

## C.4 Merchanting and Factoryless Producers; Clarifying Negative Exports in Merchanting; Merchanting of Services

### Instructions

For each question, please provide the answer by clicking the relevant check box or by typing in the framed textboxes, which will automatically expand to fit the text.

We recommend providing coordinated answers between the national agencies responsible for the balance of payments and national accounts compilation (for example, Central Bank and National Statistics Office). If only one agency is providing a coordinated answer concerning balance of payments and national accounts, please indicate that in Question 2 (Your response to the questionnaire concerns which area of macroeconomic statistics?). Otherwise, please choose in Question 2 the area of macroeconomic statistics your answer is referring to.

Please note that the survey may reach one or more contacts in your agency; however, only one response is expected. A printable version of the questionnaire is available for your convenience. If you have any questions, please contact [STABPM6Update@imf.org](mailto:STABPM6Update@imf.org) and copy [SNA-Globalization@imf.org](mailto:SNA-Globalization@imf.org).

We look forward to and highly appreciate your collaboration.

Sincerely,

*Current Account Task Team  
Globalization Task Team*

1. Please provide your information below:

Country \_\_\_\_\_  
Institution/Organization \_\_\_\_\_  
Name \_\_\_\_\_  
Position/Title \_\_\_\_\_  
Email \_\_\_\_\_

2. Your response concerns which area of macroeconomic statistics\*<sup>1</sup>:

- Balance of Payments
- National Accounts
- Both National Accounts and Balance of Payments

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<sup>1</sup> \* means that a response is required.

## Conceptual Issues/Recommendations

3. This guidance note (GN) aim is to disentangle the transactions related to global manufacturing arrangements (processing and factoryless goods producers (FGPs)). It is first proposing that the activities related to FGP should be classified as manufacturing, and the transactions involving final goods should be recorded gross (output of the principal includes the input of the contractor and the value of the embedded intellectual property product (IPP)), contrary to the current practice of recording of FGP transactions as distribution activity (i.e., net recording). On a conceptual level, do you agree to record FGP transactions gross?

- Strongly disagree
- Disagree
- Neutral
- Agree
- Strongly agree

3.1. Please provide arguments in support of your response:

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4. The GN further proposes the following recordings of the output of the contractor in a global manufacturing arrangement:

- **Under a FGP arrangement:** as a Good when the contractor takes ownership of the material inputs (where IPP and the management of the production process are provided by the principal), and
- **Under a processing arrangement:** as a Service when the material inputs are owned by the principal (with no significant input of IPP by the principal).

Do you agree with the proposal?

- Strongly disagree
- Disagree
- Neutral
- Agree
- Strongly agree

4.1. Please provide arguments in support of your response:

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5. The GN considers that the definition of FGP activity should not be dependent on whether or not the contractor responsible for the transformation is an affiliated enterprise or not. Do you agree with this proposal?

- Strongly disagree
- Disagree
- Neutral
- Agree
- Strongly agree

5.1. Please provide arguments in support of your response:

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6. The GN is also proposing that supplementary item(s) be introduced under the BOP standard component of Goods to cover the transactions related to goods traded as part of a global manufacturing arrangement. Two options where the additional, voluntary component(s) related to global production arrangements are recorded as supplementary items under Goods are proposed by the GN:

**Option 1**

1.A.a Goods (P61/P71)

1.A.a.1 General merchandise on a BOP basis

*of which: 1.A.a.1.1 Re-exports*

*of which: 1.A.a.1.2 Goods traded within a global manufacturing arrangement*

1.A.a.2 Net exports of goods under Merchanting

1.A.a.2.1 Goods acquired under merchanting (negative credits)

1.A.a.2.2 Goods sold under merchanting

1.A.a.3 Nonmonetary gold

**Option 2**

1.A.a Goods (P61/P71)

1.A.a.1 General merchandise on a BOP basis

*of which: 1.A.a.1.1 Re-exports*

*of which: 1.A.a.1.2 Goods traded within a global manufacturing arrangement*

1.A.a.2 Net exports of goods under Merchanting

1.A.a.2.1 Goods acquired under merchanting (negative credits)

*of which: 1.A.a.2.1.1 Input goods acquired from the third parties by the principal within a global manufacturing arrangement*

1.A.a.2.2 Goods sold under merchanting

*of which: 1.A.a.2.2.1 Input goods sold to the contractor within a global manufacturing arrangement*

1.A.a.3 Nonmonetary gold

Which of the cases below do you favor?

- Option 1: one supplementary component under the Goods/General merchandise
- Option 2: supplementary components distributed between the General merchandise and the Net export of goods under merchanting
- Option 3: No additional components

6.1. Please provide arguments in support of your response:

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7. Annex II of the GN proposes a decision tree to help the compilers classify the various transactions in goods related to processing, FGP type arrangements, and merchanting. In your view, is the decision tree a supportive tool in distinguishing FGP transactions from the other global manufacturing arrangements?

- Strongly disagree
- Disagree
- Neutral
- Agree
- Strongly agree

7.1 If you strongly disagree or disagree, please specify why

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8. How relevant is the topic of global manufacturing arrangements for your country?

- Highly relevant
- Of medium relevance
- Of low relevance
- Not relevant

8.1. Please provide arguments in support of your response:

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9. This guidance note (GN) clarifies that the current treatment of negative exports in merchanting of goods is rather a compromise among experts, and no changes to the current *BPM6* recording are proposed but it is suggested to include complementary explanations in the relevant manuals. Do you support the team's conclusion?

- Yes
- No

9.1 Please provide arguments in support of your response:

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10. The GN argues that from a pure conceptual view, the idea of "merchanting of services" is impossible, as services cannot be stored and traded in the same way as goods and "pure" merchanting transactions cannot involve services because no ownership rights can be established on services according the current international standards. Most often, we observe a trilateral relation (i.e., the intermediary, the producer, and the consumer), who form together a kind of triangle of service-related transactions where "one unit (an agent) arranges for a transaction to be carried out between two other units in return for a fee from one or both parties to the transaction". Do you agree with this conclusion?

- Strongly disagree
- Disagree
- Neutral
- Agree
- Strongly agree

**10.1.** Please provide arguments in support of your response:

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**11.** The GN proposes that the fees the intermediary (agent) receives should be recorded under trade-related services, as a supplementary (voluntary) “of which” item in the international accounts of the partner countries (see Annex IV). Do you agree with this proposal?

- Yes
- No

**11.1.** Please provide arguments in support of your response:

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**12.** Regarding bundling of services, this note suggests that the services that are combined in a package, such as in the tour operators, should not be recorded as a new product in the international accounts (as recommended by the *ESA 2010*) but instead be unbundled in order to record each package component (transport, accommodation services, etc.) separately in the international accounts. Do you agree with the proposed treatment?

- Strongly disagree
- Disagree
- Neutral
- Agree
- Strongly agree

**12.1.** Please provide arguments in support of your response:

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## Practical Implementation

**13.** From a practical perspective, is your institution able to identify the relevant units engaged in global manufacturing arrangements? Are you able to distinguish the relevant transactions and prepare estimates of goods (and with the correct geographical breakdown) related to global manufacturing arrangements, particularly those undertaken by the principal?

- Yes
- No

**13.1** If “yes”, please specify your method(s) and results to date.

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**14.** From your perspective, what are the practical challenges that should be considered when compiling the estimates related to global manufacturing arrangements, in particular with regard to FGP? Please check the boxes that apply to your situation:

- Difficult to identify enterprises engaged in global production arrangements (processing, distribution/merchandising, FGP) in the Business Register and/or existing relevant surveys
- Difficult to identify ownership of material inputs
- Customs records do not identify processing trade (to facilitate the identification of change of ownership on a BOP basis)
- Difficult to identify complementary information from other sources (e.g., administrative sources) and/or link the trade database to other (business) records
- Lack the capacity to develop a new collection instrument or undertake a study of profiling enterprises engaged in global production arrangements
- Other issues, please specify:

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**15.** From a practical perspective:

**15.1.** What are the practical challenges your institution has encountered in recording the components of trade-related intermediate services?

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**15.2.** What is your current practice in recording the services bundled in a package?

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**16.** Any other comments/suggestions, please specify:

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**17.** Would your institution be interested in participating in an experimental exercise to estimate the proposed supplementary items related to FGP activities according to the option you selected in the related question (Q6)?

- Yes
- Yes, providing further advice on implementation is received
- No