



How to Implement the Principle of Economic Ownership

**UNECE, Group of Experts on National Accounts
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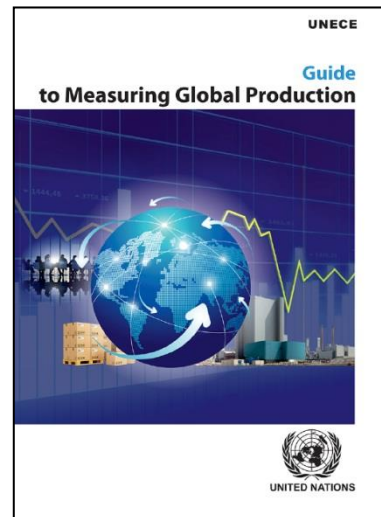
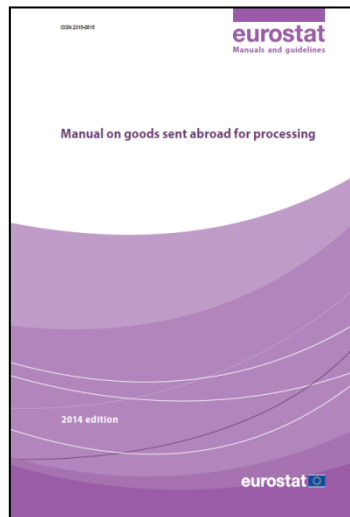
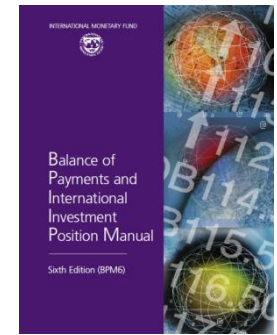
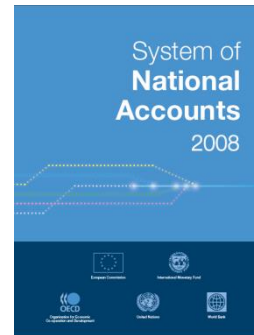
Principles of Economic Ownership – the state of play

- Guidelines
- Merchanting
- Goods sent abroad for processing
- Consequences
- Results questionnaires



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Guidelines



2008 SNA (Preface):

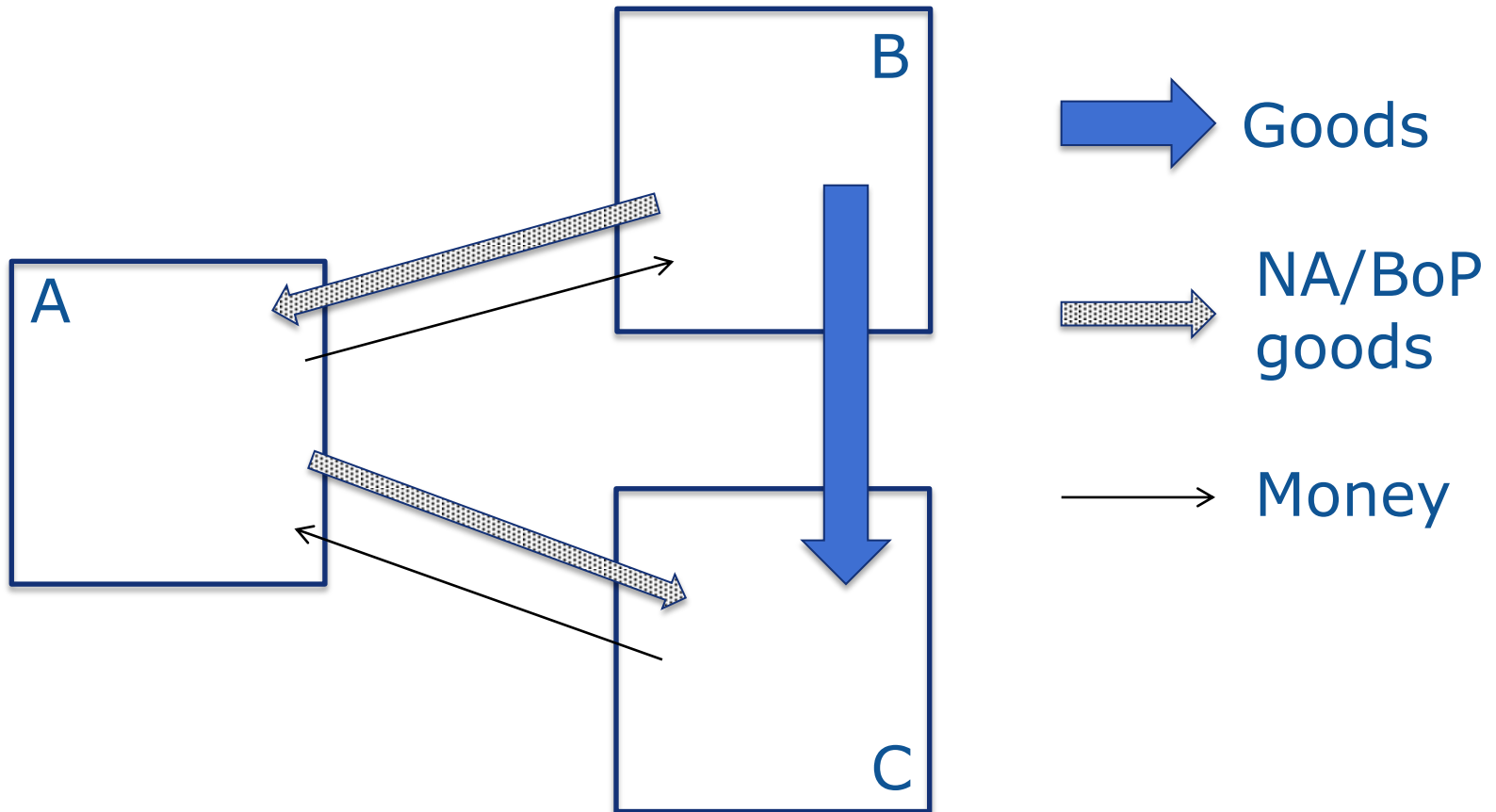
The application of the principle of change in ownership of goods has been made universal, resulting in changes to the recording of merchanting and of goods sent for processing, both abroad and within the domestic economy, and then returned to the owner.

These changes have shifted the focus away from the physical movements of goods to the impact on the economies of the owner of the products and the processor. As a result, they are consistent with international financial transactions that are increasingly important in a globalized economy.

Economic ownership

- Change of guidelines
- Economic ownership: risks and rewards
- Applied in global production arrangements
- Units, products, assets
- IPPs
- Guide to Measuring Global Production

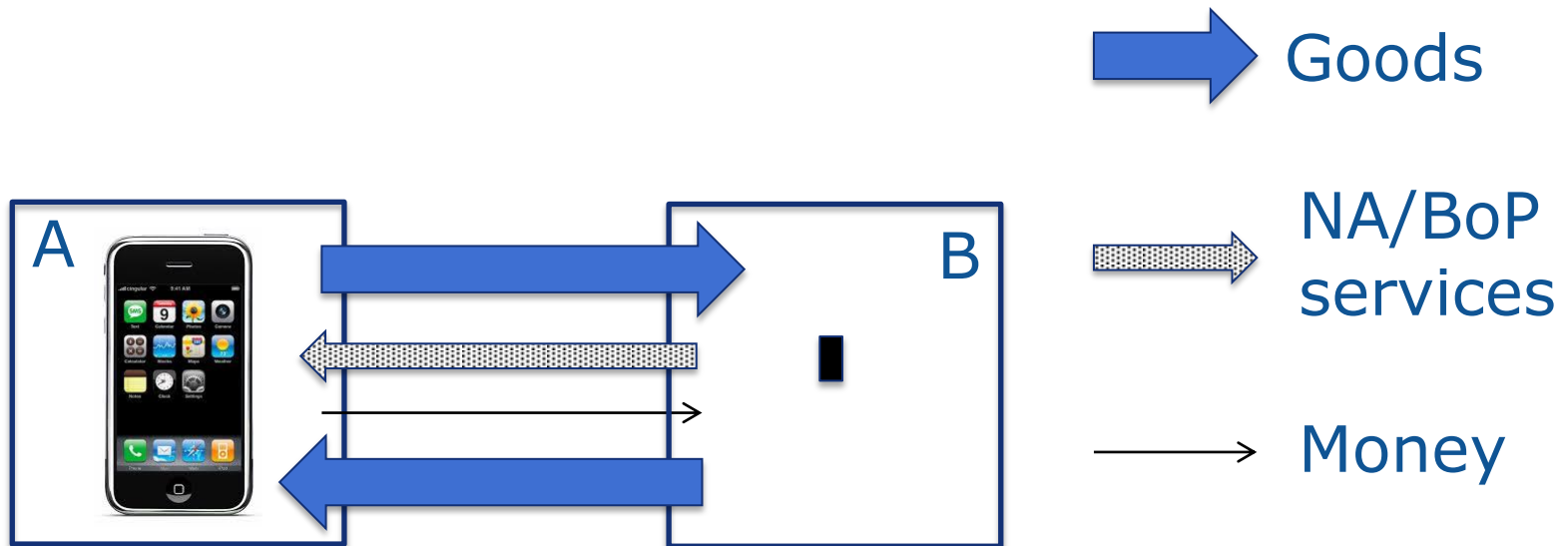
Merchanting



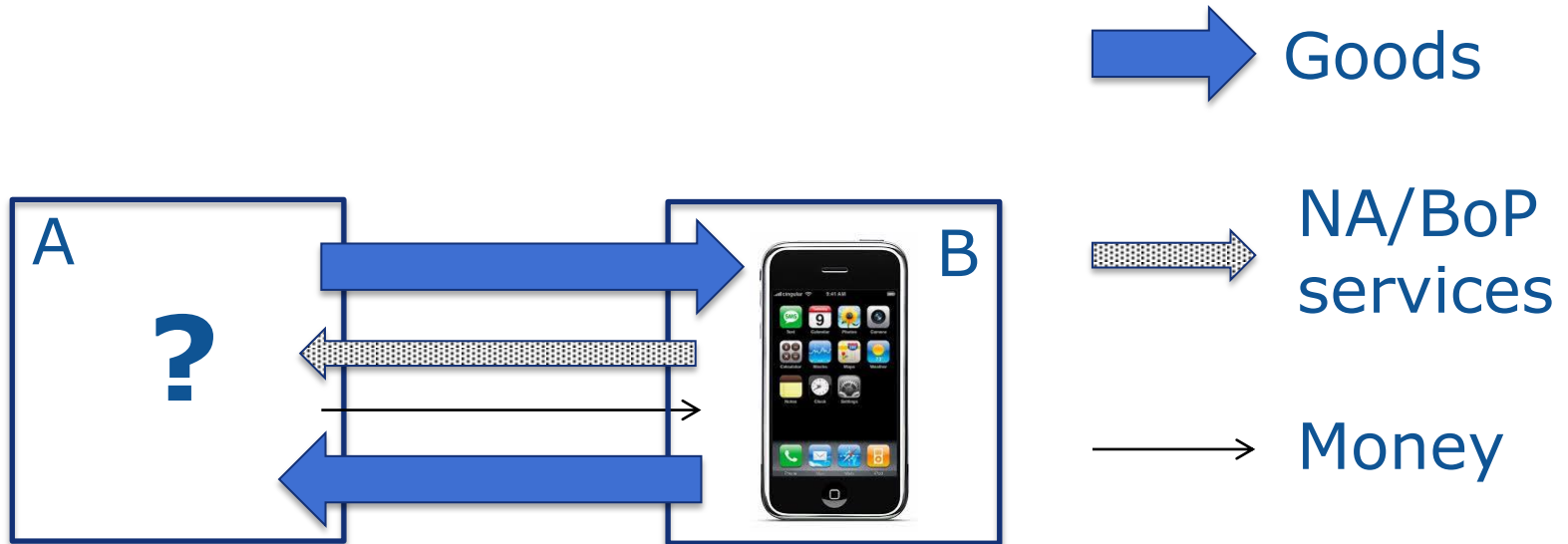
Merchanting

- Change of economic ownership with non-resident
- No cross border flows
- No physical transformation
- Acquisition as negative exports of goods
- Sale as positive exports of goods
- Preferred source: Enterprise survey of merchants in the compiling economy

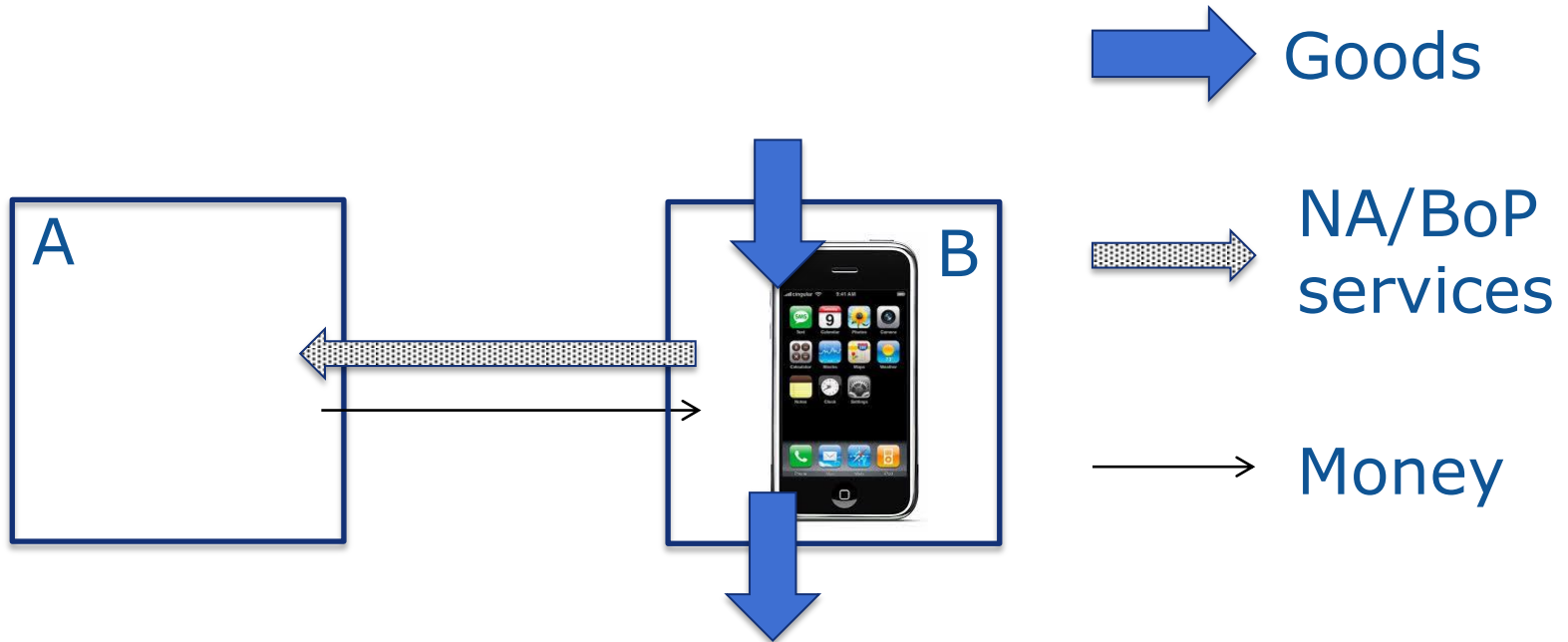
Goods sent abroad for processing



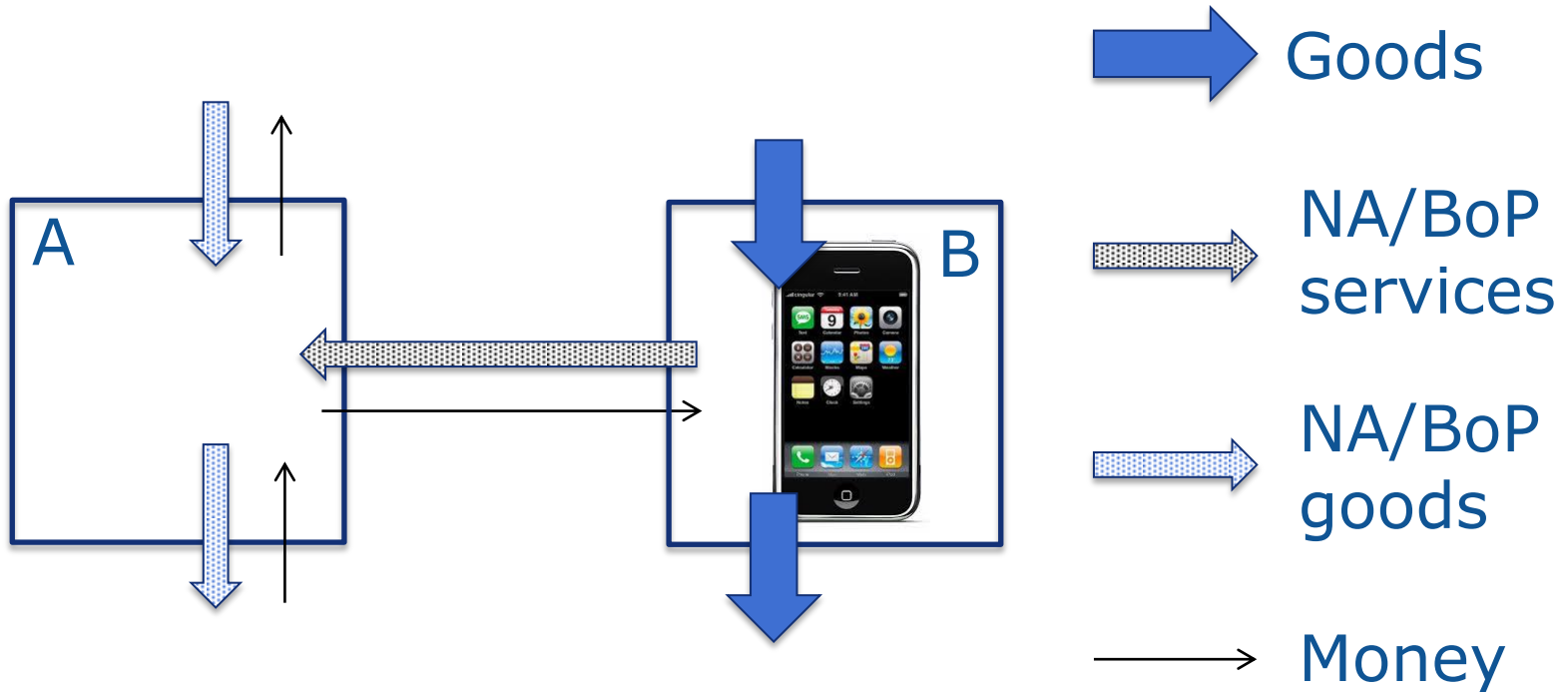
Goods sent abroad for processing



Goods sent abroad for processing



Goods sent abroad for processing



Goods sent abroad for processing (1)

- Now in line with domestic processing activities
- No imputation of change of ownership
- Flows to be excluded from ITGS
- Make use of Nature of Transactions codes
- Processing service
- Preferred source: trade in services survey

Goods sent abroad for processing (2)

- In practice complex flows
- Principal owns inputs (and IPPs and output)
- Processor can provide some inputs
- Processing service will include the value of these inputs
- Factoryless goods producer?
- Classification issue (NACE Rev.2/ISIC Rev.4):
trader or manufacturer



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Consequences

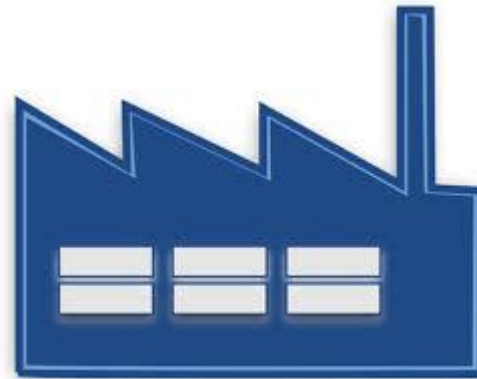
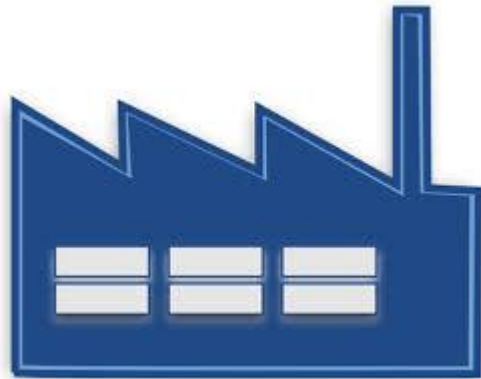
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Questionnaire IGA Task Force

- December 2016 – January 2017
- 31 (European) countries replied
- Two questions on economic ownership
 - Methodology applied
 - Sources used

Questionnaire IGA Task Force

Main results

- Half of the countries use Guide to Measuring Global Production
- 6 countries apply a decision tree to identify economic ownership of IPPs
- 14 countries use business accounts for deciding on economic ownership
- Most mentioned data sources: business accounts
- 5 countries have intensive regular contacts with the largest MNEs

Questionnaire GNI Committee

- Nov – Dec 2016
- 31 (European) countries replied
- Questions concerning
 - Companies with huge amounts of IPP assets
 - Production abroad
 - Relocations
 - Inward processing
 - Consistency business statistics – national accounts

Questionnaire GNI Committee

Main results

- 19 countries provided a list of companies with huge amounts of IPP assets
- No such companies/don't know: 6 countries
- Production abroad: 9 countries
- Don't know: 9 countries
- Relocations: only 4 countries (but No/Don't know)
- Inward processing: 7 countries don't know
- In most countries business statistics in line with NA

Some conclusions

- Need to spread the message (Guide)
- Only a few countries have intensive regular contact with large MNEs
- Specifically regarding IPPs additional efforts seem needed
- Relocations of companies with huge amounts of assets are rarely observed
- 'Not observed' can mean 'Don't know'
- In some cases lack of data on processing



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Thank you for your attention