While eSUTs are also considered fairly ambitious, another proposal may be to only construct gross value added by industry instead of the full eSUT.
 - For additional supplemental indicators less sensitive to the impact of globalization, like GNI* or others, the results of the consultation showed a penchant for country specific measures and leave the decision of which indicators are useful to each country dependent on its economic structure.
 - The consultation results highlighted the practical challenges related to resource constraints in national statistics offices (NSOs), data availability (e.g., use of administrative data and centralized business registers), data sharing agreements and confidentiality, and communication efforts needed to inform users of supplemental indicators.
 - For SPEs, the consultation results showed broad support for separately identifying SPEs. Given that not much progress has been made on data sharing, it might not be desirable to re-open the discussion of consolidating SPEs with non-resident parents. The proposal of separately identifying SPEs as an institutional subsector in the SNA was also raised. The proposal by Rassier (US) of breaking the full sequence of accounts into SPEs and operating entities has been found hard to implement.
 - The definition of SPE endorsed by BOPCOM was found generally useful and brought more precision, and could be used as the stepping ground to include the national accounts aspect into the definition. The IMF Statistics Department is currently working on operational guidelines for SPE, and progress will be presented in the next ECB and BOPCOM meetings.

b. Comments by Task Team members on consultation summary

- In general, the Task Team members acknowledged that the issue paper was well drafted and agreed that the summary was clear and reflected the views expressed in the consultation exercise.
- Tour de table main discussion points:
 - The Task Team members showed appreciation to the fact that there was no appetite to change the statistical standards' core framework concerning the treatment for both MNEs and SPEs;
 - The Task Team members concurred with the view that additional supplemental indicators should be country specific reflecting the statistical capacity and economic structure of the economies, and noted that net measures are in general difficult to compile, which is not surprising. Yet there is user demand for net indicators. The Task Team should study what is

- feasible, to help to address users' expectations (topics to consider include depreciation of MNEs' assets and reinvested earnings, to be addressed by IPP Task Team);
- The supplemental indicators will possibly not be globally additive, and the international comparability could be challenging;
 - The guidance note should reflect the hierarchy of preferences expressed in the consultation, given that they vary across countries and the way forward for the countries that plan to compile additional measures;
 - The issue paper was consulted and discussed amid a group of Latin American countries, which subscribes with the recommendation for additional breakdown on domestic/foreign owned MNEs. Concerns were expressed regarding the compilation of extended SUTs, which would imply a significant effort from the compiling agencies. Other Task Team members referred to the need of balance in the recommendations concerning SUT compilation, and reminded that the current recommendation is to have the level of detail that is significant and feasible for the country;
 - More practical guidance on economic ownership and residency would be useful; national accounts perspective to be added to the SPE definition endorsed by BOPCOM. The work of BOPCOM Task Force on SPEs will be taken into account when drafting the GN on SPEs.
 - Importance of having an SPE register and data sharing arrangements; data sharing should be a more prevalent requirement;
 - The relevance of not consolidating the SPEs with parents.
 - Emphasis on communication;
 - The guidance notes should focus on what needs to be changed in the international statistics standards, the priority issues, and consider if the change in data standards will improve data gaps and answer to policy needs.
 - Coordination with other task teams especially for issues that cross statistical domains is important, in this respect the consultation with the joint IPP Task Team and BOPCOM's Current Account Task Team (CATT) and Direct Investment Task Team DITT are particularly important.

4. Upcoming meetings (virtual)

- The co-chairs and secretariat will present the work of the Globalization Task Team in two upcoming meetings. The members of the Task Team are encouraged to register and attend both meetings.
 - *International Association of Income and Wealth (IARIW) - Digital Session on the SNA Update and Related International Standards*
 - The webinar will take place on August 26, 2020 at 2PM to 5:15PM in Western European Time and from 8AM to 11:15AM in Eastern United States Time;
 - There are two sessions: Part I - Well-being and Sustainability and Part II - Digitalization and Globalization;
 - More information available at http://iariw.org/c2020sna_update.php;

- The session on Globalization will include most of the topics under discussion by the Task Team (except valuation of imports and exports) and IPPs. The audience of the session will include data users (e.g., the discussant is from Yale University), so the paper and presentation will also illustrate how the data can meet user needs.
- *UNECE Webinars of the Group of Experts on National Accounts*
 - Five sessions: SNA Update (September 1, 1:30-3:30PM CEST); Well-being and sustainability (September 3, 1:30-4:30PM CEST); Digitalization (September 14, 1:30-4:30PM CEST); Globalization (September 16, 1:30-3:30PM CEST); Communication of the SNA (September 18, 1:30-3:30PM CEST);
 - More information available at <https://www.unece.org/index.php?id=52561>;
 - The session on Globalization will include a presentation on the relevant work of the Task Team (valuation of imports and exports, treatment of MNEs, treatment of SPEs, and treatment of IPPs). The audience will include mainly national accounts and balance of payments compilers;
 - The webinar includes the opportunity to ask in advance questions to the audience on the feasibility of emerging recommendations (e.g., availability of transaction value data in customs documents, availability of international transportation services data, BOPCOM definition of SPEs and applicability to national accounts statistics). Suggestions for questions by Task Team members are welcomed (deadline to send questions to UNECE is August 1).

5. Way forward on guidance notes

- The co-chairs and secretariat are reflecting the work of the Task Team on three guidance notes (treatment of MNEs, treatment of SPEs, and valuation of imports and exports). There will be several opportunities to include comments and additional inputs from Task Team members on the draft guidance notes.
- The guidance notes will be updated, after including feedback from the task team members and the two meetings mentioned in the previous section and other relevant stakeholders such as other task teams.
- The goal is to present the work of the Task Team at the AEG meeting in October 2020.

6. Agreed actions

- **Task Team members:** to provide comments and see if their views have been properly reflected in the consultation exercise on MNEs and SPEs by **June 24, 2020**.
- **Secretariat:** Circulate draft guidance note on valuation of imports and exports (CIF/FOB adjustment) by **mid-July 2020**
- **Secretariat:** Circulate draft guidance note on MNEs and Intra-MNE flows by **mid-August 2020**
- **Secretariat:** Treatment of SPEs and residency by **mid-August 2020**

Annex 1. 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 - Retired); 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); Mr. Roberto Ramos (Getúlio Vargas Foundation, Brazil); Mr. Dylan Rassier (Bureau of Economic Analysis, United States); Ms. Norhayati Razi (Bank Negara, Malaysia); Mr. Jens Walter (Deutsche Bundesbank); and Ms. Jennifer Withington (Statistics Canada);
- **International Agencies:** Mr. Nadim Ahmad (OECD); Mr. Celestino Giron (ECB); Mr. Rami Peltola (UNECE); Ms. Tihomira Dimova Rodde (UNECE); Mr. Herman Smith (UNSD); and Mr. Steinar Todsén (Eurostat);
- **Secretariat (IMF):** Jennifer Ribarsky, Padma Sandhya Hurree Gobin, Margarida Martins, and Ms. Francien Berry.
- **Unable to attend:** Ms. Yang Can (State Administration of Foreign Exchange (SAFE), China), Ms. Lamia Laabar (Haut-Commissariat au Plan, Morocco), Mr. Andrey Tatarinov (ROSSTAT, Russia), and Mr. Themba Munalula (Common Market for Eastern and Southern Africa (COMESA)).