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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 its inception in April 2019. Initially established by the Intersecretariat Working Group on National Accounts, the task team has been recently converted into an official joint task team with the IMF Committee on Balance of Payments Statistics (Committee), reflecting the cross-cutting nature of the topics under discussion. GZTT's current work plan includes the preparation of three guidance notes (GNs), covering conceptual, methodological, measurement, and more granular and/or supplemental presentations, associated with globalization. All three GNs were discussed at the Advisory Expert Group (AEG) on National Accounts virtual meeting held October 5–9, 2020. In addition, the GZTT has sought feedback from the Current Account Task Team for the GN on “Valuation of Imports and Exports of Goods in the International Standards (CIF to FOB Adjustment)”, and the Direct Investment Task Team for the SPEs and MNEs GNs. The GN on valuation of imports and exports is presented at this year’s Committee meeting to gather some feedback besides the one provided at the previous Committee meeting before moving to the public consultation stage. The remaining two GNs will be submitted to the Balance of Payments Task Team in November 2020. Additional research issues, identified by the AEG, will be added to the GZTT work program.

INTRODUCTION

- 1. The Globalization Task Team (GZTT) 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.** In November 2018, the AEG reconfirmed the three priority areas for the SNA research agenda—Globalization, Digitalization, and Wellbeing and Sustainability—and identified specific issues to be taken forward. Appendix I shows the first priority issues identified by the AEG and the second priority issues recently added during the October 2020 AEG meeting.
- 2. Given the cross-cutting nature of the research issues, the GZTT consists of both national accounts and balance of payments compilers** (Appendix II). Initially established by the Intersecretariat Working Group on National Accounts (ISWGNA) in April 2019, the task team was recently converted into an official joint task team with the IMF Committee on Balance of Payments Statistics (Committee). The GZTT is currently chaired by Mr. Michael Connolly, Ireland Central Statistics Office (CSO). Mr. Paul Roberts, who retired from the Australian Bureau of Statistics (ABS), was co-chair until the end of July 2020.
- 3. The GZTT, as part of its work program, has produced three guidance notes, which have all been discussed at the AEG virtual meeting held October 5–9, 2020.** Prior to this, the GN on “Valuation of Imports and Exports in the International Standards (CIF to FOB Adjustment)” was circulated within the Current Account Task Team (CATT) while the “Treatment of MNEs and Intra-MNE flows”, and “Special Purpose Entities” GNs were shared with the Direct Investment Task Team (DITT) for comments.

¹ Prepared by Ms. Padma S. Hurree-Gobin, and Ms. Jennifer Ribarsky (both, IMF) – GZTT Secretariat, and reviewed by Mr. Michael Connolly (CSO, Ireland – Chair).

4. **The AEG discussion has placed high value on ensuring the consistency between the System of National Accounts (SNA) and the Balance of Payments Manual (BPM).** The GN on “Valuation of Imports and Exports in the International Standards (CIF to FOB Adjustment)” supports a preference for recording of exports and imports of goods at their observed transaction value. This option, in fact, supports the SNA recommendation to measure output at basic prices, and facilitates the compilation of supply and use tables. However, while being conceptually more aligned within the SNA, the use of transaction values will result in an inconsistency with the BPM.

5. **During the AEG meeting, while members discussed the conceptual preference, they recognized the potential practical difficulties associated in collecting cross-border trade statistics at transaction values from customs.** The challenges in implementing this recommendation has been discussed from both the conceptual and practical angles. The guidance note is presented for discussion at this year’s Committee meeting to hear from its members’ perspective, before moving for public consultation. The AEG has clearly pointed that additional experimentation and testing are required, and this change should only be adopted if it is clear from the public consultation process that it can be implemented in practice and the benefits outweigh the disruption (and cost) to the statistical system.

6. **Initial feedback received from both the AEG and the consultation exercises on the two other GNs were supportive of the recommendations set out.** The GN on “MNEs and Intra-MNE Flows” have put forward (i) more emphasis on existing indicators within the SNA, (ii) increased granularity of data provided using the institutional sector accounts (ISAs)—to highlight MNE activities, and (iii) a proposal for defining MNEs that aligns with the *Balance of Payments and International Investment Position Manual, sixth edition (BPM6)* Framework of Direct Investment Relationship. The GN on SPEs, which draws on extensive research on the issue, and the Committee’s recent work, underscores leaving the core SNA and BPM framework unchanged, favours supplemental information, and proposes to adopt the definition of SPEs approved by the Committee. These GNs, after the integration of the results of the consultation, should be submitted to the Balance of Payments Task Team (BPTT) for consultation in November 2020.

7. **Moving forward, for the recently added second priority items, the GZTT will work in close collaboration with all relevant task teams created under the aegis of the Committee.** The GZTT is in the process of developing a work plan for the second priority items. 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.

Appendix I. Table of GZTT Research Issues – Identified by the AEG

AEG Identified Issues	Balance of Payments Compendium of Issues	Status
First Priority Items		
Valuation of imports/exports (CIF-FOB adjustment)	C.11 Valuation of Imports and Exports in the International Standards (CIF to FOB Adjustment)	Second round of consultation within GZTT and initial consultation with CATT in Sept. 2020
Treatment of multinational enterprises and intra-MNE flows	B.15 Sectorization of MNEs	Final consultation within GZTT and initial consultation with DITT in Sept/Oct. 2020
Special purpose entities	B.13 Considering separate institutional units of special purpose entities (SPEs) that are resident in a different territory to that of their owners	Final consultation within GZTT and initial consultation with DITT in Sept/Oct. 2020
Second Priority Items		
Merchanting and Factoryless goods producers	C.4 Merchanting and factoryless producers; clarifying negative exports in merchanting; Merchanting of services	Identified as second priority item at AEG Oct. 2020 meeting. Work plan being established.
Trade in value added and global value chains	C.2 Goods and services account by (trading) enterprise characteristics	Identified as second priority item at AEG Oct. 2020 meeting. Work plan being established.
Typology of global production arrangements		Identified as second priority item at AEG Oct. 2020 meeting. Work plan being established.

Appendix II. Members of the Globalization Task Team

Chairs:

Mr. Michael Connolly (CSO, Ireland)

Mr. Paul Roberts, (ABS, Australia),
until July 2020

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. 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)

Mr. Branko Vitas (ABS, Australia)

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)