

Merchanting

SNA Update Issue 41

BOPCOM Outcomes on Questions/Points for Discussion

I. Question/Points for discussion

- (1) *Should the legal change of ownership in goods subject to merchanting be recorded as imports and exports of goods in merchandise?*
- (2) *Alternatively, should the legal change of ownership be ignored in this case and the difference in value between the selling price and buying price be treated as a service provider by the merchant to the purchaser of his goods?*
- (3) *If (2), should the disposal of the goods in a subsequent period be recorded as negative imports at the original value (as now) or as exports at the original value (leaving an export of services)?*
- (4) *Should a new subcategory of goods under merchanting be introduced under the trade in goods category?*

The IMF Committee on Balance of Payments Statistics expressed its support for the objective of properly reflecting complex global production and marketing processes while taking into account concerns both about the hybrid nature of the merchanting item, while also recognizing the problems caused by deviating from the change of ownership principle, and expressed concern to avoid excessive grossing up of export and import flows.

Some options proposed were:

Separation of commodity dealers from others.

Possible showing of a net trade balance, but under goods.

The Committee proposed that a working group be set up to investigate these issues further.

In the meantime, for the AEG meeting, it is suggested that the issues be discussed to provide guidance for future investigations, but that a decision be delayed.