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Department of Economic and Social Affairs
Statistics Division

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DESA

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Preface

International Merchandise Trade Statistics: Supplement to the Compilers Manual has been prepared with the support of the Task Force on International Merchandise Trade Statistics[1] as agreed at its 2003 meeting in Geneva. The primary purpose of the *Supplement* is to assist United Nations Member States in the implementation of the guidelines adopted by the United Nations Statistical Commission and set out in *International Merchandise Trade Statistics*: *Concepts and Definitions*, *Revision 2* (IMTS, Rev.2)[2] and *International Merchandise Trade Statistics*: *Compilers Manual (*IMTS: Compilers Manual*)*.[3] The *Supplement* may also serve as a guide to users who wish to understand better the nature of trade data.

The *Supplement* covers a number of topics deemed beneficial to trade data compilers, including compiling practices, the *Revised Kyoto Convention: International Convention on the Simplification and Harmonization of Customs procedures* (as amended), the 2007 edition of the Harmonized Commodity Description and Coding System, specific compilation issues such as goods for processing and re-exports, the differences between international merchandise trade statistics (IMTS) and general merchandise in balance of payments statistics, the lessons learned from the Intrastat system of the European Union, and the linking of trade and business statistics.

The *Supplement* is directed to all institutions that play a role in the collection, compilation and dissemination of trade statistics; the term "compiler" as used in the *Supplement* refers to those institutions. It recognizes that customs departments around the world are the primary producers of basic data on trade transactions, whereas national statistical offices are mostly responsible for processing and disseminating the trade statistics. Much of the text is written in respect of individual countries or areas. However, as customs unions have become more prevalent in recent years, a separate chapter has been added specifically on the collection of data within a customs union.

[1] The Task Force on International Merchandise Trade Statistics is an inter-agency body. It is convened by the World Trade Organization and further consists of the Statistics Division of the Department of Economic and Social Affairs of the United Nations Secretariat, the Organization for Economic Co-operation and Development, Eurostat, the Food and Agriculture Organization of the United Nations, the World Customs Organization, the International Monetary Fund, the United Nations Conference on Trade and Development, the International Trade Centre (UNCTAD/WTO) and the United Nations regional commissions.

[2] United Nations publication, Sales No. E.98.XVII.16.

[3] United Nations publication, Sales No. E.02.XVII.17.

Acknowledgements

The *Supplement* was drafted by the Statistics Division of the Department of Economic and Social Affairs of the United Nations Secretariat, with contributions from members of the Task Force on International Merchandise Trade Statistics. Specifically, Andreas Maurer and Yann Marcus of the World Trade Organization provided significant input to chapter 4, sections A and D. Clemens Schröter and Karo Nuortila of the Eurostat wrote the initial drafts of chapter 6 and chapter 4 section B, and Andreas Lindner of the Organization for Economic Cooperation and Development wrote the initial draft of chapter 7. Robert Dippelsman of the International Monetary Fund and Simon Royals of the World Customs Organization provided valuable comments. The *Supplement* went through various cycles of revision and the responsibility for the final version lies entirely with United Nations Statistics Division.

Explicitly or implicitly, information on IMTS issues and practices was passed on by trade statistics compilers to the United Nations Statistics Division via workshops and other meetings in many regions of the world.[4] Valuable information was obtained in this way, including of practices in Brazil, China, Mexico, the Netherlands, New Zealand and Norway, which have been incorporated in the *Supplement*. In addition, the national offices that completed and returned the questionnaire on national compilation and dissemination practices provided unique information that has been processed and summarized in chapter 1.

Finally, the many hours devoted to the drafting and revising of the *Supplement* by the staff of the Trade Statistics Branch of the United Nations Statistics Division, in particular, Vladimir Markhonko, who retained the overall responsibility for this publication, Ronald Jansen, Matthias Reister and Serekeberhan Zerai, must be acknowledged.

[4] Workshops in Addis Ababa (2004), Khartoum (2004), Abuja (2005), Douala (2006), Bangkok (2006), Fiji (2007), Lima (2007), Amman (2007) and Addis Ababa (2007), and also the Expert Group on IMTS in New York (2007) see http://unstats.un.org/unsd/trade/workshops_imts.htm.

Overview

The *Supplement* is divided into seven chapters, covering compilation practices (chapters 1 and 6), reference documentation (chapters 2 and 3), compilation issues (chapter 4), conceptual issues (chapter 5) and the relation between trade and business statistics (chapter 7). Relevant country experiences are included in chapters 4 and 7, whereas chapter 6 provides an in-depth view of the trade data collection system of the European Union. Several annexes provide supplementary information; they immediately follow the chapter to which they refer.

Chapter 1, which provides an overview of the results of the questionnaire on national compilation and dissemination practices, follows the structure of the questionnaire, which in turn follows the structure of the IMTS: Compilers Manual. The content of this chapter is completely new and should give the data compiler some insights into how countries in general are complying with the recommendations set out in IMTS, Rev.2.

Chapters 2 and 3 describe some recently published reference documents related to the work of trade statistics. Chapter 4 treats in detail specific compilation issues that have received renewed interest in recent years, namely goods for processing, goods for repair, re-exports and the feasibility of imports FOB. Chapter 5 is an in-depth report on the differences between the treatment of trade statistics in IMTS, Rev.2, and in the sixth edition of the *Balance of Payments Manual* (BPM6).[5]

Chapters 6 and 7 relate trade to enterprise statistics. Because customs documents are no longer available as data sources for intra-community trade, the European Union had to obtain information directly from enterprises engaged in international transactions. More generally, chapter 7 looks at how to link trade to the characteristics of enterprises, which is important for national economic analysis of issues such as employment.

[5] A draft version of BPM6 is available from www.imf.org/external/pubs/ft/bop/2007/bopman6.htm. The November 2007 version was used as a reference for "the" *Supplement.*

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Chapter 1 Overview of national compilation and dissemination practices

A. Introduction

1.1. This chapter provides an overview of national compilation and dissemination practices and their compliance with the recommendations contained in *International Merchandise Trade Statistics: Concepts and Definitions, Revision 2* (IMTS, Rev.2) [1] and the compilation guidelines outlined in *International Merchandise Trade Statistics: Compilers Manual* (IMTS: Compilers Manual).[2] The results shown are based on 132 responses to a questionnaire drafted by the United Nations Statistics Division, reviewed by other members of the Task Force on International Merchandise Trade Statistics and sent out jointly by the Statistics Division, the Organization for Economic Cooperation and Development (OECD) and the World Trade Organization to trade statistics compilers in 2006.

1.2. The questionnaire contained 173 questions covering all the recommendations contained in IMTS, Rev.2, and the guidelines provided in the IMTS: Compilers Manual. It included a number of the same questions used in a survey conducted between 1992 and 1995. This made it possible to assess changes in country practices over time, with respect to the topics covered in those questions. A summary of the findings organized by the sections of the questionnaire is presented below.

B. Institutional arrangements

1.3. The country responses confirmed that the compilation and dissemination of international merchandise trade statistics (IMTS or trade statistics) are normally the responsibility of national statistical offices (78.0% of countries confirmed that). In the remaining countries, however, the official trade statistics are compiled and disseminated by other governmental agencies, such as the statistical departments of the customs administrations (e.g. in China and the Russian Federation) or central banks (e.g. in Latin American countries).

1.4. It is encouraging that in most countries memorandums of understanding or similar working agreements between the agency responsible for official trade statistics and the agencies that are providing data have been established. Memorandums of understanding exist in 66.3 per cent of developing and transitional countries and 64.5 per cent of developed countries.[3] However, only 43.6 per cent and 25.8 per cent of the same countries respectively reported conducting regular inter-agency meetings before the release of statistics (see table 1.1).

[1] United Nations publication, Sales No. E.98.XVII.16.
[2] United Nations publication, Sales No. E.02.XVII.17.
[3] There is no established convention for the designation of "developed" and "developing" countries or areas in the United Nations system. In practice, Japan in Asia, Canada and the United States in North America, Australia and New Zealand in Oceania, and most of Europe are considered "developed" regions.

Table 1.1. Questions on institutional arrangements (Percentage)

Question	All 132 countries or areas			Developed economies			Developing and transitional economies		
	Yes	No	N/A	Yes	No	N/A	Yes	No	N/A
Does your office have any memorandum of understanding or any similar working agreement with any of the mentioned agencies?	65.9	28.0	6.1	64.5	25.8	9.7	66.3	28.7	5.0
If you have working agreements with other agencies, does your office regularly meet or consult with these agencies before release of the trade statistics?	39.4	45.5	15.2	25.8	54.8	19.4	43.6	42.6	13.9

C. Sources of data

1.5. For 87.9 per cent of countries, customs declarations remain the main source of data (see table 1.2). However, there is a considerable difference in country practices – only 54.8 per cent of developed countries confirmed that customs declarations are the main source of data as compared with 98.0 per cent of developing and transitional countries. Developed countries use more additional data sources, such as administrative records associated with taxation (58.1 per cent) and enterprise surveys (58.1 per cent) as compared with developing and transitional countries, where these percentages are only 21.8 per cent and 20.8 per cent respectively. This is one of the consequences of the abolition of customs controls among countries of the European Union and the significant simplification of customs procedures among other developed countries. The trend towards more active use of non-customs sources is also due to the fact that in certain countries some important trade flows are not declared to customs.

Table 1.2. Questions on sources of data (Percentage)

Question	All 132 countries or areas			Developed economies			Developing and transitional economies		
	Yes	No	N/A	Yes	No	N/A	Yes	No	N/A
Are customs declarations the main source of data?	87.9	9.8	2.3	54.8	41.9	3.2	98.0	0.0	2.0
Do you use the following as additional sources of data:									
Parcel and letter post records?	31.1	62.1	6.8	9.7	87.1	3.2	37.6	54.5	7.9
Administrative records associated with taxation?	30.3	60.6	9.1	58.1	38.7	3.2	21.8	67.3	10.9
Currency exchange records or other records of monetary authorities?	28.0	65.2	6.8	22.6	74.2	3.2	29.7	62.4	7.9
Enterprise surveys?	29.5	59.8	10.6	58.1	38.7	3.2	20.8	66.3	12.9
Aircraft and ship registers?	25.0	66.7	8.3	41.9	54.8	3.2	19.8	70.3	9.9
Foreign shipping manifests?	15.2	78.8	6.1	6.5	93.5	0.0	17.8	74.3	7.9
Reports of commodity boards?	10.6	74.2	15.2	6.5	87.1	6.5	11.9	70.3	17.8

D. Coverage and time of recording

1.6. The information presented in table 1.3 proves that countries overwhelmingly base their trade statistics on the principle of physical movement of goods between countries as recommended in IMTS, Rev.2. Change of ownership is also used for some categories of goods by 61.3 per cent of developed and 19.8 per cent of other countries. However, the capability of compiling detailed trade statistics on the basis of change of ownership is confirmed only by 16.1 per cent of developed countries. The ability to compile detailed trade statistics on this basis was indicted by 31.7 per cent of other countries. Availability of trade statistics on the change-of-ownership basis is very important for balance-of-payments statistics and national accounts.

1.7. In general, time of recording is the time of lodgement of the customs declaration (72.0 per cent of responses), as recommended.

Table 1.3 Questions on coverage and time of recording (Percentage)

Question	All 132 countries or areas			Developed economies			Developing and transitional economies		
	Yes	No	N/A	Yes	No	N/A	Yes	No	N/A
As a general rule, do you include in trade statistics goods which enter (imports) or leave (exports) your economic territory (except for goods in transit and temporary admissions/ withdrawals)?	91.7	4.5	3.8	96.8	3.2	0.0	90.1	5.0	5.0
Do you use change of ownership (between residents and non-residents) as a basis for inclusion of certain goods in trade statistics?	29.5	64.4	6.1	61.3	38.7	0.0	19.8	72.3	7.9
Can your office compile detailed commodity by partner trade statistics on the basis of change of ownership?	28.0	65.9	6.1	16.1	80.6	3.2	31.7	61.4	6.9
Do you use date of lodgement of the customs declaration as an approximation for the time when goods enter/leave your territory?	72.0	25.0	3.0	64.5	35.5	0.0	74.3	21.8	4.0

E. Categories of included and excluded goods

1.8. Countries' responses to the questions about their practices with respect to the inclusion and exclusion of certain categories of goods are summarized in annexes 1.1 and 1.2. Both annexes list those goods in a descending order of percentage of "Yes" answers by all respondents. Several general observations are provided below. Annex 1.3 contains a comparison of current and past responses (a similar survey was conducted between 1992 and 1995).

Goods to be included in the detailed international merchandise trade statistics

1.9. Annexes 1.1 and 1.3 confirm relatively good compliance with the IMTS, Rev.2, recommendations regarding certain inclusions (IMTS, Rev.2, paras. 19-41) and they show improvement in the compliance rate for most of the economically important categories of goods since 1996. The low compliance (less than 50 per cent) typically occurs in the case of goods in which international trade is relatively less significant and where there is no customs recording or such recording is very limited. Certain categories of goods, which are shown discussed below, are of special interest.

1.10. *Goods for processing.* 96.8 per cent developed and 78.2 per cent of developing and transitional countries include goods for processing in their trade statistics. Countries reported also that valuation of such goods is on a gross basis. It should be noted that countries are usually unable to separately identify goods for processing if they are not so declared. A detailed discussion of the issue of goods for processing is contained in chapter 4, section B.

1.11. *Goods used as carriers of information and software developed for general or commercial use.* Most of the developed (90.3 per cent) and developing and transitional countries (72.3 per cent) include these goods in their statistics of external trade. More precisely, 16.8 per cent of developing and transitional countries indicated that they do not include these goods and the remaining 10.9 per cent provided no answer or indicated that it was not applicable. Countries reported also that valuation of such goods is based on their full value.

1.12. *Goods crossing borders as a result of transactions between parent corporations and their direct investment enterprises (affiliates/branches).* All developed countries follow the recommendation to include this category of goods in their trade statistics. For developing and transitional countries the recommendation proved more difficult to implement - as only 67.3 per cent of them confirmed compliance 17.8 per cent indicated that they do not do include these goods and 14.9 per cent provided no answer or indicated that the question was not applicable).

1.13. *Water.* The information on country practices with respect to the inclusion of water is important in view of growing environmental concerns. It is encouraging that 71.0 per cent of developed countries indicated that they are compiling data reflecting trade in water. However, only 39.6 per cent of developing and transitional countries indicated that they do so (32.7 per cent indicated that they do not include water and 27.7 per cent provided no answer or indicated that the question was not applicable).

1.14. *Estimates of unrecorded trade.* The country responses show that the inclusion of estimates of unrecorded trade in official statistics is not a widespread practice – as only 22.6 per cent of developed and 10.9 per cent of developing and transitional countries include such estimates.

Goods to be excluded from the detailed international merchandise trade statistics

1.15. The responses shown in Annexes 1.2 and 1.3 to questions about the exclusion of particular categories of goods (IMTS, Rev.2, paras. 42-54) show that most countries comply with the recommended list of specific exclusions and that the compliance rate has improved noticeably for most of those categories. However, for many important categories of goods the compliance rate among developed countries is noticeably higher than among other countries. Several examples of this kind are provided below.

1.16. *Goods acquired by all categories of travellers, including non-resident workers, for their own use and carried across the border in amounts or values not exceeding those established by national law.* Goods in this category are recommended for exclusion from merchandise trade as they are to be included in trade in services. The country responses show that almost all developed countries (96.8 per cent) exclude them, with 70.3 per cent of developing and transitional countries doing the same.

1.17. *Goods under operational lease.* There is a dramatic increase in the compliance rate with respect to this recommendation between 1996 and 2006 (from 78.8 per cent to 96.8 per cent for developed and from only 59.1 per cent to 65.3 per cent for developing and transitional countries).

1.18. *Non-financial assets, ownership of which has been transferred from residents to non-residents, without crossing borders.* In the case of these goods, 96.8 per cent of developed countries exclude them, but only 60.4 per cent of developing and transitional countries reported their exclusion (13.9 per cent indicated that they did not exclude these goods and 25.7 per cent provided no answer or indicated that the question was not applicable).

1.19. *Used or second-hand goods.* These goods are not recommended for exclusion and the question was asked to obtain information on actual country practices. The responses confirm that these goods are not excluded by 90.3 per cent of developed and 55.4 per cent of other countries.

F. Kyoto Convention and relevant customs procedures

1.20. A clear majority of countries (71.2 per cent) use the Revised Kyoto Convention: (International Convention on the Simplification and Harmonization of Customs Procedures (as amended)) as the basis for their customs legislation. This is noteworthy as the application of the same customs standards is important for improving comparability of customs records and the resulting trade statistics. Table 1.4 provides a summary of responses to the question of whether customs procedures followed in countries allow for the collection of data on certain flows of goods. In general, all countries are in a very similar position. Developed countries tend to make more extensive use of the procedures allowing for recording of goods in inward and outward processing, whereas developing and transitional countries make more use of procedures reflecting flows in and out of free trade zones.

Table 1.4 Questions regarding the Kyoto Convention and relevant customs procedures (Percentage)

Question	All 132 countries or areas			Developed economies			Developing and transitional economies		
	Yes	No	N/A	Yes	No	N/A	Yes	No	N/A
Does your country use the Kyoto Convention?	71.2	12.9	15.9	80.6	12.9	6.5	68.3	12.9	18.8
Does the recording by customs procedures allow for the identification of:									
Importation of goods under clearance for home use?	88.6	9.1	2.3	83.9	16.1	0.0	90.1	6.9	3.0
Reimportation of goods in the same State?	84.8	9.1	6.1	87.1	6.5	6.5	84.2	9.9	5.9
Exportation of domestic goods (outright exportation)?	83.3	9.1	7.6	77.4	22.6	0.0	85.1	5.0	9.9
Temporary admission of goods subject to re-exportation in the same State?	82.6	10.6	6.8	77.4	16.1	6.5	84.2	8.9	6.9
Re-exportation of goods in the same State?	87.1	6.8	6.1	83.9	9.7	6.5	88.1	5.9	5.9
Temporary admission of goods for inward processing?	74.2	13.6	12.1	87.1	9.7	3.2	70.3	14.9	14.9
Goods leaving the country after inward processing?	72.7	14.4	12.9	83.9	12.9	3.2	69.3	14.9	15.8
Temporary exportation of goods for outward processing?	73.5	14.4	12.1	90.3	9.7	0.0	68.3	15.8	15.8
Reimportation of goods after temporary exportation for outward processing?	75.8	13.6	10.6	93.5	6.5	0.0	70.3	15.8	13.9
Goods admitted into a customs warehouse?	72.0	15.2	12.9	80.6	16.1	3.2	69.3	14.9	15.8
Goods leaving a customs warehouse?	73.5	11.4	15.2	83.9	12.9	3.2	70.3	10.9	18.8
Goods admitted into a commercial free zone (zones where only minimal repackaging and similar processing of goods is allowed)?	51.5	26.5	22.0	45.2	32.3	22.6	53.5	24.8	21.8
Goods leaving a commercial free zone?	52.3	25.0	22.7	41.9	35.5	22.6	55.4	21.8	22.8
Goods admitted into an industrial free zone (zones where specific processing or manufacturing of goods is allowed)?	52.3	24.2	23.5	48.4	29.0	22.6	53.5	22.8	23.8
Goods leaving an industrial free zone?	56.8	19.7	23.5	48.4	29.0	22.6	59.4	16.8	23.8
Goods in customs transit?	56.8	34.1	9.1	48.4	48.4	3.2	59.4	29.7	10.9

G. Trade system

1.21. According to the replies shown in table 1.5, a high percentage of countries (40.2 per cent) do not follow the recommendation to apply the general trade system of recording, which calls for the inclusion of all goods entering or leaving the economic territory of a country. This is the case for developed countries in particular, with 54.8 per cent of them indicating that they disseminate trade data only on the basis of the special trade system.

Table 1.5. Questions on the trade system (Percentage)

Question	All 132 countries or areas			Developed economies			Developing and transitional economies		
	Yes	No	N/A	Yes	No	N/A	Yes	No	N/A
Do you disseminate trade statistics only according to the general trade system?	42.4	53.0	4.5	16.1	83.9	0.0	50.5	43.6	5.9
Do you disseminate trade statistics only according to the special trade system?	40.2	53.0	6.8	54.8	38.7	6.5	35.6	57.4	6.9
Do you disseminate trade statistics according to both the general and the special trade system?	21.2	60.6	18.2	22.6	71.0	6.5	20.8	57.4	21.8
Do you include in your trade statistics goods entering or leaving the following territorial elements									
Industrial free zones?	48.5	28.8	22.7	35.5	41.9	22.6	52.5	24.8	22.8
Commercial free zones?	47.0	29.5	23.5	29.0	45.2	25.8	52.5	24.8	22.8
Customs warehouses?	61.4	29.5	9.1	58.1	41.9	0.0	62.4	25.7	11.9
Premises designated for inward processing?	56.8	25.8	17.4	74.2	19.4	6.5	51.5	27.7	20.8
Territorial waters and continental shelf?	32.6	36.4	31.1	41.9	29.0	29.0	29.7	38.6	31.7
Offshore territories, possessions, dependencies, etc. (including outer space installations)?	19.7	43.2	37.1	22.6	35.5	41.9	18.8	45.5	35.6
Your country's embassies, military bases and other territorial enclaves in other countries?	17.4	62.1	20.5	12.9	80.6	6.5	18.8	56.4	24.8

1.22. Difficulties in the application of the general trade system are mostly due to difficulties with compiling data in the absence of customs controls, in particular on goods moving in and out of the territorial elements having a special status, such as commercial or industrial free zones and customs warehouses. The responses confirm that just about half of all countries have procedures in place to record movements in and out of commercial or industrial free zones. On the other hand, the inclusion in trade statistics of goods admitted into or withdrawn from the customs warehouses is possible in 61.4 per cent of countries.

1.23. About 20 per cent of countries are able to include in trade statistics goods entering or leaving their offshore territories, possessions, dependencies, etc. (including outer space installations) as well as their country's embassies, military bases and other territorial enclaves in other countries. In view of the relatively small value of this kind of trade, countries often do not develop procedures to capture it.

H. Commodity classifications

1.24. Table 1.6 provides confirmation of the almost universal use of the Harmonized Commodity Description and Coding System (Harmonized System or HS) for recording trade flows and dissemination of trade statistics, as recommended by IMTS, Rev.2. It should be highlighted that compliance with this recommendation increased from 72.3 per cent in 1996 to 93.9 per cent in 2006 (see annex 1.3). The Standard International Trade Classification (SITC) remains an important dissemination tool for most countries, especially for developed countries (83.9 per cent confirmed its use). The responses indicated that the Classification by Broad Economic Categories (BEC) is applied by 45.5 per cent of countries. The application of the Central Product Classification (CPC) and the International Standard Industrial Classification of All Economic Activities (ISIC) is not widespread – only 9.1 per cent of countries use CPC and about 22.0 per cent use ISIC for publishing of their trade data.

Table 1.6 Questions on the use of commodity classifications (Percentage)

Question	All 132 countries or areas			Developed economies			Developing and transitional economies		
	Yes	No	N/A	Yes	No	N/A	Yes	No	N/A
Do you use the Harmonized System (HS) as the basis for your detailed commodity trade database?	93.9	3.0	3.0	96.8	3.2	0.0	93.1	3.0	4.0
Do you use the Harmonized System for dissemination purposes?	85.6	10.6	3.8	87.1	9.7	3.2	85.1	10.9	4.0
Do you publish any data in terms of Standard International Trade Classification (SITC)?	63.6	34.8	1.5	83.9	16.1	0.0	57.4	40.6	2.0
Do you publish any data in terms of Central Product Classification (CPC)?	9.1	85.6	5.3	9.7	90.3	0.0	8.9	84.2	6.9
Do you publish any data in terms of the Classification by Broad Economic Categories (BEC)?	45.5	47.7	6.8	41.9	54.8	3.2	46.5	45.5	7.9
Do you publish any data in terms of the International Standard Industrial Classification of All Economic Activities (ISIC)?	22.0	72.7	5.3	12.9	87.1	0.0	24.8	68.3	6.9

I. Quantity measurements

1.25. Table 1.7 demonstrates that all developed and almost all other countries collect quantity data. The percentage of countries collecting such data increased from 79.7 per cent in 1996 to 92.4 per cent in 2006 (see annex 1.3). There is a solid compliance with the IMTS, Rev.2, recommendation to use net weight for quantity measurement of all commodities, where applicable (73.5 per cent of all countries in 2006 as compared with 52.7 per cent in 1996). It should be noted that in the past 69.7 per cent of developed countries compiled net weight data and 71.0 per cent confirmed this practice in 2006. The use of the World Customs Organizations (WCO) recommended units of quantity at the HS headings level is rather a common practice as well (67.4 per cent of countries confirmed this).

Table 1.7 Questions on quantity measurements (Percentage)

Question	All 132 countries or areas			Developed economies economies			Developing and transitional economies		
	Yes	No	N/A	Yes	No	N/A	Yes	No	N/A
Do you collect quantity data?	92.4	4.5	3.0	100.0	0.0	0.0	90.1	5.9	4.0
Do you record or estimate net weight for quantity measurement of all commodities, where applicable?	73.5	22.7	3.8	71.0	29.0	0.0	74.3	20.8	5.0
Do you record or estimate the World Customs Organization (WCO) recommended units of quantity for each of the headings of the HS?	67.4	24.2	8.3	58.1	29.0	12.9	70.3	22.8	6.9

J. Valuation

1.26. Country responses to questions on valuation (see table 1.8) reveal that the two main recommendations (use of CIF-type valuation of imported goods and FOB-type valuation of exported goods) are very well implemented. Comparison with country responses provided more than 10 years ago indicate that there is an increase in the compliance rate with recommendations on valuation. The percentage of countries applying CIF-type valuation for imported goods increased from 90.5 per cent to 92.4 per cent while the application of FOB-type valuation for exports increased form 94.6 per cent to 96.2 per cent (see annex 1.3).

1.27. The recommendation to compile data on international freight and insurance is followed by 42.4 per cent countries, while 10 years ago only 29.7 per cent of countries were compiling such data. In addition, 19.4 per cent of developed and 30.7 per cent of developing and transitional countries confirmed that they already compile and publish FOB-valued imports data.

1.28. At the same time, country responses showed low compliance with respect to recommended practices for currency conversion, both for use of the midpoint between the selling

and buying rates (24.2 per cent of countries use it) and use of the average rate for the shortest period applicable (31.8 per cent use it).

Table 1.8. Questions on valuation (Percentage)

Question	All 132 countries or areas			Developed economies			Developing and transitional economies		
	Yes	No	N/A	Yes	No	N/A	Yes	No	N/A
Are you using provisions of the WTO Agreement on Valuation as the basis for calculating the statistical value of goods?	58.3	20.5	21.2	61.3	9.7	29.0	57.4	23.8	18.8
Is the statistical value of imported goods a CIF-type value?	92.4	6.1	1.5	93.5	6.5	0.0	92.1	5.9	2.0
Are data for international freight and insurance associated with the importation of goods available separately?	42.4	56.1	1.5	25.8	74.2	0.0	47.5	50.5	2.0
Do you compile and publish value of imported goods as a FOB-type value?	28.0	69.7	2.3	19.4	80.6	0.0	30.7	66.3	3.0
Is the statistical value of exported goods an FOB-type value?	96.2	2.3	1.5	96.8	3.2	0.0	96.0	2.0	2.0
Do you record and maintain information on the currency which was used in specifying the value on the customs declaration?	62.1	32.6	5.3	67.7	25.8	6.5	60.4	34.7	5.0
In conversion of foreign currencies into national currency, do you use a rate published by the official authorities of your country?	78.8	5.3	15.9	83.9	0.0	16.1	77.2	6.9	15.8
If both buying and selling rates are available, do you use for conversion purposes a midpoint between the two?	24.2	52.3	23.5	29.0	32.3	38.7	22.8	58.4	18.8
Do you use the exchange rate which is in effect at the date of exportation or importation? If No, please indicate which exchange rates are used for this purpose in the Comments field.	63.6	20.5	15.9	45.2	29.0	25.8	69.3	17.8	12.9
If an exchange rate is not available for the date of exportation or importation, do you use the average rate for the shortest period applicable?	31.8	29.5	38.6	35.5	12.9	51.6	30.7	34.7	34.7

K. Partner country

1.29. The IMTS, Rev.2, recommendations on partner country attributions are well followed (see table 1.9), with 90.2 per cent of countries compiling the country of origin for imports and

90.9 per cent compiling the country of last known destination for exports. In both cases the compliance rate has increased since 1996 (81.8 per cent and 87.8 per cent, respectively). In determining the country of origin, the provisions of the Kyoto Convention are followed by 80.6 per cent of developed and 59.4 per cent of developing and transitional countries. This makes partner data of developing and transitional countries less comparable than similar data of developed countries.

1.30. The use of country of consignment as an additional partner attribution was reported by only 47.0 per cent of countries for imports and by 19.7 per cent for exports. It can be noted that most developed countries (77.4 per cent) use country of consignment for imports, but only a few of them (9.7 per cent) for exports.

Table 1.9. Questions concerning partner country attribution (Percentage)

Question	All 121 countries or areas			Developed economies			Developing and transitional economies		
	Yes	No	N/A	Yes	No	N/A	Yes	No	N/A
Do you identify your trade partners on the basis of the definition of the statistical territory as given by your partners themselves?	57.6	13.6	28.8	51.6	25.8	22.6	59.4	9.9	30.7
Do you compile import statistics by:									
Country of origin?	90.2	7.6	2.3	96.8	3.2	0.0	88.1	8.9	3.0
If yes, do you broadly follow the origin criteria outlined in the Kyoto Convention?	64.4	5.3	30.3	80.6	9.7	9.7	59.4	4.0	36.6
Country of consignment?	47.0	46.2	6.8	77.4	22.6	0.0	37.6	53.5	8.9
Country of purchase?	29.5	64.4	6.1	9.7	90.3	0.0	35.6	56.4	7.9
Other?	13.6	42.4	43.9	9.7	58.1	32.3	14.9	37.6	47.5
Do you record for imports:									
Country of requested preferential treatment	23.5	55.3	21.2	19.4	74.2	6.5	24.8	49.5	25.7
Country of granted preferential treatment	32.6	47.7	19.7	38.7	54.8	6.5	30.7	45.5	23.8
Do you compile export statistics by:									
Country of last known destination?	90.9	6.1	3.0	93.5	6.5	0.0	90.1	5.9	4.0
Country of consignment?	19.7	62.9	17.4	9.7	87.1	3.2	22.8	55.4	21.8
Country of sale?	22.0	71.2	6.8	0.0	100.0	0.0	28.7	62.4	8.9
Other?	6.8	46.2	47.0	3.2	67.7	29.0	7.9	39.6	52.5

L. Data quality

1.31. The questionnaire contained several questions intended to obtain some information on country practices relevant to the assessment of data quality. The country responses (shown in table 1.10) are quite informative in a number of respects. For example, 80.3 per cent of the countries customs administrations of all countries conduct seminars to train traders and their agents in the filing of customs declarations and 72.7 per cent of countries use commodity prices or unit values to assess the credibility of customs records.

1.32. The use of carefully prepared estimates to replace missing values and quantities is encouraged in the IMTS: Compilers Manual. Yet, currently this is not a common practice – only about every third country is doing so (31.1 per cent for missing values and 34.1 per cent for missing quantities). Less than half (41.9 per cent) of developed countries make estimates of trade below the mandatory declaration threshold and include them in their trade statistics and only 8.9 per cent of developing and transitional countries do so.

1.33. An important factor in improving data quality is conducting bilateral or multilateral reconciliation studies with the trading partners. It is a very good sign that such studies have become a common practice for most developed (71.0 per cent) and a significant percentage (40.6 per cent) of developing and transitional countries.

1.34. The responses confirmed that the work of the United nations Conference on Trade and Development (UNCTAD) on the development and promotion of the Automated System for Customs Data (ASYCUDA) for automated entry and checking of customs declarations is paying off – half (51.5 per cent) of developing and transitional countries use it.

Table 1.10. Questions on data quality (Percentage)

Question	All 132 countries or areas			Developed economies			Developing and transitional economies		
	Yes	No	N/A	Yes	No	N/A	Yes	No	N/A
Do you use a threshold value below which customs declarations are not required to be filed?	37.9	51.5	10.6	61.3	38.7	0.0	30.7	55.4	13.9
If you use a threshold value, do you make estimates of trade below the threshold and include them in your trade statistics?	16.7	45.5	37.9	41.9	32.3	25.8	8.9	49.5	41.6
Does the Customs administration of your country use the Automated System for Customs Data ASYCUDA for automated entry and checking of customs declarations?	43.9	49.2	6.8	19.4	71.0	9.7	51.5	42.6	5.9
Is physical inspection of cargo by customs based on risk assessment?	74.2	8.3	17.4	90.3	0.0	9.7	69.3	10.9	19.8
Does the customs administration of your country conduct seminars to train traders and their agents in the filing of customs declarations?	80.3	12.9	6.8	83.9	12.9	3.2	79.2	12.9	7.9
Does your office use Eurotrace to process the customs records?	15.2	76.5	8.3	3.2	96.8	0.0	18.8	70.3	10.9
Do you use commodity prices or unit values to assess the credibility of customs records?	72.7	22.7	4.5	87.1	6.5	6.5	68.3	27.7	4.0
Do you use estimates to replace missing values at detailed record level?	31.1	60.6	8.3	35.5	61.3	3.2	29.7	60.4	9.9
Do you use estimates to replace missing quantities at detailed record level?	34.1	56.8	9.1	38.7	54.8	6.5	32.7	57.4	9.9
If Yes, do you use different estimation methods (for quantities) depending on the kind of commodities traded? Please specify, if necessary.	16.7	14.4	68.9	9.7	29.0	61.3	18.8	9.9	71.3
Since 2000, have you conducted bilateral or multilateral reconciliation studies with your trading partners or do you plan to conduct such studies in the near future?	47.7	40.2	12.1	71.0	29.0	0.0	40.6	43.6	15.8

M. Trade by mode of transport

1.35. Compilation of trade statistics by mode of transport is an increasingly common practice– 90.3 per cent of developed and 74.3 per cent of other countries compile such data. (table 1.11).

Table 1.11. Questions on mode of transport (Percentage)

Question	All 132 countries or areas			Developed economies			Developing and transitional economies		
	Yes	No	N/A	Yes	No	N/A	Yes	No	N/A
Do you compile trade statistics by mode of transport?	78.0	16.7	5.3	90.3	6.5	3.2	74.3	19.8	5.9
If you compile trade statistics by mode of transport, do you identify the following modes:									
Air?	85.6	8.3	6.1	93.5	0.0	6.5	83.2	10.9	5.9
Sea?	75.0	12.1	12.9	83.9	6.5	9.7	72.3	13.9	13.9
Inland waterway?	33.3	37.9	28.8	54.8	22.6	22.6	26.7	42.6	30.7
Railway?	53.0	26.5	20.5	71.0	12.9	16.1	47.5	30.7	21.8
Road?	66.7	18.2	15.2	71.0	12.9	16.1	65.3	19.8	14.9
Pipeline?	38.6	35.6	25.8	61.3	16.1	22.6	31.7	41.6	26.7

N. Reporting and dissemination

Table 1.12. Timeliness of reporting (Percentage)

Countries or areas	Monthly data become available within:			Quarterly data becomes available within:			Annual data becomes available within:		
	0-43 days	44-66 days	67 days and more	0-43 days	44-66 days	67 days and more	0-139 days	140-210 days	211 days and more
All 132 countries or areas	79.3	14.4	6.3	65.3	22.4	12.2	82.7	8.2	9.1
Developed economies	74.2	12.9	12.9	69.6	17.4	13.0	92.3	0.0	7.7
Developing and transitional economies	81.3	15.0	3.8	64.0	24.0	12.0	79.8	10.7	9.5

1.36. *Timeliness*. Timeliness in general has improved since 1996. In 2006, 79.3 per cent of countries were able to provide monthly data in less than 43 days (see table 1.12). More developing and transitional countries (81.3 per cent) than developed countries (74.2 per cent) are able to issue data within this time frame. Unfortunately, there is no information to compare the quality of such data compiled by these two groups of countries. Quarterly data are disseminated by most countries (87.7 per cent) within 66 days. Annual data typically (in 90.9 per cent of countries) becomes available within 210 days. It follows that timeliness of external trade statistics in most cases complies with or even exceeds normally recommended guidelines for economic statistics.

1.37. It should be noted that international reporting as manifested in the provision of annual data to UN Comtrade (the United Nations Commodity Trade Statistics Database) lags significantly behind the data availability reported by countries in this questionnaire.

1.38. *Details of released data*. Table 1.13 shows the country replies concerning data dissemination. For example, 96.8 per cent of developed countries publish monthly data by major trading partners or by major commodity groups while 70.3 per cent of developing and transitional countries do so.

1.39. *Public announcements of the release dates.* Developing and transitional countries provide public announcements of the release dates much less frequently than developed countries do (56.4 per cent versus 93.5 per cent respectively).

1.40. *Confidentiality.* Preserving confidentiality of individual data is a general requirement and countries normally have adequate policies in place. At the same time such policies should be implemented in a way that minimizes the impact on the availability of aggregated data. In this respect country policies differ. Table 1.13 shows that while most developed countries (64.5 per cent) always report the full trading partner detail at the next higher level of commodity aggregation that adequately protects confidentiality, only 44.6 per cent of developing and transitional countries do so. However, 32.3 per cent of developed countries explicitly indicated that they do not have such a policy, whereas only 23.8 per cent of developing and transitional countries did so, implying that of this group 29.8 per cent did not answer or indicated that the issue was not applicable to its trade data.

1.41. *Dissemination of metadata.* The availability of metadata contributes to the overall quality of trade statistics (see paras 1.31-1.34). The responses to the questionnaire confirmed that most countries (73.5 per cent) disseminate metadata. Yet, while most developed countries disseminate metadata (96.8 per cent), only two thirds of developing and transitional countries are doing so (see table 1.13).

1.42. *Revision policy.* Table 1.13 also shows that 90.9 per cent of countries revise their data when new information becomes available. This applies almost equally to developed (93.5 per cent) and developing and transitional (90.1 per cent) countries.

Table 1.13. Questions on dissemination (Percentage)

Question	All 132 countries or areas			Developed economies			Developing and transitional economies		
	Yes	No	N/A	Yes	No	N/A	Yes	No	N/A
Do you make aggregate data (by major trading partners or by commodity groups) publicly available on a monthly basis?	76.5	20.5	3.0	96.8	3.2	0.0	70.3	25.7	4.0
Do you make detailed data by commodity and partner publicly available on a quarterly basis?	63.6	28.0	8.3	64.5	25.8	9.7	63.4	28.7	7.9
When confidentiality is applied to certain products, do you always report the full trading partner detail at the next higher level of commodity aggregation that adequately protects confidentiality?	49.2	25.8	25.0	64.5	32.3	3.2	44.6	23.8	31.7
Do you make documentation on your sources and methods publicly available?	73.5	18.2	8.3	96.8	3.2	0.0	66.3	22.8	10.9
Do you publicly announce scheduled release dates?	65.2	28.8	6.1	93.5	6.5	0.0	56.4	35.6	7.9
Do you make data available on a website?	84.1	11.4	4.5	96.8	3.2	0.0	80.2	13.9	5.9
Do you regularly revise data (when additional information is available)?	90.9	4.5	4.5	93.5	3.2	3.2	90.1	5.0	5.0

Annex 1.1. Distribution of responses with respect to goods recommended for inclusion (Percentage)

Question	All 132 countries or areas			Developed economies			Developing and transitional economies		
	Yes	No	N/A	Yes	No	N/A	Yes	No	N/A
Do you Include in trade statistics the following:									
Non-monetary gold?	86.4	10.6	3.0	96.8	3.2	0.0	83.2	12.9	4.0
Goods for processing (i.e., goods sent abroad or brought into your country for processing, including processing under contract and processing under the inward processing procedure)?	82.6	9.1	8.3	96.8	0.0	3.2	78.2	11.9	9.9
Goods dispatched through postal or courier services?	82.6	12.9	4.5	96.8	3.2	0.0	78.2	15.8	5.9
Waste and scrap, the value of which is positive?	81.8	9.8	8.3	93.5	6.5	0.0	78.2	10.9	10.9
Goods traded on government account?	80.3	14.4	5.3	93.5	3.2	3.2	76.2	17.8	5.9
Goods used as carriers of information and software developed for general or commercial use (e.g., packaged sets containing CD-ROM or DVD with stored computer software and/or data); Note: this category excludes materials developed "to order".	76.5	15.2	8.3	90.3	9.7	0.0	72.3	16.8	10.9
Food and other humanitarian aid?	75.8	22.0	2.3	64.5	35.5	0.0	79.2	17.8	3.0
Goods which cross borders as a result of transactions between parent corporations and their direct investment enterprises (affiliates/branches)?	75.0	13.6	11.4	100.0	0.0	0.0	67.3	17.8	14.9
Ships, aircraft and other mobile equipment?	75.0	18.2	6.8	96.8	3.2	0.0	68.3	22.8	8.9
Returned goods?	71.2	16.7	12.1	96.8	3.2	0.0	63.4	20.8	15.8
Electricity and gas?	68.2	15.9	15.9	90.3	3.2	6.5	61.4	19.8	18.8
Goods under financial lease (i.e., a lease of one year or more)?	66.7	22.7	10.6	96.8	3.2	0.0	57.4	28.7	13.9
Goods traded in accordance with barter agreements?	61.4	27.3	11.4	90.3	3.2	6.5	52.5	34.7	12.9
Gifts, if to significant scale as defined by national law?	60.6	28.8	10.6	58.1	38.7	3.2	61.4	25.7	12.9
Goods for military use	59.8	32.6	7.6	90.3	6.5	3.2	50.5	40.6	8.9
Empty bottles not meant for refilling?	59.1	25.8	15.2	67.7	22.6	9.7	56.4	26.7	16.8
Goods on consignment?	57.6	28.0	14.4	74.2	16.1	9.7	52.5	31.7	15.8

Question	All 132 countries or areas			Developed economies			Developing and transitional economies		
	Yes	No	N/A	Yes	No	N/A	Yes	No	N/A
Unissued banknotes and securities, and coins not in circulation?	54.5	38.6	6.8	74.2	22.6	3.2	48.5	43.6	7.9
Fish catch, minerals from the seabed and salvage landed from foreign vessels in national ports?	54.5	27.3	18.2	80.6	3.2	16.1	46.5	34.7	18.8
Goods acquired by all categories of travellers, including non-resident workers, to a significant scale (i.e., excluding goods for their own use) as defined by national law; for example, so-called Shuttle Trade?	51.5	37.1	11.4	35.5	58.1	6.5	56.4	30.7	12.9
Bunkers, stores, ballast and dunnage supplied to foreign vessels/aircraft in the economic territory of your country?	51.5	35.6	12.9	58.1	35.5	6.5	49.5	35.6	14.9
Water?	47.0	28.0	25.0	71.0	12.9	16.1	39.6	32.7	27.7
Migrants' effects?	47.0	41.7	11.4	19.4	74.2	6.5	55.4	31.7	12.9
Fish catch, minerals from the seabed and salvage acquired by national vessels on the high seas from foreign vessels?	42.4	37.9	19.7	64.5	19.4	16.1	35.6	43.6	20.8
Goods transferred from or to a buffer stock organization?	39.4	27.3	33.3	61.3	16.1	22.6	32.7	30.7	36.6
Local border trade?	37.1	49.2	13.6	45.2	38.7	16.1	34.7	52.5	12.9
Goods delivered from the rest of the world to offshore installations located in the economic territory of your country, and goods dispatched to the rest of the world from offshore installations located in the economic territory of your country?	34.1	39.4	26.5	51.6	12.9	35.5	28.7	47.5	23.8
Goods seized by customs and subsequently resold?	33.3	48.5	18.2	29.0	54.8	16.1	34.7	46.5	18.8
Bunkers, stores, ballast and dunnage landed in national ports from foreign vessels/aircraft?	32.6	40.9	26.5	29.0	45.2	25.8	33.7	39.6	26.7
Bunkers, stores, ballast and dunnage acquired by national vessels/aircraft from foreign vessels/aircraft in the economic territory of your country?	28.0	45.5	26.5	22.6	54.8	22.6	29.7	42.6	27.7
Estimates of unrecorded trade?	13.6	70.5	15.9	22.6	71.0	6.5	10.9	70.3	18.8

Annex 1.2. Distribution of responses with respect to goods recommended for exclusion (Percentage)

Question	All 132 countries or areas			Developed economies			Developing and transitional economies		
	Yes	No	N/A	Yes	No	N/A	Yes	No	N/A
Do you Exclude from trade statistics the following:									
Issued banknotes and securities and coins in circulation?	86.4	9.1	4.5	96.8	3.2	0.0	83.2	10.9	5.9
Goods in transit?	81.8	11.4	6.8	96.8	3.2	0.0	77.2	13.9	8.9
Monetary gold (i.e., that gold which is exchanged between national or international monetary authorities or authorized banks)?	79.5	12.1	8.3	96.8	3.2	0.0	74.3	14.9	10.9
Goods acquired by all categories of travellers, including non-resident workers, for their own use and carried across the border in amounts or values not exceeding those established by national law?	76.5	14.4	9.1	96.8	3.2	0.0	70.3	17.8	11.9
Goods moving between your country and territorial enclaves of your country in other countries (e.g., your embassies and military or other installations)?	75.8	12.1	12.1	87.1	12.9	0.0	72.3	11.9	15.8
Goods purchased by foreign embassies and military or other installations located in your country, for their own use?	73.5	15.2	11.4	87.1	12.9	0.0	69.3	15.8	14.9
Goods temporarily admitted or dispatched?	72.7	18.9	8.3	93.5	6.5	0.0	66.3	22.8	10.9
Goods under operational lease (i.e., a lease of less than one year)	72.7	13.6	13.6	96.8	3.2	0.0	65.3	16.8	17.8
Goods which are acquired and relinquished within your country, by non-residents, within the same recording period, and which do not cross the borders of the country?	72.0	12.1	15.9	96.8	3.2	0.0	64.4	14.9	20.8
Non-financial assets, ownership of which has been transferred from residents to non-residents, without crossing borders?	68.9	11.4	19.7	96.8	3.2	0.0	60.4	13.9	25.7
Goods which left the economic territory of the exporting country but were lost or destroyed before entering the economic territory of your country?	67.4	14.4	18.2	87.1	9.7	3.2	61.4	15.8	22.8
Newspapers and periodicals sent under direct subscription?	65.2	22.0	12.9	71.0	29.0	0.0	63.4	19.8	16.8
Empty bottles which are returned to be refilled?	62.1	25.0	12.9	77.4	19.4	3.2	57.4	26.7	15.8

Question	All 132 countries or areas			Developed economies			Developing and transitional economies		
	Yes	No	N/A	Yes	No	N/A	Yes	No	N/A
Waste and scrap having no positive value?	62.1	26.5	11.4	77.4	19.4	3.2	57.4	28.7	13.9
Fish caught on the high seas by national vessels of your country and landed in its economic territory?	59.1	14.4	26.5	61.3	22.6	16.1	58.4	11.9	29.7
Goods purchased by international organizations located in the economic territory of your country, from your country, for their own use?	53.0	27.3	19.7	58.1	32.3	9.7	51.5	25.7	22.8
Goods entering or leaving the economic territory of your country illegally?	50.0	23.5	26.5	54.8	25.8	19.4	48.5	22.8	28.7
Bunkers, stores, ballast and dunnage that are acquired by national vessels/aircraft outside the economic territory of your country?	47.7	22.7	29.5	61.3	22.6	16.1	43.6	22.8	33.7
Goods for repair?	47.7	37.1	15.2	58.1	35.5	6.5	44.6	37.6	17.8
Bunkers, stores, ballast and dunnage that are supplied by national vessels/aircraft to foreign vessels/aircraft outside the economic territory of your country or landed in foreign ports from national vessels/aircraft?	43.2	24.2	32.6	38.7	38.7	22.6	44.6	19.8	35.6
Mobile equipment that changes ownership while outside the country of residence of its original owner?;	40.9	31.8	27.3	29.0	61.3	9.7	44.6	22.8	32.7
Fish catch, minerals from the seabed and salvage sold from national vessels in foreign ports or from national vessels on the high seas to foreign vessels?	34.8	30.3	34.8	22.6	54.8	22.6	38.6	22.8	38.6
Goods exported from your country but lost or destroyed after ownership has been acquired by the importer?	31.1	47.0	22.0	32.3	58.1	9.7	30.7	43.6	25.7
Any category of used or second-hand goods?	14.4	63.6	22.0	3.2	90.3	6.5	17.8	55.4	26.7

Annex 1.3. Comparison of responses in 1996 and 2006 versions of the questionnaire (Percentage)

Questions	Distribution of responses by region	1996			2006			Difference
		Yes	No	N/A	Yes	No	N/A	
Do you Include in trade statistics the following:								
Non-monetary gold?	All respondents	77.7	17.6	4.7	86.4	10.6	3.0	8.7
	Developed economies	81.8	18.2	0.0	96.8	3.2	0.0	15.0
	Developing and transitional economies	76.5	17.4	6.1	83.2	12.9	4.0	6.7
Goods traded on government account	All respondents	79.7	14.9	5.4	80.3	14.4	5.3	0.6
	Developed economies	84.8	12.1	3.0	93.5	3.2	3.2	8.7
	Developing and transitional economies	78.3	15.7	6.1	76.2	17.8	5.9	-2.1
Goods for military use?	All respondents	50.0	42.6	7.4	59.8	32.6	7.6	9.8
	Developed economies	84.8	12.1	3.0	90.3	6.5	3.2	5.5
	Developing and transitional economies	40.0	51.3	8.7	50.5	40.6	8.9	10.5
Electricity and gas and water?	All respondents	74.3	18.9	6.8	68.2	15.9	15.9	-6.1
	Developed economies	93.9	3.0	3.0	90.3	3.2	6.5	-3.6
	Developing and transitional Economies	68.7	23.5	7.8	61.4	19.8	18.8	-7.3
Goods dispatched through postal or courier services?	All respondents	75.7	20.9	3.4	82.6	12.9	4.5	6.9
	Developed economies	97.0	3.0	0.0	96.8	3.2	0.0	-0.2
	Developing and transitional Economies	69.6	26.1	4.3	78.2	15.8	5.9	8.6
Ships, aircraft and other mobile equipment?	All respondents	52.7	37.8	9.5	75.0	18.2	6.8	22.3
	Developed economies	69.7	27.3	3.0	96.8	3.2	0.0	27.1
	Developing and transitional economies	47.8	40.9	11.3	68.3	22.8	8.9	20.5

Questions	Distribution of responses by region	1996			2006			Difference
		Yes	No	N/A	Yes	No	N/A	
Goods delivered from the rest of the world to offshore installations located in the economic territory of your country, and goods dispatched to the rest of the world from offshore installations located in the economic territory of your country?	All respondents	27.0	54.1	18.9	34.1	39.4	26.5	7.1
	Developed economies	57.6	27.3	15.2	51.6	12.9	35.5	-6.0
	Developing and transitional economies	18.3	61.7	20.0	28.7	47.5	23.8	10.4
Bunkers, stores, ballast and dunnage supplied to foreign vessels/aircraft in the economic territory of your country?	All respondents	49.3	43.2	7.4	51.5	35.6	12.9	2.2
	Developed economies	51.5	45.5	3.0	58.1	35.5	6.5	6.6
	Developing and transitional economies	48.7	42.6	8.7	49.5	35.6	14.9	0.8
Bunkers, stores, ballast and dunnage landed in national ports from foreign vessels/aircraft?	All respondents	38.5	51.4	10.1	32.6	40.9	26.5	-5.9
	Developed economies	54.5	39.4	6.1	29.0	45.2	25.8	-25.5
	Developing and transitional economies	33.9	54.8	11.3	33.7	39.6	26.7	-0.2
Fish catch, minerals from the seabed and salvage landed from foreign vessels in national ports?	All respondents	50.7	35.8	13.5	54.5	27.3	18.2	3.8
	Developed economies	85.5	9.1	6.1	80.6	3.2	16.1	-4.2
	Developing and transitional economies	40.9	43.5	15.7	46.5	34.7	18.8	5.6
Fish catch, minerals from the seabed and salvage acquired by national vessels on the high seas from foreign vessels?	All respondents	33.8	48.6	17.6	42.4	37.9	19.7	8.6
	Developed economies	48.5	36.4	15.2	64.5	19.4	16.1	16.0
	Developing and transitional economies	29.6	52.2	18.3	35.6	43.6	20.8	6.0
Goods for processing?	All respondents	84.5	8.8	6.8	82.6	9.1	8.3	-1.9
	Developed economies	100.0	0.0	0.0	96.8	0.0	3.2	-3.2
	Developing and transitional economies	80	11.3	8.7	78.2	11.9	9.9	-1.8

Questions	Distribution of responses by region	1996			2006			Difference
		Yes	No	N/A	Yes	No	N/A	
Goods under financial lease?	All respondents	62.2	29.7	8.1	66.7	22.7	10.6	4.5
	Developed economies	87.9	12.1	0.0	96.8	3.2	0.0	8.9
	Developing and transitional economies	54.8	34.8	10.4	57.4	28.7	13.9	2.6
Goods traded in accordance with barter agreements?	All respondents	57.4	36.5	6.1	61.4	27.3	11.4	4.0
	Developed economies	90.9	6.1	3.0	90.3	3.2	6.5	-0.6
	Developing and transitional economies	47.8	45.2	7.0	52.5	34.7	12.9	4.7
Food and other humanitarian aid?	All respondents	63.5	32.4	4.1	75.8	22.0	2.3	12.3
	Developed economies	69.7	30.3	0.0	64.5	35.5	0.0	-5.2
	Developing and transitional economies	61.7	33.0	5.2	79.2	17.8	3.0	17.5
Local border trade?	All respondents	36.5	53.4	10.1	37.1	49.2	13.6	0.6
	Developed economies	45.5	36.4	18.2	45.2	38.7	16.1	-0.3
	Developing and transitional economies	33.9	58.3	7.8	34.7	52.5	12.9	0.8
Do you Exclude from trade statistics the following:								
Goods in transit?	All respondents	70.9	10.8	18.2	81.8	11.4	6.8	10.9
	Developed economies	90.9	3.0	6.1	96.8	3.2	0.0	5.9
	Developing and transitional economies	65.2	13.0	21.7	77.2	13.9	8.9	12.0
Goods entering or leaving the economic territory of your country illegally?	All respondents	83.1	10.1	6.8	50.0	23.5	26.5	-33.1
	Developed economies	87.9	9.1	3	54.8	25.8	19.4	-33.1
	Developing and transitional economies	81.7	10.4	7.8	48.5	22.8	28.7	-33.2
Monetary gold?	All respondents	78.4	13.5	8.1	79.5	12.1	8.3	1.1
	Developed economies	90.9	9.1	0.0	96.8	3.2	0.0	5.9
	Developing and transitional economies	74.8	14.8	10.4	74.3	14.9	10.9	-0.5
Fish catch, minerals from the seabed and salvage sold from national vessels in foreign ports or from national vessels on the high seas to foreign vessels?	All respondents	59.5	25.7	14.9	34.8	30.3	34.8	-24.7
	Developed economies	54.5	36.4	9.1	22.6	54.8	22.6	-31.9
	Developing and transitional economies	60.9	22.6	16.5	38.6	22.8	38.6	-22.3

Questions	Distribution of responses by region	1996			2006			Difference
		Yes	No	N/A	Yes	No	N/A	
Goods under operational lease?	All respondents	63.5	27.7	8.8	72.7	13.6	13.6	9.2
	Developed economies	78.8	21.2	0.0	96.8	3.2	0.0	18.0
	Developing and transitional economies	59.1	29.6	11.3	65.3	16.8	17.8	6.2
Goods for repair?	All respondents	44.6	45.9	9.5	47.7	37.1	15.2	3.1
	Developed economies	48.5	51.5	0.0	58.1	35.5	6.5	9.6
	Developing and transitional economies	43.5	44.3	12.2	44.6	37.6	17.8	1.1
Goods temporarily admitted or dispatched	All respondents	61.5	30.4	8.1	72.7	18.9	8.3	11.2
	Developed economies	72.7	24.2	3.0	93.5	6.5	0.0	20.8
	Developing and transitional economies	58.3	32.2	9.6	66.3	22.8	10.9	8.0
	Valuation							
Is the statistical value of imported goods a CIF-type value?	All respondents	90.5	6.1	3.4	92.4	6.1	1.5	1.9
	Developed economies	93.9	6.1	0.0	93.5	6.5	0.0	-0.4
	Developing and transitional economies	89.6	6.1	4.3	92.1	5.9	2.0	2.5
Is the statistical value of exported goods an FOB-type value?	All respondents	94.6	2.0	3.4	96.2	2.3	1.5	1.6
	Developed economies	97.0	3.0	0.0	96.8	3.2	0.0	-0.2
	Developing and transitional economies	93.9	1.7	4.3	96.0	2.0	2.0	2.1
Do you use the exchange rate which is in effect at the date of exportation or importation?	All respondents	52.7	25.7	21.6	63.6	20.5	15.9	10.9
	Developed economies	45.5	45.5	9.1	45.2	29.0	25.8	-0.3
	Developing and transitional economies	54.8	20.0	25.2	69.3	17.8	12.9	14.5
Are data for international freight and insurance associated with the importation of goods available separately?	All respondents	29.7	65.5	4.7	42.4	56.1	1.5	12.7
	Developed economies	42.4	57.6	0.0	25.8	74.2	0.0	-16.6
	Developing and transitional economies	26.1	67.8	6.1	47.5	50.5	2.0	21.4

Questions	Distribution of responses by region	1996			2006			Difference
		Yes	No	N/A	Yes	No	N/A	
		Partner country						
Do you compile import statistics by:								
Country of origin?	All respondents	81.8	14.9	3.4	90.2	7.6	2.3	8.4
	Developed economies	93.9	6.1	0.0	96.8	3.2	0.0	2.9
	Developing and transitional economies	78.3	17.4	4.3	88.1	8.9	3.0	9.8
Country of consignment?	All respondents	50.0	44.6	5.4	47.0	46.2	6.8	-3.0
	Developed economies	60.6	39.4	0.0	77.4	22.6	0.0	16.8
	Developing and transitional economies	47.0	46.1	7.0	37.6	53.5	8.9	-9.4
Do you compile export statistics by:								
Country of last known destination?	All respondents	87.8	7.4	4.7	90.9	6.1	3.0	3.1
	Developed economies	97.0	3.0	0.0	93.5	6.5	0.0	-3.5
	Developing and transitional economies	85.2	8.7	6.1	90.1	5.9	4.0	4.9
		Commodity classifications and quantity measurements						
Do you use the Harmonized System (HS) as the basis for your detailed commodity trade database?	All respondents	72.3	8.8	18.9	93.9	3.0	3.0	21.6
	Developed economies	90.9	3.0	6.1	96.8	3.2	0.0	5.9
	Developing and transitional economies	67.0	10.4	22.6	93.1	3.0	4.0	26.1
Do you collect quantity data?	All respondents	79.7	2.0	18.2	92.4	4.5	3.0	12.7
	Developed economies	93.9	0.0	6.1	100.0	0.0	0.0	6.1
	Developing and transitional economies	75.7	2.6	21.7	90.1	5.9	4.0	14.4
Do you record or estimate net weight for quantity measurement of all commodities, where applicable?	All respondents	52.7	28.4	18.9	73.5	22.7	3.8	20.8
	Developed economies	69.7	21.2	9.1	71.0	29.0	0.0	1.3
	Developing and transitional economies	47.8	30.4	21.7	74.3	20.8	5.0	26.5

Chapter 2 Revised Kyoto Convention

2.1. This chapter provides a description of the Revised Kyoto Convention[4] in view of its importance for the standardization of customs recording (recording of cross - border movements of goods), which is the main source of international merchandise trade statistics (IMTS).

2.2. Customs administrations play a vital role in the growth of international trade and the development of the global marketplace. The efficiency and effectiveness of customs procedures can significantly influence the competitiveness of nations. International trade and investment will be attracted by efficient, supportive and transparent customs administrations. At the same time, it will shy away from locations that are perceived by business as bureaucratic and costly. Chief among the governing principles of the Kyoto Convention is the commitment by customs administrations to provide transparency and predictability for all those involved in aspects of international trade.

2.3. The original International Convention on the Simplification and Harmonization of Customs Procedures was done at Kyoto on 18 May 1973 and entered into force on 25 September 1974. The Revised Kyoto Convention was an amendment to the original and was done at Brussels on 26 June 1999. The aims of the revision were:

(a) To eliminate divergence between the customs procedures and practices of the contracting parties that can hamper international trade and other international exchanges;
(b) To meet the needs of international trade and customs administrations for the facilitation, simplification and harmonization of Customs procedures and practices;
(c) To ensure appropriate standards of customs control;
(d) To enable customs administration to respond to major changes in business and administrative methods and techniques.

2.4. Other considerations were that the Revised Kyoto Convention (i) must provide that the core principles for such simplification and harmonization are made obligatory for contracting parties to the Revised Convention; (ii) must provide customs administrations with efficient procedures supported by appropriate and effective control methods; and (iii) would make it possible to achieve a high degree of simplification and harmonization of customs procedures and practices – an essential aim of the World Customs Organization, which developed the Convention – and thus make a major contribution to the facilitation of international trade.

2.5. It was, recognized that such simplification and harmonization could be accomplished by applying, in particular, the following principles:

(a) The implementation of programmes aimed at continuously modernizing customs procedures and practices and thus enhancing efficiency and effectiveness;

[4] World Customs Organization, Revised Kyoto convention: *International Convention on the Simplification and Harmonization of customs Procedures (as amended)* (Brussels, 2006).

(b) The application of customs procedures and practices in a predictable, consistent and transparent manner;
(c) The provision to interested parties of all the necessary information regarding customs laws, regulations, administrative guidelines, procedures and practices;
(d) The adoption of modern techniques, such as risk management and audit-based controls, and the maximum practicable use of information technology;
(e) Appropriate cooperation wherever with other national authorities, other customs administrations and the trading communities;
(f) The implementation of relevant international standards;
(g) The provision to affected parties of easily accessible processes of administrative and judicial review.

A. Structure of the Convention

2.6. The Convention comprises a body, a general annex and 10 specific annexes. The general annex and each specific annex consist of chapters that include definitions; and standards, some of which (in the general annex are transitional standards. Each specific annex contains recommended practices in addition to standards. Each annex is accompanied by guidelines, which are not binding upon the contracting parties.

B. Body of the Convention

2.7. The body of the Convention establishes the scope, structure and management of the Convention and defines the ratification process by the contracting parties. Article 9 of the Convention specifies that any contracting party that ratifies the Convention or accedes thereto shall be bound by any amendments to the Convention, including the general annex, which have entered into force at the date of deposit of its instrument of ratification or accession. It also states that any contracting party that accepts a specific annex or chapter therein shall be bound by any amendments to the standards contained in that specific annex or chapter that have entered into force on the date on which the party notifies its acceptance to the depositary.

2.8. Given article 9, contracting parties can ratify the Kyoto Convention without signing off on the chapters of the specific annexes. For instance, Austria, Azerbaijan and Belgium are all contracting parties to the Revised Kyoto Convention, but they did not sign off on any of the chapters of the specific annexes. As at 8 January 2008, 58 countries had become contracting parties to the Convention (see annex 2.1 below). Only Algeria, Australia, Japan, New Zealand, the Republic of Korea, Uganda, the United States of America and Zimbabwe had also accepted most of the chapters of the specific annexes.

C. General annex

2.9. The annexes of the original Convention have been replaced by a general annex and 10 specific annexes. The general annex defines and explains all customs terms and operations which are applicable to a variety of specific customs procedures (defined in the specific annexes). Chapter 2 of the general annex provides useful definitions of such terms as "clearance", "customs law" and "customs territory". Chapter 3 describes in detail clearance and other customs formalities, including the goods declaration and the examination of the goods. The general annex also includes chapters on duties and taxes, security, customs control, the application of information technology, the relationship between customs and third parties and information, decisions and rulings supplied by customs.

2.10. The Revised Kyoto Convention differentiates between standards and recommended Practices. Standards must be followed strictly and must be included in the customs law of the country. A transitional standard is a standard in the general annex for which a longer period of implementation is permitted. Recommended practices are not mandatory; countries add these to their legislation on a voluntary basis. As an example of the standards contained in the general annex, an excerpt on the goods declaration format and contents and documents supporting the goods declaration is reproduced below (for the complete text of the latter see annex 2.2).

Goods declaration format and contents

"3.11 Standard
The contents of the Goods declaration shall be prescribed by the Customs. The paper format of the Goods declaration shall conform to the UN-layout key. For automated Customs clearance processes, the format of the electronically lodged Goods declaration shall be based on international standards for electronic information exchange as prescribed in the Customs Co-operation Council Recommendations on information technology.

3.12 Standard
The Customs shall limit the data required in the Goods declaration to only such particulars as are deemed necessary for the assessment and collection of duties and taxes, the compilation of statistics and the application of Customs law.

3.13 Standard
Where, for reasons deemed valid by the Customs, the declarant does not have all the information required to make the Goods declaration, a provisional or incomplete Goods declaration shall be allowed to be lodged, provided that it contains the particulars deemed necessary by the Customs and that the declarant undertakes to complete it within a specified period.

3.14 Standard
If the Customs register a provisional or incomplete Goods declaration, the tariff treatment to be accorded to the goods shall not be different from that which would have been accorded had a complete and correct Goods declaration been lodged in the first instance.

The release of the goods shall not be delayed provided that any security required has been furnished to ensure collection of any applicable duties and taxes.

3.15 Standard
The Customs shall require the lodgment of the original goods declaration and only the minimum number of copies necessary."

Documents supporting the Goods declaration

"3.16 Standard
In support of the Goods declaration the Customs shall require only those documents necessary to permit control of the operation and to ensure that all requirements relating to the application of Customs law have been complied with.

3.17 Standard
Where certain supporting documents cannot be lodged with the Goods declaration for reasons deemed valid by the Customs, they shall allow production of those documents within a specified period.

3.18 Transitional Standard.
The Customs shall permit the lodgement of supporting documents by electronic means."[5]

D. Specific annexes

2.11. The specific annexes of the Kyoto Convention contain details on all customs procedures, which are relevant to the compilation of IMTS. The specific annexes and accompanying guidelines are listed in table 2.1.

[5] See ibid., general annex, chap. 3.

Table 2.1. Specific annexes in the Convention and their guidelines

Specific annexes		Specific annex guidelines	
A	Arrival of goods in a Customs territory	A1	Formalities prior to the lodgement of the Goods declaration
		A2	Temporary storage of goods
B	Importation	B1	Clearance for home use
		B2	Re-importation in the same state
		B3	Relief from import duties and taxes
C	Exportation	C1	Outright exportation
D	Customs warehouses and free zones	D1	Customs warehouses
		D2	Free zones
E	Transit	E1	Customs transit
		E2	Transshipment
		E3	Carriage of goods coastwise
F	Processing	F1	Inward processing
		F2	Outward processing
		F3	Drawback
		F4	Processing of goods for home use
G	Temporary admission	G1	Temporary admission
H	Offences	H1	Customs offences
J	Special procedures	J1	Travellers
		J2	Postal traffic
		J3	Means of transport for commercial use
		J4	Stores
K	Origin	J5	Relief consignments

2.12. All of these customs procedures determine the exact coverage of the trade statistics. The general case for imports is given by declaring goods via clearance for home use, whereas for exports it is given by declaring goods via the procedure of outright exportation. Goods transactions via those general cases are always included in the trade statistics. Transit, transshipments and temporary admissions will generally be excluded. In all other cases, inclusion and exclusion depend on the trade system applied by the country, which may vary from the general trade system, (recommended) to the relaxed special trade system and the strict special trade system. Table 2.2 shows the allocation of customs procedure by trade system.

2.13. *Customs warehousing procedure*. Customs warehousing serves as an example procedure covered in a specific annex. Parts of the procedure, as set out in the Convention, are reproduced below.

Admission of goods

"5. Recommended Practice.
Storage in public Customs warehouses should be allowed for all kinds of imported goods liable to import duties and taxes or to prohibitions or restrictions other than those imposed on grounds of:

- public morality or order, public security, public hygiene or health, or for veterinary or phytosanitary considerations; or
- the protection of patents, trade marks and copyrights,

irrespective of quantity, country of origin, country from which arrived or country of destination.

Goods which constitute a hazard, which are likely to affect other goods or which require special installations should be accepted only by Customs warehouses specially designed to receive them.

6. Standard.

The Customs shall specify the kinds of goods which may be admitted to private Customs warehouses."

Authorized operations

"10. Standard.

Any person entitled to dispose of the warehoused goods shall be allowed, for reasons deemed valid by the Customs:

(a) to inspect them;
(b) to take samples, against payment of import duties and taxes wherever applicable;
(c) to carry out operations necessary for their preservation; and
(d) to carry out such other normal handling operations as are necessary to improve their packaging or marketable quality or to prepare them for shipment, such as breaking bulk, grouping of packages, sorting and grading, and repacking."[6]

E. Customs procedures and IMTS

2.14. The IMTS, Rev.2, distinguishes three trade systems: (i) the general trade system, (ii) the relaxed special trade system and (iii) the strict special trade system. Countries that apply the general trade system will record all transactions of goods passing the border in their trade statistics, except for those transactions where goods are considered not to add to the stock of the country's resources, namely in the case of transit, trans-shipment and temporary admission. By contrast, countries applying the special trade system in the strict sense will record as trade statistics, only those transactions where the goods enter the domestic economy in free circulation (for imports), or leave the free circulation area (for exports). In such case, Customs warehouses, free zones and goods under contract for inward or outward processing are considered outside the domain of the trade statistics.

2.15. Many countries use a relaxed version of the special trade system, in which (a) goods for inward and outward processing and (b) goods that enter or leave industrial free zones are included in the trade statistics (see IMTS, Rev.2, para. 67). IMTS, Rev.2, recommends the general trade system since the statistics will show all the trade flows that took place in the

[6] See ibid., specific annex D, chap.1.

country. To compile the trade statistics, customs procedures must be attributed to imports, re-imports, exports and re-exports. The allocations of the customs procedures to these flows are given in table 2.2, which shows how the trade systems differ.

Table 2.2. Customs procedures allocated by flow and trade system

Customs procedure	General trade system	Relaxed special trade system	Strict special trade system
Clearance for home use	M	M	M
Re-importation in the same State	RM	RM	RM
Outright exportation	X	X	X
Customs warehouses	M & (X or RX)	--	--
Free zones	M & (X or RX)	M & (X or RX)[a/]	--
Customs transit	--	--	--
Trans-shipment	--	--	--
Carriage of goods coastwise	--	--	--
Inward processing	M & (X or RX)	M & (X or RX)	--
Outward processing	X & (M or RM)	X & (M or RM)	--
Drawback	M & (X or RX)	M & (X or RX)	Adjustment M
Processing of goods for home use	M	M	M
Temporary admission	--	--	--

Note: Legend: M, = Imports; RM, Re-imports; X Exports; RX, Re-exports.
[a]/ In the case of industrial free zones.

Imports

2.16. With a few exceptions, all international transactions of goods pass through the customs administrations of the exporting and importing countries. The exceptions are, for instance, transactions concerning electricity, gas and water, mobile equipment that does not enter or leave the territory of the compiling economies, and crude oil arriving via pipelines. Customs procedures covering imports are clearance for home use', customs warehouses, free zones, inward processing and processing of goods for home use.

Clearance for home use

2.17. In specific annex B of the Revised Kyoto Convention, "clearance for home use" is defined as the customs procedure which provides that imported goods enter into free circulation in the Customs territory upon the payment of any import duties and taxes chargeable and the accomplishment of all the necessary customs formalities. "Goods in free circulation" are defined as goods that may be disposed of without customs restriction's.

Customs warehouses

2.18. In specific annex D of the Convention, the "customs warehousing procedure" is defined as the customs procedure under which imported goods are stored under customs control in a designated place (a customs warehouse) without payment of import duties and taxes. Customs can establish public and private customs warehouses, for which customs shall lay down the requirements for the establishment, suitability and management and the arrangements for customs control. The arrangements for storage of goods in customs warehouses and for stock-keeping and accounting shall be subject to the approval of the customs administration. The authorized operations are strictly defined. Goods are allowed to stay in the warehouse for at least one year, unless the goods are perishable.

2.19. Under the general trade system, goods entering a warehouse should be recorded as imports. Goods leaving a warehouse and entering the free circulation area will not be further recorded for IMTS. Goods leaving a warehouse for exportation should be recorded as re-exports, since operations performed on the goods are very limited and are not expected to change the state of the goods. By contrast, under the special trade system, goods entering a customs warehouse will not be recorded in the trade statistics. Only those goods that leave a warehouse and enter into free circulation will be recorded at that time in the trade statistics. Under the Special Trade system, goods entering a warehouse and subsequently leaving the warehouse for another country will not be recorded at all.

Free zones

2.20. A "free zone" is defined in specific annex D of the Convention as a part of the territory of a contracting party where any goods introduced are generally regarded, insofar as import duties and taxes are concerned, as being outside the customs territory. National legislation shall specify the requirements relating to the establishment of free zones, the kinds of goods admissible to such zones and the nature of the operations to which goods may be subjected in them. Customs shall lay down the arrangements for customs control, including appropriate requirements as regards the suitability, construction and layout of free zones, and shall have the right to carry out checks at any time on the goods stored in a free zone.

2.21. Goods entering a free zone, like goods entering a customs warehouse, should be recorded as imports under the general trade system; goods leaving a free zone and entering the free circulation area will not be further recorded for IMTS under that system (even though customs records may be available). Treatment of free zone trade under the special trade system (in the strict sense) is identical to that of customs warehouse trade.

2.22. Goods leaving a free zone for exportation should be recorded as re-exports if minor or no operations were performed on the goods; they should be recorded as exports if the state of the goods was changed. The latter may be the case for export processing zones. The authorized operations are detailed in the standards of specific annex D, where by goods admitted to a free zone shall be allowed to undergo operations necessary for their preservation and the usual forms of handling to improve their packaging or marketable quality or to prepare them for shipment, such as breaking bulk, grouping of packages, sorting and grading, and repacking. Where the

competent authorities allow processing or manufacturing operations in a free zone, they shall specify the processing or manufacturing operations to which goods may be subjected in general terms and/or in detail in a regulation applicable throughout the free zone or in the authority granted to the enterprise carrying out these operations.

2.23. Unfortunately, it is only a recommended practice and not a standard that a document must be presented to the customs authorities in respect of goods which on removal from a free zone are sent directly abroad. In such cases the customs authorities should not require more information than is already available on the documents accompanying the goods.

Inward processing

2.24. "Inward processing" is defined in specific annex F of the Convention as the customs procedure under which certain goods can be brought into a customs territory conditionally relieved from payment of import duties and taxes, provided that such goods are intended for manufacturing, processing or repair and subsequent exportation. Specific Annex F further stipulates that inward processing shall not be limited to goods imported directly from abroad but shall also be granted for goods already placed under another customs procedure. It is recommended that inward processing should not be refused solely on the grounds of the country of origin of the goods, the country from which they arrived or the country of destination.

2.25. With regard to the issue of goods for processing abroad (for a detailed discussion of this issue, see chap. 4, sect. A below), it should be noted that specific annex F stipulates that the right to import goods for inward processing shall not be limited to the owner of the imported goods. In addition, it is recommended that, in the execution of a contract entered into with a person established abroad, when the goods to be used are supplied by that person, inward processing should not be refused on the grounds that goods identical in description, quality and technical characteristics are available in the customs territory of importation.

2.26. Specific annex F includes a standard on the conditions of processing, namely that where goods admitted for inward processing are to undergo manufacturing or processing, the competent authorities shall fix or agree to the rate of yield of the operation by reference to the actual conditions under which it is effected. The description, quality and quantity of the various compensating products shall be specified upon fixing or agreeing to that rate.

2.27. As in the case of goods leaving free zones, goods leaving an inward processing zone for exportation should be recorded as re-exports if minor or no operations were performed on the goods they should be recorded as exports if the state of the goods was substantially transformed.

2.28. The treatment of inward processing is the same under the general trade system and the relaxed version of the special trade system. Only the strict special trade system will exclude transactions under the inward processing procedure.

Processing of goods for home use

2.29. "Processing of goods for home use" is defined in specific annex F of the convention as the customs procedure under which imported goods may be manufactured, processed or worked, before clearance for home use and under customs control, to such an extent that the amount of the import duties and taxes applicable to the products thus obtained is lower than that which would be applicable to the imported goods. The procedure of processing of goods for home use shall be granted subject to the following conditions:

(a) The customs authorities are able to satisfy themselves that the products resulting from the processing of goods for home use have been obtained from the imported goods;
(b) The original state of the goods cannot be economically recovered after the manufacturing, processing or working.

2.30. From an IMTS point of view, there is only a recording of the goods that were imported before processing and the corresponding countries of origin. There is no further recording of the processed goods.

Re-imports

2.31. Re-imports refer to imports of goods in the same State as previously exported them. The country of origin of the goods is in this case the compiling country itself, which is reflected in IMTS as a country's trade with itself. The official definitions and descriptions in the Revised Kyoto Convention are set out below.

Re-importation in the same State

2.32. "Goods exported with notification of intended return" are defined in specific annex B as goods specified by the declarant as intended for re-importation, in respect of which identification measures may be taken by customs to facilitate re-importation in the same State.

2.33. "Re-importation in the same State" is defined as the customs procedure under which goods that were exported may be taken into home use free of import duties and taxes, provided that they have not undergone any manufacturing, processing or repairs abroad and provided that any sums chargeable as a result of repayment or remission of or conditional relief from duties and taxes or of any subsidies or other amounts granted in connection with exportation must be paid. The goods that are eligible for re-importation in the same State can be goods that were in free circulation or were compensating products.

2.34. Under specific annex B, re-importation in the same State shall be allowed even if only a part of the exported goods is re-imported and shall not be refused on the grounds that the goods have been used or damaged or have deteriorated during their stay abroad nor shall re-importation be refused on the grounds that, during their stay abroad, the goods have undergone operations necessary for their preservation or maintenance provided, however, that their value at the time of exportation has not been enhanced by such operations.

Exports

Outright exportation

2.35. In specific annex C "outright exportation" is defined as the customs procedure applicable to goods which, being in free circulation, leave the customs territory and are intended to remain permanently outside it. Customs shall not require evidence of the arrival of the goods abroad as a matter of course.

2.36. Outright exportation covers the usual case for a declaration that constitutes the export record in IMTS.

Outward processing

2.37. "Outward processing" is defined in specific annex F as the customs procedure under which goods that are in free circulation in a customs territory may be temporarily exported for manufacturing, processing or repair abroad and then re-imported with total or partial exemption from import duties and taxes.

2.38. The requirements relating to the identification of goods for outward processing shall be laid down by customs. In carrying this out, due account shall be taken of the nature of the goods, the operation to be carried out and the importance of the interests involved. Customs shall fix the time limit for outward processing in each case.

2.39. Provision shall be made to permit compensating products to be imported through a Customs office other than that through which the goods were temporarily exported for outward processing. "Compensating products" are defined in specific annex F as products obtained abroad and resulting from the manufacturing, processing or repair of goods for which the use of the outward processing procedure is authorized.

2.40. Unless national legislation requires the re-importation of goods temporarily exported for outward processing, provision shall be made for terminating the outward processing by declaring the goods for outright exportation subject to compliance with the conditions and formalities applicable in such cases.

Drawback

2.41. "Drawback" is defined in specific annex F as the amount of import duties and taxes repaid under the drawback procedure. The "drawback procedure" is the customs procedure that, when goods are exported, provides for a repayment (total or partial) to be made in respect of the import duties and taxes charged on the goods or on materials contained in them or consumed in their production.

2.42. Customs shall not withhold payment of drawback solely because, at the time of importation of the goods for home use, the importer did not state his intention of claiming drawback at exportation. Similarly, exportation shall not be mandatory when such a statement

has been made at importation. Where a time limit for the exportation of the goods is fixed beyond which they no longer qualify for drawback, this should, upon request, be extended if the reasons are deemed valid by customs.

2.43. Specific annex F includes a standard whereby drawback shall be paid as soon as possible after the claim has been verified. Drawback should also be paid on deposit of the goods in a customs warehouse or introduction of the goods into a free zone, on condition that they are subsequently to be exported.

2.44. The drawback procedure is useful in the verification process for re-exports of goods for IMTS purposes. The exporter of goods, which were previously cleared for home use and are subsequently re-exported in the same state, is likely to make use of the drawback procedure to reclaim paid duties.

Re-exports

2.45. Re-exports refer to exports of foreign goods that were previously imported and remained in the same State. Cases that fall within this category are exports of goods that previously were imported into a customs warehouse, a free zone or under the inward processing procedure. Goods that entered free circulation could also be re-exported in the same State. In such a case, the exporter could make use of the drawback procedure. The crucial point is that the imported goods were not substantially transformed or did not otherwise change in origin.

Customs warehouses, free zones and inward processing

2.46. Goods leaving a customs warehouse, a free zone or an inward processing area for exportation should be recorded as re-exports if minor or no operations were performed on the goods. They should be recorded as exports if the state of the goods was changed.

2.47. Minor operations include operations necessary for the preservation of goods and the usual forms of handling to improve their packaging or marketable quality or to prepare them for shipment, such as breaking bulk, grouping of packages, sorting and grading, and repacking. All such operations normally do not alter the state of the goods, which means that the origin of the goods remains a foreign country.

Exclusions from IMTS

2.48. Specific Annex E covers customs transit, trans-shipment and carriage of goods coastwise. Goods entering or leaving a country under any of these three customs procedures are excluded from IMTS, since the goods do not enter the local economy or, more precisely, do not add or subtract from the stock of goods of the country.

Transit

2.49. "Customs transit" means the customs procedure under which goods are transported under customs control from one customs office to another.

2.50. Customs shall allow goods to be transported under customs transit in their territory:

(a) From an office of entry to an office of exit;
(b) From an office of entry to an inland customs office;
(c) From an inland customs office to an office of exit;
(d) From one inland customs office to another inland customs office.

2.51. Goods being carried under customs transit shall not be subject to the payment of duties and taxes. The customs authorities at the office of departure shall take all necessary action to enable the office of destination to identify the consignment and to detect any unauthorized interference.

2.52. "Transport-unit" means:

(a) Containers having an internal volume of one-cubic metre or more, including demountable bodies;
(b) Road vehicles, including trailers and semi-trailers;
(c) Railway coaches or wagons;
(d) Lighters, barges and other vessels;
(e) Aircraft.

2.53. When a consignment is conveyed in a transport-unit and customs sealing is required, the customs seals shall be affixed to the transport-unit itself provided that the transport-unit is so constructed and equipped that:

(a) Customs seals can be simply and effectively affixed to it;
(b) No goods can be removed from or introduced into the sealed part of the transport-unit without leaving visible traces of tampering or without breaking the customs seal;
(c) It contains no concealed spaces where goods may be hidden;
(d) All spaces capable of holding goods are readily accessible for customs inspection.

2.54. Customs shall decide whether transport-units are secure for the purposes of customs transit. It is a standard that only when they consider such a measure to be indispensable shall the customs authorities:

(a) Require goods to follow a prescribed itinerary;
(b) Require goods to be transported under customs escort.

Trans-shipments

2.55. "Transshipment" means the customs procedure under which goods are transferred under customs control from the importing means of transport to the exporting means of transport within the area of one customs office that is the office of both importation and exportation.

2.56. Customs should accept as the goods declaration for trans-shipment any commercial or transport document for the consignment concerned that meets all the customs requirements. This acceptance should be noted on the document.

2.57. Transshipments are excluded from IMTS.

Temporary admission

2.58. "Temporary admission" means the customs procedure under which certain goods can be brought into a customs territory conditionally relieved totally or partially from payment of import duties and taxes; such goods must be imported for a specific purpose and must be intended for re-exportation within a specified period and without having undergone any change except normal depreciation due to the use made of them.

2.59. National legislation shall enumerate the cases in which temporary admission may be granted and temporary admission shall be subject to the condition that the customs authorities are satisfied that they will be able to identify the goods temporary when admission is terminated. Customs shall fix the time limit for temporary admission in each case.

2.60. Temporary admission with total conditional relief from duties and taxes should be granted to the goods referred to in the annexes to the Convention on Temporary Admission (Istanbul Convention) of 26 June 1990:

(a) Goods for display or use at exhibitions, fairs, meetings or similar events;
(b) Professional equipment;
(c) Containers, pallets, packings, samples and other goods imported in connection with a commercial operation;
(d) Goods imported for educational, scientific or cultural purposes;
(e) Travellers' personal effects and goods imported for sports purposes;
(f) Tourist publicity material;
(g) Goods imported as frontier traffic;
(h) Goods imported for humanitarian purposes;
(i) Means of transport;
(j) Animals.

2.61. Temporary admission of goods is also excluded from IMTS.

Annex 2.1. Ratifications of and accessions to (as at 8 January 2008) the Revised Kyoto Convention: International Convention on the Simplification and Harmonization of Customs Procedures (as amended)

Contracting party	Date of signature subject to ratification (26/06/1999 to 30/06/2000)	Date of signature without reservation or of deposit of instruments of ratification or accession
Algeria	-	26/06/1999
Australia	18/04/2000	10/10/2000
Austria	-	30/04/2004
Azerbaijan	-	03/02/2006
Belgium	-	30/04/2004
Botswana	-	26/06/2006
Bulgaria	-	17/03/2004
Canada	-	09/11/2000
China	-	15/06/2000
Croatia	-	02/11/2005
Cyprus	-	25/10/2004
Czech Republic	30/06/2000	17/09/2001
Democratic Rep. of the Congo	15/06/2000	-
Denmark	-	30/04/2004
Egypt	-	08/01/2008
Estonia	-	28/07/2006
European Community	-	30/04/2004
Finland	-	30/04/2004
France	-	22/07/2004
Germany	-	30/04/2004
Greece	-	30/04/2004
Hungary	-	29/04/2004
India	-	03/11/2005
Ireland	-	30/04/2004
Italy	-	30/04/2004
Japan	-	26/06/2001
Jordan	-	08/12/2006
Latvia	15/06/2000	20/09/2001
Lithuania	-	27/04/2004
Luxembourg	-	26/01/2006
Madagascar	-	27/06/2007
Mongolia	-	01/07/2006
Morocco	-	16/06/2000
Namibia	-	03/02/2006
Netherlands	-	30/04/2004
New Zealand	-	07/07/2000
Norway	-	09/01/2007
Pakistan	-	01/10/2004
Poland	-	09/07/2004
Portugal	-	15/04/2005
Republic of Korea	-	19/02/2003
Senegal	-	21/03/2006
Serbia	-	18/09/2007
Slovakia	15/06/2000	19/09/2002
Slovenia	-	27/04/2004
South Africa	-	18/05/2004

Spain	-	30/04/2004
Sri Lanka	26/06/1999	-
Sweden	-	30/04/2004
Switzerland	29/06/2000	26/06/2004
Turkey	-	03/05/2006
Uganda	-	27/06/2002
United Kingdom	-	30/04/2004
United States	-	06/12/2005
Vietnam	-	08/01/2008
Zambia	26/06/1999	01/07/2006
Zimbabwe	26/06/1999	10/02/2003

Total number of contracting parties: 58

Note: the revised Kyoto Convention has entered into force on 3 February 2006.

Annex 2.2. Excerpt from the general annex of the Convention

Documents supporting the Goods declaration[7]

"3.16. Standard

In support of the Goods declaration the Customs shall require only those documents necessary to permit control of the operation and to ensure that all requirements relating to the application of Customs law have been complied with.

3.17. Standard

Where certain supporting documents cannot be lodged with the Goods declaration for reasons deemed valid by the Customs, they shall allow production of those documents within a specified period.

3.18. Transitional Standard

The Customs shall permit the lodgement of supporting documents by electronic means.

3.19. Standard

The Customs shall not require a translation of the particulars of supporting documents except when necessary to permit processing of the Goods declaration."

Lodgement, registration and checking of the Goods declaration[8]

"3.20. Standard

The Customs shall permit the lodging of the Goods declaration at any designated Customs office.

3.21. Transitional Standard

The Customs shall permit the lodging of the Goods declaration by electronic means.

3.22. Standard

"The Goods declaration shall be lodged during the hours designated by the Customs.

3.23. Standard

[7] World Customs Organization, Revised Kyoto Convention: International Convention on the Simplification and Harmonization of Customs Procedures (as amended) (Brussels, 2006), general annex, chap. 3.
[8] Ibid, 2006.

Where national legislation lays down a time limit for lodging the Goods declaration, the time allowed shall be sufficient to enable the declarant to complete the Good declaration and to obtain the supporting documents required.

3.24. Standard

At the request of the declarant and for reasons deemed valid by the Customs, the latter shall extend the time limit prescribed for lodging the Goods declaration.

3.25. Standard

National legislation shall make provision for the lodging and registering or checking of the Goods declaration and supporting documents prior to the arrival of the goods.

3.26. Standard

When the Customs cannot register the Goods declaration, they shall state the reasons to the declarant.

3.27. Standard

The Customs shall permit the declarant to amend the Goods declaration that has already been lodged, provided that when the request is received they have not begun to check the Goods declaration or to examine the goods.

3.28. Transitional Standard

The Customs shall permit the declarant to amend the Goods declaration if a request is received after checking of the Goods declaration has commenced, if the reasons given by the declarant are deemed valid by the Customs.

3.29. Transitional Standard

The declarant shall be allowed to withdraw the Goods declaration and apply for another Customs procedure, provided that the request to do so is made to the Customs before the goods have been released and that the reasons are deemed valid by the Customs.

3.30. Standard

Checking the Goods declaration shall be effected at the same time or as soon as possible after the Goods declaration is registered.

3.31. Standard

For the purpose of checking the Goods declaration, the Customs shall take only such action as they deem essential to ensure compliance with Customs law."

Chapter 3 Harmonized Commodity Description and Coding System, 2007 edition, and Standard International Trade Classification, Revision 4

A. The Harmonized Commodity Description and Coding System, 2007 edition

3.1. The Harmonized Commodity Description and Coding System (HS) came into force on 1 January 1988. In 1993, the Statistical Commission endorsed the use of HS at the national level in the compilation and dissemination of international merchandise trade statistics.[9] By July 2005, the original HS had been amended by the World Customs Organization four times. Three amended editions of the HS had gone into force, on 1 January 1992, 1 January 1996 and 1 January 2002. The fourth amended edition (HS07)[10] became effective beginning on 1 January 2007. HS07 has 5052 subheadings of which 4208 are subheadings from the original Harmonized System (HS88), which means that 844 non-original subheadings (17 per cent) were introduced in the subsequent HS editions (1 in 1992, 267 in 1996, 316 in 2002, and 260 in 2007).

3.2. The HS07 incorporates 354 sets of amendments to HS02 covering the following sectors: agricultural sector (41), chemical sector (75), paper sector (13), textile sector (46), base metal sector (20), machinery sector (57) and other sectors together 102. These amendments were intended for:

(a) Better identification of environmental and social concerns (e.g., newsprint, asbestos, bamboo). In this respect new sub-headings have been created for the separate identification of certain species of fish and the monitoring and control of products of bamboo, dangerous chemicals, pesticides, ozone-layer depleting substances, and products containing asbestos;

(b) Separate identification and/or simplification of the classification of high-technology products and new products of commercial importance. The amendments include, for instance, a revised definition of computers or automatic data processing machines (as they are called in HS) to reflect that these machines now are basically all digital and, in addition, to clarify the classification of separately presented printers, network equipment, loudspeakers, microphones, cameras, and monitors and projectors used in conjunction with a computer. Other classification problems encountered in the high technology area have also been solved, particularly problems related to electronic equipment that today is capable of performing several functions; the following categories of products were affected most (see annex 3.2 for details):

(i) Revised computer definition (note 5 to chapter 84);
(ii) Printing machinery (combined into heading 84.43);
(iii) Semi-conductor manufacturing equipment (new heading 84.86);

[9] See *Official Records of the Economic and Social Council*, 1993, Supplement No. 6 (E/1993/26), 158.
[10] World Customs organization, *Harmonized Commodity Description and Coding System*, 4th ed. (Brussels, 2007).

(iv) Telephone equipment (heading 85.17);
(v) Sound recording or reproducing apparatus (headings 85.19 and 85.20 combined into heading 85.19);
(vi) Electronic media (headings 85.23 and 85.24 combined into heading 85.23);
(vii) Radio or television transmission apparatus; digital cameras (heading 85.25);
(viii) Radio reception, recording or reproducing apparatus (heading 85.27);
(ix) Television monitors and projectors (heading 85.28);
(x) Electronic integrated circuits (heading 85.42).

(c) Simplification by combining certain products into one heading (e.g. chickens, or vacuum cleaners or toys);

(d) Change in trade patterns by deleting of 29 headings and 203 subheadings because of the low volume of trade and creation of new subheadings for products with high volume of trade. As a general rule, headings and subheadings are deleted when annual trade at world level is less than USD 100 million and 50 million respectively (See Annex 1 for details). The same thresholds apply for the creation of new headings and subheadings;

(e) Editorial amendments/clarifications. Certain textual amendments will facilitate the uniform application of HS and provide legal certainty with regard to classification decisions and other textual amendments will render some texts more consistent with scientific or customary terminology and with current trade practices (see annex 3.3 for details).

B. Standard International Trade Classification, Revision 4

3.3. The original Standard International Trade Classification[11] was adopted in 1950 and underwent four revisions. The third revision of SITC (SITC, Rev.3) was approved by the Statistical Commission at its twenty-third session, in February l985.[12] It used the six digit sub-headings of HS88 as the building blocks, taking into account the need for continuity with the previous versions of SITC as well as the following considerations:

(a) The nature of the merchandise and the materials used in its production;
(b) The processing stage;
(c) Market practices and the uses of the product;
(d) The importance of the commodity in terms of world trade;
(e) Technological changes.

3.4. In order to maintain continuity in the SITC, Revision 3, series, the United Nations Statistics Division issued appropriate correlation tables between SITC, Rev. 3, and each new

11 Statistical Papers, No. 10/Rev.1, (United Nations publication, Sales No. 51.XVII.1).

12 See *Official Records of the Economic and Social Council*, *1985, Supplement No. 6* (E/1985/26), para. 57 (d).

edition of HS. However, a strict period-to-period comparability was being lost for a growing number of series owing to significant changes in the HS classification scheme. At the same time, the majority of countries and international organizations continued to use SITC for various purposes, such as the study of long-term trends in international merchandise trade and aggregation of traded commodities into classes more suitable for economic analysis. In 1999 the Commission confirmed its recognition of SITC as an analytical tool.[13] In this context, the Statistical Commission, at its thirty-fifth session (March 2004), agreed with the conclusion of the Task Force on International Merchandise Trade Statistics that a fourth revision of SITC (SITC, Rev. 4) was needed in view of the accumulated changes in HS. [14]

3.5. Accordingly, in mid-2004, the Statistics Division began preparation of SITC, Revision 4. The revision process was coordinated with the ongoing revisions of the International Standard Industrial Classification of All Economic Activities (ISIC) and the Central Product Classification (CPC) with a view to harmonizing these classifications as much as possible.

3.6. The scope of SITC, Rev. 4, remains the same as that of SITC, Rev. 3, and therefore covers all goods classifiable in HS except for monetary gold, gold coin and current coin. All SITC, Rev. 4, basic headings (except for 911.0 and 931.0) are defined in terms of the 2007 Harmonized System (HS07) subheadings. Since SITC is now recommended only for analytical purposes, there was no need (except in several special cases) to create new basic headings in SITC, Rev. 4.

3.7. As a general rule, an SITC, Rev. 3, basic heading was deleted if (a) corresponding HS88 subheadings had been deleted from HS07 or (b) its scope could not be defined in terms of HS07 subheadings without significant change (this occurred when certain HS88 subheadings were partially correlated to several HS07 subheadings). A new SITC, Rev. 4, basic heading was introduced if (a) several new HS subheadings could be grouped in an economically meaningful way and such a group fitted into the classification scheme of SITC with no (or minimal) changes in the scope of the existing SITC, Rev. 3, headings; (b) some HS subheadings merited separate identification in order to better reflect commodity structure and/or customs practice in recording international trade; or (c) owing to action taken in accordance with (a) and (b), some HS07 subheadings could not be correlated to the existing basic SITC, Rev. 3, headings. In the process of revision, the scope of some headings was modified. When such a modification was deemed significant, the heading involved was assigned a new code.

3.8. SITC, Rev. 4, retains the overall structure of SITC, Rev. 3, and consists of the same number of sections, divisions and groups. The changes made were at the level of basic headings and some subgroups. Two hundred thirty-eight basic headings of SITC, Rev. 3, were deleted, in most cases for the reasons stated above; 87 new basic headings have been introduced. As a result of those deletions and additions, SITC, Rev. 4, contains 2,970 basic headings. The classification scheme is provided in table 3.1.

13 Ibid., 1999, Supplement No. 4 (E/1999/24), para. 24 (c).

14 Ibid., 2004, Supplement No. 4 (E/2004/24), chap. V, para. 4 (i).

Table 3.1. Classification scheme of SITC, Revision 4

Section and division description	Division code	Number of groups	Number of subgroups	Number of basic headings
Section 0 - Food and live animals		**36**	**132**	**335**
Live animals other than animals of division 03	00	1	6	10
Meat and meat preparations	01	4	17	36
Dairy products and birds' eggs	02	4	12	22
Fish (not marine mammals), crustaceans, molluscs and aquatic invertebrates and preparations thereof	03	4	14	47
Cereals and cereal preparations	04	8	21	34
Vegetables and fruit	05	5	27	92
Sugars, sugar preparations and honey	06	2	7	17
Coffee, tea, cocoa, spices, and manufactures thereof	07	5	16	34
Feeding stuff for animals (not including unmilled cereals)	08	1	6	25
Miscellaneous edible products and preparations	09	2	6	18
Section 1 - Beverages and tobacco		**4**	**11**	**21**
Beverages	11	2	5	13
Tobacco and tobacco manufactures	12	2	6	8
Section 2 – Crude materials, inedible, except fuels		**36**	**115**	**239**
Hides, skins and furskins, raw	21	2	7	11
Oil-seeds and oleaginous fruits	22	2	10	12
Crude rubber (including synthetic and reclaimed)	23	2	5	16
Cork and wood	24	5	13	18
Pulp and waste paper	25	1	7	14
Textile fibres (other than wool tops and other combed wool) and their wastes (not manufactured into yarn or fabric)	26	8	23	48
Crude fertilizers, other than those of division 56, and crude minerals (excluding coal, petroleum and precious stones)	27	5	17	45
Metalliferous ores and metal scrap	28	9	24	43
Crude animal and vegetable materials, n.e.s.	29	2	9	32
Section 3 - Mineral fuels, lubricants and related materials		**11**	**22**	**32**
Coal, coke and briquettes	32	3	6	8
Petroleum, petroleum products and related materials	33	3	7	15
Gas, natural and manufactured	34	4	8	8
Electric current	35	1	1	1
Section 4 - Animal and vegetable oils, fats and waxes		**4**	**21**	**41**
Animal oils and fats	41	1	3	9
Fixed vegetable fats and oils, crude, refined or fractionated	42	2	14	26
Animal or vegetable fats and oils, processed; waxes of animal or vegetable origin; inedible mixtures or preparations of animal or vegetable fats or oils, n.e.s.	43	1	4	6
Section 5 - Chemicals and related products, n.e.s.		**34**	**132**	**467**
Organic chemicals	51	6	24	125
Inorganic chemicals	52	4	18	80
Dyeing, tanning and colouring materials	53	3	8	31
Medicinal and pharmaceutical products	54	2	10	44
Essential oils and resinoids and perfume materials; toilet, polishing and cleaning preparations	55	3	10	26

Section and division description	Division code	Number of groups	Number of subgroups	Number of basic headings
Fertilizers (other than those of group 272)	56	1	4	19
Plastics in primary forms	57	6	20	54
Plastics in non-primary forms	58	3	13	22
Chemical materials and products, n.e.s.	59	6	25	66
Section 6 - Manufactured goods classified chiefly by material		**52**	**229**	**767**
Leather, leather manufactures, n.e.s., and dressed furskins	61	3	11	19
Rubber manufactures, n.e.s.	62	3	13	31
Cork and wood manufactures (excluding furniture)	63	3	12	30
Paper, paperboard and articles of paper pulp, of paper or of paperboard	64	2	13	62
Textile yarn, fabrics, made-up articles, n.e.s., and related products	65	9	59	219
Non-metallic mineral manufactures, n.e.s.	66	7	29	94
Iron and steel	67	9	35	133
Non-ferrous metals	68	8	21	63
Manufactures of metals, n.e.s.	69	8	36	116
Section 7 - Machinery and transport equipment		**50**	**217**	**642**
Power-generating machinery and equipment	71	6	22	44
Machinery specialized for particular industries	72	8	33	117
Metalworking machinery	73	4	15	69
General industrial machinery and equipment, n.e.s., and machine parts, n.e.s.	74	9	56	150
Office machines and automatic data-processing machines	75	3	11	23
Telecommunications and sound-recording and reproducing apparatus and equipment	76	4	14	33
Electrical machinery, apparatus and appliances, n.e.s., and electrical parts thereof (including non-electrical counterparts, n.e.s., of electrical household-type equipment)	77	7	31	128
Road vehicles (including air-cushion vehicles)	78	6	16	40
Other transport equipment	79	3	19	38
Section 8 - Miscellaneous manufactured articles		**31**	**140**	**420**
Prefabricated buildings; sanitary plumbing, heating and lighting fixtures and fittings, n.e.s.	81	3	7	17
Furniture and parts thereof; bedding, mattresses, mattress supports, cushions and similar stuffed furnishings	82	1	6	23
Travel goods, handbags and similar containers	83	1	4	9
Articles of apparel and clothing accessories	84	7	37	95
Footwear	85	1	7	17
Professional, scientific and controlling instruments and apparatus, n.e.s.	87	4	18	65
Photographic apparatus, equipment and supplies and optical goods, n.e.s.; watches and clocks	88	5	19	59
Miscellaneous manufactured articles, n.e.s.	89	9	42	135
Section 9 - Commodities and transactions not classified elsewhere in the SITC		**4**	**4**	**6**
Postal packages not classified according to kind	91	1	1	1

Section and division description	Division code	Number of groups	Number of subgroups	Number of basic headings
Special transactions and commodities not classified according to kind	93	1	1	1
Coin (other than gold coin), not being legal tender	96	1	1	1
Gold, non-monetary (excluding gold, ores and concentrates)	97	1	1	3
Total number of divisions, groups, subgroups and basic headings (items)	**67**	**262**	**1 023**	**2 970**

Annex 3.1. List of Harmonized System code numbers deleted as from 1 January 2007

Chapter 01 through 39

CHAPTER 01	1212.30*	2830.30*	2939.29*
0105.92	**CHAPTER 13**	2833.23*	**CHAPTER 30**
0105.93	1301.10*	2833.26*	3001.10*
CHAPTER 02	1302.14*	2835.23*	3006.80
0208.20*	**CHAPTER 14**	2836.10*	**CHAPTER 31**
CHAPTER 03	1402.00*	2836.70*	3102.70*
0303.50	1403.00*	2838.00*	3103.20*
0303.60	1404.10*	2839.20*	3104.10*
0304.10	**CHAPTER 15**	2841.10*	**CHAPTER 32**
0304.20	1515.40*	2841.20*	3206.30*
0304.90	**CHAPTER 20**	2851.00	3206.43*
CHAPTER 05	2005.90	**CHAPTER 29**	**CHAPTER 33**
0503.00*	**CHAPTER 23**	2903.30	3301.11*
0509.00*	2302.20*	2905.15*	3301.14*
CHAPTER 06	2306.70*	2906.14*	3301.21*
0603.10	**CHAPTER 25**	2907.14*	3301.22*
CHAPTER 07	2506.21*	2908.10	3301.23*
0709.10*	2506.29*	2908.20*	3301.26*
0709.52*	2508.20*	2908.90	**CHAPTER 34**
0711.30*	2513.11*	2909.42*	3404.10*
CHAPTER 08	2513.19*	2912.13*	**CHAPTER 37**
0810.30*	2516.21*	2915.22*	3702.20*
CHAPTER 09	2516.22*	2915.23*	3705.20*
0906.10	2524.00	2915.34*	**CHAPTER 38**
0910.40*	**CHAPTER 27**	2915.35*	3805.20*
0910.50*	2707.60*	2917.31*	3808.10
CHAPTER 11	**CHAPTER 28**	2918.90	3808.20
1102.30*	2811.23*	2919.00	3808.30
CHAPTER 12	2824.20*	2920.10	3808.40
1207.10*	2826.11*	2921.12*	3808.90
1207.30*	2826.20*	2922.22*	3824.20*
1207.60*	2827.33*	2925.20	**CHAPTER 39**
1209.26*	2827.34*	2930.10*	3920.72*
1211.10*	2827.36*	2936.10*	
1212.10*	2830.20*	2939.21*	

Note: code numbers deleted by virtue of low volume of trade are indicated by an asterisk (*).

Chapter 40 through 59

CHAPTER 40	4411.39*	**CHAPTER 50**	5404.10
4010.13*	4411.91	5003.10*	5406.10*
CHAPTER 41	4411.99	5003.90*	5406.20*
4103.10*	4412.13	**CHAPTER 52**	**CHAPTER 55**
CHAPTER 42	4412.14	5208.53*	5503.10
4204.00*	4412.19	5210.12*	5513.22*
4206.10*	4412.22	5210.22*	5513.32*
4206.90*	4412.23	5210.42*	5513.33*
CHAPTER 43	4412.29	5210.52*	5513.42*
4301.70*	4412.92	5211.21*	5513.43*
4302.13*	4412.93	5211.22*	5514.13*
CHAPTER 44	4418.30	5211.29*	5514.31*
4402.00	**CHAPTER 46**	**CHAPTER 53**	5514.32*
4407.24	4601.20	5304.10*	5514.33*
4409.20	4601.91	5304.90*	5514.39*
4410.21	4602.10	5305.11*	5515.92*
4410.29	**CHAPTER 48**	5305.19*	**CHAPTER 56**
4410.31	4802.30*	5305.21*	5604.20*
4410.32	4809.10*	5305.29*	5607.10*
4410.33	4814.30*	5305.90*	**CHAPTER 57**
4410.39	4815.00*	**CHAPTER 54**	5702.51*
4411.11	4816.10*	5402.10	5702.52*
4411.19	4816.30*	5402.41	5702.59*
4411.21	4823.12	5402.42	**CHAPTER 58**
4411.29	4823.19	5402.43	5803.10*
4411.31*	4823.60	5403.20*	5803.90*

Chapter 60 through 79

CHAPTER 60	6205.10*	6802.22*	7304.21
6005.10*	6207.92*	6811.10	7306.10
CHAPTER 61	6209.10*	6811.20	7306.20
6101.10*	6211.31*	6811.30*	7306.60
6103.11*	6213.10*	6811.90	7314.13*
6103.12*	**CHAPTER 63**	6812.50	7319.10*
6103.19*	6302.52*	6812.60	7321.13
6103.21*	6302.92*	6812.70	7321.83
6104.11*	6303.11*	6812.90	**CHAPTER 74**
6104.12*	6306.11*	6813.10	7401.10*
6104.21*	6306.21*	6813.90	7401.20*
6107.92*	6306.31*	**CHAPTER 70**	7403.23*
6111.10*	6306.39*	7012.00*	7407.22*
6114.10*	6306.41*	7013.21	7414.20*
6115.11	6306.49*	7013.29	7414.90*
6115.12	**CHAPTER 64**	7013.31	7416.00*
6115.19	6401.91*	7013.32	7417.00*
6115.20	6402.30*	7013.39	**CHAPTER 78**
6115.91	6403.30*	**CHAPTER 72**	7803.00*
6115.92	**CHAPTER 65**	7225.20*	7805.00*
6115.93	6503.00*	7226.93*	**CHAPTER 79**
6117.20*	6506.92*	7226.94*	7906.00*
CHAPTER 62	**CHAPTER 66**	7229.10*	
6203.21*	6603.10*	**CHAPTER 73**	
	CHAPTER 68	7304.10	

Chapter 80 through 97

CHAPTER 80	8517.22	8527.32	9010.41
8004.00*	8517.30	8527.39	9010.42
8005.00*	8517.50	8527.90	9010.49
8006.00*	8517.80	8528.12	9027.40*
CHAPTER 81	8517.90	8528.13	9030.83
8101.95*	8519.10	8528.21	9031.30*
8112.30*	8519.21	8528.22	**CHAPTER 91**
8112.40*	8519.29	8528.30	9101.12*
CHAPTER 84	8519.31	8542.10	9106.20*
8418.22	8519.39	8542.21	**CHAPTER 92**
8425.20*	8519.40	8542.29	9203.00*
8428.50*	8519.92	8542.60	9204.10*
8442.10	8519.93	8542.70	9204.20*
8442.20	8519.99	8543.11	9209.10*
8443.21	8520.10	8543.19	9209.20*
8443.29	8520.20	8543.40*	9209.93*
8443.30	8520.32	8543.81	**CHAPTER 93**
8443.40	8520.33	8543.89	9306.10*
8443.51	8520.39	8544.41	**CHAPTER 94**
8443.59	8520.90	8544.51	9401.50
8443.60	8523.11	8544.59	9403.80
8443.90	8523.12	**CHAPTER 86**	**CHAPTER 95**
8448.41*	8523.13	8606.20*	9501.00
8456.91	8523.20	**CHAPTER 87**	9502.10
8456.99	8523.30	8708.31	9502.91
8469.11	8523.90	8708.39	9502.99
8469.12	8524.10	8708.60	9503.10
8469.20	8524.31	**CHAPTER 88**	9503.20
8469.30	8524.32	8801.10*	9503.30
8470.40*	8524.39	8801.90*	9503.41
8471.10	8524.40	**CHAPTER 90**	9503.49
8472.20*	8524.51	9006.20*	9503.50
8485.10	8524.52	9006.62*	9503.60
8485.90	8524.53	9009.11	9503.70
CHAPTER 85	8524.60	9009.12	9503.80
8505.30*	8524.91	9009.21	9503.90
8509.10	8524.99	9009.22	**CHAPTER 96**
8509.20*	8525.10	9009.30	9614.20*
8509.30*	8525.20	9009.91	9614.90*
8517.19	8525.30	9009.92	
8517.21	8525.40	9009.93	
	8527.31	9009.99	

Annex 3.2. List of new Harmonized System code numbers for the separate identification of articles of environmental or social concern

0301.94(*)	2852.00(**)	3808.50(**)	4601.21(*)
0301.95(*)		3824.72(*)	4601.22(*)
0302.67(*)	2903.31(**)	3824.73(*)	4601.92(*)
0302.68(*)	2903.52(**)	3824.74(*)	4601.93(*)
0303.61(*)	2908.11(**)	3824.75(*)	4602.11(*)
0303.62(*)	2908.91(**)	3824.76(*)	4602.12(*)
0304.11(*)	2910.40(**)	3824.77(*)	
0304.12(*)	2915.36(**)	3824.78(*)	4706.30(*)
0304.21(*)	2916.36(**)	3824.81(**)	
0304.22(*)	2918.18(**)	3824.82(**)	4823.61(*)
0304.91(*)	2918.91(**)	3824.83(**)	
0304.92(*)	2919.10(**)		6811.40(****)
	2920.11(**)	4402.10(*)	6812.80(**)
2005.91(*)	2924.12(**)	4409.21(*)	6813.20(****)
	2925.21(**)	4412.10(*)	
2524.10(**)	2930.50(**)		9401.51(*)
			9403.81(*)

(*): New code numbers facilitating the monitoring and control of fish under the International Plan of Action to Prevent, Deter and Eliminate Illegal, Unreported and Unregulated Fishing, adopted by FAO; of bamboo and rattan (International Network for Bamboo and Rattan); and products under the Montreal Protocol on Substances that Deplete the Ozone Layer.

(**): New code numbers for the identification of specific products under the Rotterdam Convention on the Prior Informed Consent Procedure for Certain Hazardous Chemicals and Pesticides in International Trade.

(***): New code numbers for the identification of specific products under the Basel Convention on the Transboundary Movements of Hazardous Wastes and their Disposal.

(****): Other sources.

Annex 3.3. List of codes whose number is unchanged though the scope has been modified

Chapter 01 to 39

CHAPTER 02	2707.99	2917.34	3702.44
0208.90	**CHAPTER 28**	2918.11	3705.90
CHAPTER 03	2811.29	2918.19	3707.90
0301.99	2824.90	2921.19	**CHAPTER 38**
0302.69	2825.90	2922.29	3805.90
0303.79	2826.19	2924.19	3821.00
CHAPTER 05	2826.90	2930.90	3822.00
0511.99	2827.39	2931.00	3824.71
CHAPTER 07	2827.49	2932.99	3824.79
0709.59	2827.60	2934.99	3824.90
0709.90	2830.90	2936.90	**CHAPTER 39**
0711.90	2833.29	**CHAPTER 30**	3907.99
CHAPTER 08	2834.29	3001.90	3920.10
0802.90	2835.39	3006.10	3920.20
0810.90	2836.99	**CHAPTER 31**	3920.30
CHAPTER 09	2837.19	3102.90	3920.43
0910.99	2837.20	3103.90	3920.49
CHAPTER 11	2839.90	3104.90	3920.51
1102.90	2841.50	**CHAPTER 32**	3920.59
CHAPTER12	2841.90	3201.90	3920.61
1207.99	2842.10	3206.49	3920.62
1209.29	2842.90	3206.50	3920.63
1211.90	2843.90	**CHAPTER 33**	3920.69
1212.99	2848.00	3301.19	3920.71
CHAPTER 13	2849.90	3301.29	3920.73
1301.90	2850.00	**CHAPTER 34**	3920.79
1302.19	**CHAPTER 29**	3404.90	3920.91
CHAPTER 14	2903.59	**CHAPTER .35**	3920.92
1404.90	2905.19	3502.90	3920.93
CHAPTER 15	2906.19	3504.00	3920.94
1515.90	2907.19	**CHAPTER 37**	3920.99
CHAPTER 23	2909.44	3702.31	3921.11
2302.40	2910.90	3702.32	3921.12
2306.90	2912.19	3702.39	3921.13
CHAPTER 25	2915.29	3702.41	3921.14
2508.40	2915.39	3702.42	3921.19
CHAPTER 27	2916.39	3702.43	3926.90

Chapter 40 to 79

CHAPTER 40	4811.49	6003.10	6506.99
4010.19	4811.51	6003.20	**CHAPTER 66**
CHAPTER 41	4811.59	6003.30	6603.90
4103.90	4811.60	6003.40	**CHAPTER 68**
CHAPTER 42	4811.90	6003.90	6802.29
4205.00	4814.90	6005.90	**CHAPTER 69**
CHAPTER 43	4816.90	**CHAPTER 61**	6909.19
4301.80	4823.90	6101.90	**CHAPTER 70**
4301.90	**CHAPTER 52**	6103.29	7020.00
4302.19	5208.59	6104.19	**CHAPTER 72**
CHAPTER 44	5210.19	6104.29	7225.30
4407.29	5210.29	6107.99	7225.40
4407.99	5210.49	6111.90	7225.50
4411.12	5210.59	6114.90	7225.91
4411.13	**CHAPTER 54**	6115.99	7225.92
4411.14	5402.39	6117.80	7225.99
4411.92	5402.49	**CHAPTER 62**	7226.99
4411.93	5403.31	6203.29	7229.90
4411.94	5403.32	6205.90	**CHAPTER 73**
4412.99	5403.33	6207.99	7304.29
4418.90	5403.39	6209.90	7314.19
CHAPTER 47	5403.41	6211.39	7319.90
4706.91	5403.42	6213.90	7321.11
4706.92	5403.49	**CHAPTER 63**	7321.81
4706.93	**CHAPTER 55**	6302.59	**CHAPTER 74**
CHAPTER 48	5501.90	6302.99	7403.29
4802.54	5513.23	6303.19	7407.29
4802.55	5513.39	6306.19	7418.19
4802.56	5513.49	6306.29	7419.91
4802.57	5514.19	**CHAPTER 64**	7419.99
4802.58	5515.99	6401.99	**CHAPTER 78**
4802.61	**CHAPTER 56**	6402.91	7806.00
4802.62	5604.90	6402.99	**CHAPTER 79**
4802.69	5607.90	6403.91	7907.00
4809.90	**CHAPTER 60**	6403.99	
4811.10	6002.40	**CHAPTER 65**	
4811.41	6002.90	6505.90	

CHAPTER 80	8466.10	8509.80	9006.52
8007.00	8466.20	8509.90	9006.53
CHAPTER 81	8466.30	8514.10	9006.59
8101.99	8466.91	8514.20	9006.69
8112.92	8466.92	8514.30	9010.50
8112.99	8466.93	8514.90	9010.90
CHAPTER 84	8466.94	8515.19	9011.10
8418.29	8470.90	8515.21	9011.20
8419.89	8471.30	8515.29	9011.90
8419.90	8471.41	8515.80	9012.10
8421.19	8471.49	8515.90	9012.90
8421.91	8471.50	8517.19	9017.20
8424.89	8471.60	8517.80	9017.90
8424.90	8471.80	8527.90	9027.80
8425.31	8472.90	8529.90	9030.20
8425.39	8473.30	8542.90	9030.31
8428.39	8473.40	8543.90	9030.32
8428.90	8473.50	8544.49	9030.33
8431.39	8477.10	8548.90	9030.39
8442.30	8477.20	**CHAPTER 86**	9030.89
8443.19	8477.30	8606.91	9031.49
8448.49	8477.40	**CHAPTER 87**	**CHAPTER 91**
8456.10	8477.59	8708.40	9101.19
8456.20	8477.80	8708.50	9106.90
8456.30	8477.90	8708.80	**CHAPTER 92**
8462.21	8479.50	8708.91	9205.90
8462.29	8479.89	8708.92	9209.99
8464.10	8479.90	8708.94	**CHAPTER 93**
8464.20	8480.71	8708.95	9306.30
8464.90	**CHAPTER 85**	8708.99	
8465.99	8505.90	**CHAPTER 90**	

Chapter 4 Selected data compilation issues

4.1. This chapter provides additional information on goods for processing (Section A), goods for repair (section B), re-exports (section C) and the feasibility of an FOB-type valuation of imports (section D). This information is of special interest to trade statisticians in view of the data collection problems frequently encountered and the importance of these cases for clarification of the relationship between trade statistics compiled on the basis of *International Merchandise Trade Statistics, Concepts and Definitions, Revision 2* (IMTS, Rev.2)[15] and those compiled on the basis of the *Balance of Payments Manual*, *fifth and the sixth editions* (BPM5 and BPM6)[16]. Chapter 5 contains a complete overview of the adjustments that need to be made to international merchandise trade data in order to approximate trade flows on the BPM6 basis.

A. Goods for processing

4.2. International trade has been at the centre of many recent discussions on globalization, be it through the off-shoring of the production process, the operations of multinationals, foreign direct investments or trade negotiations. The production processes for garments, motor vehicles, televisions and computers are now often spread across several countries, not only to reduce labour and capital costs but also, for instance, to benefit from investment incentives offered by the host countries.

4.3. Even though the treatment of goods for processing in the statistical sense is by no means a new discussion, it has gained renewed attention because of its increasing economic importance, especially for countries such as China and Mexico. Another reason is that the updated *System of National Accounts, 1993* (1993 SNA, Rev.1)[17] and BMP6 now specifically recommend that if goods are being processed abroad but ownership of the goods has not been passed on to the processing company, the transaction is to be treated as an international trade in service[18] to terminate an exception to the principle of change in ownership that was in place in the previous editions of these manuals.[19]

Description of goods or processing

4.4. The basic scenario of transactions categorized as “goods for processing abroad” would be a mother company sending goods to its affiliate abroad, which processes these goods and returns

[15] United Nations Publication, Sales No. E.98.XVII.16.

[16] International Monetary Fund, *Balance of Payments Manual, 5th ed*. (Washington, DC, 1993); a draft of BPM6 is available from www.imf.org/external/pubs/ft/bop/2007/bopman6.htm (the November 2007version of the draft was used as a reference).

[17] Available from http://unstats.un.org/unsd/sna1993/toctop.asp.

[18] In BPM6, IMF introduces the wording “manufacturing services on physical inputs owned by others” instead of “goods for processing” to stress the fact that services are applied to the goods, which have not changed ownership to the manufacturer.

[19] A change in ownership was imputed in the case of "substantial processing" in the *System of National Accounts, 1993* (United Nations publication E.94 XVII. 4), paras 14.61–14.64, and in general in BPM5 (paras. 197-199) for goods processed abroad and returned to the country from which they were consigned.

an enhanced product back to the mother company. Many more complicated (but more realistic) scenarios will be illustrated in subsequent sections. The crucial point in these transactions concerns the economic ownership of the goods. If the mother company remains the owner of the goods, then BPM6[20] defines this transaction as a "*trade in services"* transaction, in which the mother company imports the services of its affiliate abroad. If the affiliate acquires economic ownership, the transaction would be a regular "*trade in goods"* transaction, in which the country of the mother company exports the goods going into the production process and the country of the affiliate afterwards exports a finished product in return.

4.5. The illustration below shows goods sent abroad for processing (black arrow) where the processed goods (white arrow) subsequently (i) return to the originally exporting country, (ii) enter the domestic economy of the country of processing, or (iii) are exported to a third country. Scenarios (ii) and (iii) assume that during processing the goods were still owned by country A and that the change of ownership took place with respect to the processed goods.

(i) Country A ⇦======➔ Country B Country C
(ii) Country A ======⇨➔ Country B Country C
(iii) Country A ========➔ Country B =======⇨ Country C

4.6. Table 4.1 illustrates the recording of the respective trade flows in IMTS, Rev.2, and BPM6. Goods before processing are indicated as X and goods after processing as Y. In the table the flows of goods are allocated in IMTS by country of origin and last known destination and in BPM/SNA by change of ownership. If the goods are not substantially transformed during processing, the country of origin remains the same and goods are considered re-imports/re-exports.

[20] The 1993 SNA, Rev.1, is implied when making reference to the concepts of BPM6, since both have been harmonized as much as possible in their latest versions.

Table 4.1 Classification of transactions relating to the processing of goods abroad in IMTS, Rev. 2, and BPM6

Case	IMTS, Rev. 2	BPM6/1993 SNA Rev.1	
	Whether or not substantially processed	**Goods**	**Processing services**
i	**A:** exports of X to B, then imports (or re-imports) of Y from B **B:** imports of X from A, then exports (or re-exports) of Y to A	**A and B:** no flow of goods as goods remain the property of sending country (A)	
ii	**A:** exports of X to B **B:** imports of X from A	**A:** exports of Y to B **B:** imports of Y from A (including processing fee)	**A:** imports from B **B:** exports to A
iii	**A:** exports of X to C **B:** imports of X from A, the exports (or re-exports) of Y to C **C:** imports of Y from B (or from A in the case of re-exports)	**A:** exports of Y to C (including processing fee) **C:** imports of Y from A (including processing fee)	

Note: The BPM/SNA revision refers to case (i) only. Under previous guidelines, gross flows of goods moving from the sender's country (the client for the processing service) and returning to it needed to be identified separately for recording in a dedicated item, and recording a service transaction was not required.

4.7. As mentioned, in each of the cases (i) to (iii) a processing ***service*** is recorded as an import of country A (export of B) in BPM6 and only the finished goods (Y) are part of a trade in goods transaction in cases (ii) and (iii).

4.8. IMTS, Rev.2, records imports and exports in relation to the physical movement of the goods across borders, recording re-exports/re-imports only in cases where there has not been any substantial transformation of the goods.

4.9. In case (i), goods move out of the country of economic ownership A and return to it again. While these flows will no longer be recorded in the goods account of BPM6, they are still recorded in IMTS. Actually, these "gross flows" will be recorded in the BPM6 services part as additional information.

Customs procedures relevant for recording goods for processing

4.10. The basic sources of trade-in-goods statistics are the customs declarations, which are usually compiled into IMTS data by the national statistical offices (which may use other data sources to complete the full set of IMTS data). BOP statisticians thereupon use IMTS data to derive the goods components of the current account. Given the stricter application of the change of ownership principle in BPM6, statistics in addition to current IMTS data will be necessary to identify a change in ownership in the goods transactions.

4.11. Given that a customs declaration is still the basic instrument for recording international trade transactions, customs procedures should be further analysed for their suitability for identifying transactions involving goods for processing. The relevant customs procedures are:

(a) Free zones (see paras.2.20-2.23), both industrial and commercial free zones
(b) Inward processing and outward processing (see paras. 2.24–2.28 and 2.37-2.40);
(c) Processing for home use (see paras. 2.29 and 2.30).

4.12. The procedures for inward and outward processing appear particularly suited for the recording of goods for processing but might be providing only an incomplete picture:

(a) Under the inward and outward processing procedures certain goods can be brought into a customs territory conditionally relieved from payment of import duties and taxes; such goods must be intended for re-exportation within a specific period after having undergone the specified processing; processing may involve the use of goods of national origin or goods previously imported. It should be noted that compensating products can be re-declared for exportation to any third country or for home use;

(b) Goods for processing and the resulting products can enter and exit a country under the specially designed customs procedures of inward processing and outward processing or under the regular customs procedures of clearance for home use and outright exportation, depending on the practical considerations of the parties involved. In these cases there will be no separate identification and they will be treated as regular imports and exports;

(c) If a country applies a strict definition of the special system and excludes industrial free zones, then movements of goods for processing and goods after processing will not be captured.

4.13. The drawback procedure (see paras. 2.41–2.44) could be useful in cases where goods were temporarily imported (for processing) and full duties were paid at entry (clearance for home use). Under the "Drawback" procedure the importer reclaims the duties paid because the (processed) goods were exported again (certain conditions apply).

Examples of measuring goods for processing

4.14. Example 1: **A company in country A exports automotive parts for assembly by an affiliate in country B. Finished vehicles are shipped back from B to A. Ownership of the goods remains with the company in A for the entire process.**

Data source (A): Customs declaration at the border of country A
Part A.1 (Before processing). Customs A records exports of automotive parts under the outward processing customs procedure. There should be an indication on the form for the approximate date of return. The declaration form should also have the company of country A as the company liable for customs obligations.

Part A.2 (After processing). Customs A records imports of vehicles as a regular import. The company of country A will request duty exemption on the basis of the previously declared outward processing form.

Data source (B): Customs declaration at the border of country B
Part B.1 (Before processing). Country B registers imports of automotive parts under the inward processing customs procedure. Again the company of country A would be recorded as the liable party.

Part B.2 (After processing). Country B registers exports of vehicles after inward processing. Officially, the company of country A should be the company on record.

Data source (C): Enterprise surveys by the statistical authority of country A
Enterprises involved in outward processing need to be identified. If companies can be identified on customs declarations, companies requesting the outward processing procedure could be selected for survey.

Data source (D): Enterprise surveys by the statistical authority of country B
Enterprises involved in inward processing need to be identified. If companies can be identified on customs declarations, companies requesting the inward processing procedure could be selected for survey.

4.15. It would be helpful if BOP and trade statistics compilers, in cooperation with customs authorities, undertook pilot surveys to assess companies' practices with respect to the declaration of goods for processing and the suitability of actual customs records to identify them. The second important issue for data compilers is the ability of customs administrations to link outgoing and incoming declarations containing information on goods sent for outward processing and returning compensating products as recommended by the Kyoto Convention.

4.16. On the importing side (country B) in example 1, the customs declarations could properly record goods for inward processing, especially if there is a tax incentive to do so. For countries engaged in bilateral or multilateral agreements where such tax incentives are diminishing, it may be necessary to conduct a survey to find out if the inward processing procedure is still used by the traders. According to the Kyoto Convention compensating products subsequently exported should be linked to the goods originally imported for inward processing. Data compilers should find out from customs how the link between those declarations is established in practice.

4.17. Whereas BOP compilers may be requesting additional information on change of ownership, verifying ownership of the traded goods may be difficult. For instance, national legislation may require the foreign company to register a resident company that might assume ownership of the goods as representative in the transactions. Data compilers should be aware of such requirements and practices.

4.18. To adequately conduct enterprise surveys on outward processing, companies sending goods for processing need to be separately identified. These companies should also be asked to provide information about the processing service they purchased from abroad.

4.19. For inward processing, a survey of enterprises that provide processing services should be conducted. The enterprises need to be identified and should be requested to give details on imported and exported products and the processing fees.

4.20. In conclusion, four different data sources spread over two countries are involved in example 1. Bilateral cooperation and sharing of data sources would be helpful, but national legislation may prove a serious obstacle for such cooperation.

4.21. Example 2: **A company of country A exports automotive parts for assembly by an affiliate in country B. Finished vehicles enter country B. Ownership of the goods changes ibkt after the finished goods are sold.**

> *Data source (A): Customs declaration at the border of country A.*
> Part A.1 (Before processing). As in example 1, customs A records exports of automotive parts under the outward processing customs procedure with an indication of the approximate date of return. The declaration form should also have the company of country A as the company liable for customs obligations.
>
> Part A.2 (After processing). At best, the company of country A will be requested to file a customs form to terminate the outward processing.
>
> *Data source (B): Customs declaration at the border of country B*
> Part B.1 (Before processing). Customs B records imports of automotive parts under the inward processing customs procedure. The company of country A would be recorded as the responsible company.
>
> Part B.2 (After processing). Customs B records an entry record for goods coming into the domestic economy. This declaration terminates the inward processing procedure and the buyer would need to pay import duty, if applicable. The company of country A would still be the exporting company and a domestic company or individual would be the importer.

4.22. The same compilation issues explained in the previous example apply. It will be almost impossible for the country sending the goods for processing to connect its export declaration to the subsequent exportation of the finished goods to a third country.

4.23. For the country receiving goods for inward processing, more information will potentially be available and, as stated previously, it may prove possible to link the imports of the finished products into the domestic economy with the original imports declaration of the goods for inward processing. In the same way, it might be possible to link the exports of the finished goods to a third country with the original imports declaration.

Practice in China[21]

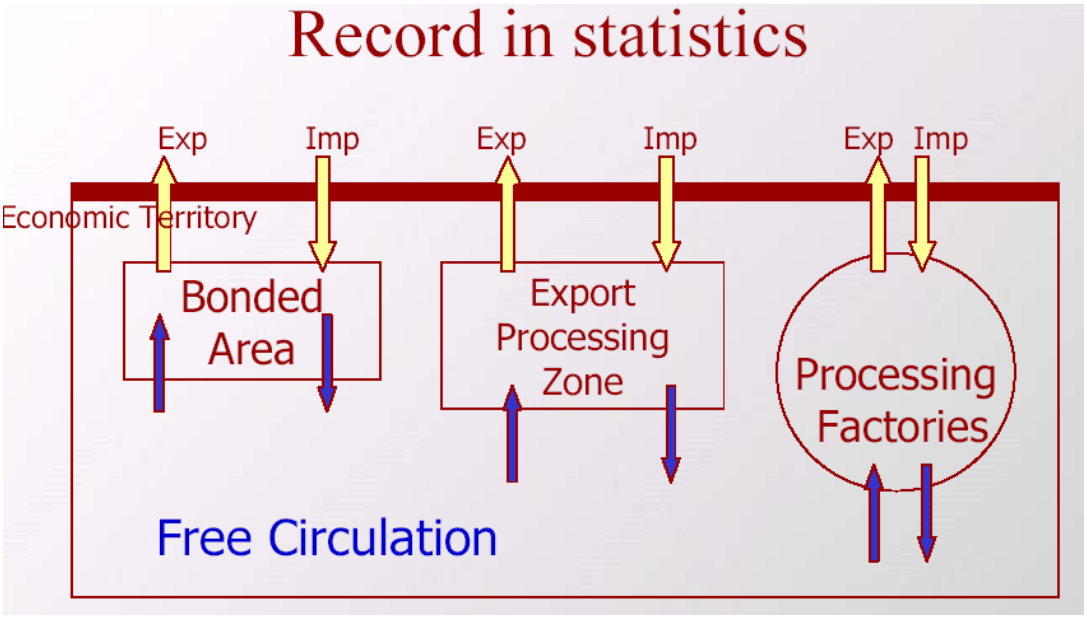
4.24. The customs procedure under which certain goods can be brought into China customs territory for manufacturing or processing with subsequent exportation can be classified into two types: type I (Customs Regime 14), where the imported goods remain the property of the foreign supplier, and type II (Customs Regime 15), where the ownership of imported goods is transferred to Chinese producers, more commonly known as "foreign investment enterprises".

4.25. China distinguishes three differently regulated processing zones or factories: (i) export processing zones, (ii) processing factories, and (iii) bonded areas. Enterprises need to apply for a processing qualification certificate from the local administration agency of commerce for these zones. Each processing contract needs approval from the local administration agency and will contain restrictions on procedures and products. The contract is valid for a period of one to two years.

4.26. Goods entering these zones or factories are exempted from import duties. There are imports and exports of goods from abroad into those zones and then there are imports and exports of goods in and out of those zones from China itself (see Figure 4.1). All of those flows need to be accounted for to provide a complete picture of goods for processing. While giving these companies certain privileges, China customs asks in return to have full access to their accounting books.

[21] This example is based on presentations given by the Statistics Department of the General Customs Administration of China at a United Nations Statistics Division/ESCAP workshop on IMTS in Bangkok, in December 2006 (see http://unstats.un.org/unsd/trade/workshops_imts.htm) and at the first meeting of the United Nations Expert Group on IMTS, held in New York, in December 2007 (see http://unstats.un.org/unsd/trade/EG-IMTS/EG-IMTS_cs.htm).

Figure 4.1. Trade of goods in and out of processing areas in China



4.27. China customs keeps so-called accounting books for all enterprises in the export processing zones and, (to a lesser extent), for each of the other processing factories. More than 70 per cent of all inward processing enterprises are located in these processing zones. Such accounting books enable customs to identify (i) ownership of the goods entering the production process, (ii) where the goods originated and (iii) where the processed goods are departing to.

4.28. Chinese authorities are looking into simplification of the administration by:

(a) Eliminating the need for approval of each contract by the commerce agency in bonded areas and export processing zones;
(b) Creating a network control system at customs;
(c) Pre-classification of goods for inward processing;
(d) Controlling and validating transfer fees for large enterprises periodically (every half year) instead of for each contract.

Practice in Mexico[22]

4.29. The maquiladora industry in Mexico consists of enterprises that, with the authorization of the Secretariat of the Economy, temporarily import goods for manufacturing, assembly or repair with the intention of subsequently exporting them. These enterprises are exempt from the payment of duties and taxes if their finished products are sold abroad.

[22]This example is based on a presentation given by the National Statistical Office of Mexico (INEGI) at the first meeting of the United Nations Expert Group on IMTS held in New York, in December 2007 (see http://unstats.un.org/unsd/trade/EG-IMTS/EG-IMTS_cs.htm).

Regulation

4.30. The regulation of this industry began in the mid-1960s with the purpose of promoting foreign direct investment, developing the manufacturing industry and creating employment. From the beginning, the activities of these enterprises were strictly controlled and the Government of Mexico had a particular interest in measuring the impact of the industry. Regulation was defined by:

(a) Customs law;
(b) Foreign Trade Law;
(c) Operation Rules for foreign trade transactions;
(d) Specific decrees for the regulation of economic activities oriented to the exports of goods.

Regulation follows the Kyoto Convention with some national specifications.

4.31. When an enterprise is admitted to the maquiladora programme (authorized by the Government of Mexico) there is no restriction on where it can establish itself. These enterprises are therefore spread across the country, with the majority located in the north of Mexico, where they can take advantage of the proximity of the United States. Maquiladora enterprises are not situated only in the free trade zones, however.

4.32. Depending on the economic activity of the enterprise and what the enterprise requests, the Mexican authorities determine which goods (in terms of their HS codes) can be imported and exported. Any change in the registered and approved items must be reported to the authorities for re-approval under new HS codes.

4.33. There is a link between the temporary imports and subsequent exports under the inward processing customs procedure. Specific customs records for maquiladora transactions make it possible to trace the information on the goods temporarily imported and the corresponding manufactured, assembled or repaired goods at export. It is important to note that goods produced by the maquiladora industry can leave Mexico without any restriction on their destination. If a maquiladora enterprise sells part of its production to the domestic market, it has to pay duties and taxes and declare the transaction at customs under a special procedure (clearance for sale in the domestic market).

4.34. Processing in the maquiladora industry leads in most cases to a substantial transformation of the imported goods. The transactions could show this by a change in the HS codes of the imported and exported goods. Under the existing general rules of origin, Mexico would then be recognized as the origin of these exports.

Measurement

4.35. Until 2006, all 3,000 enterprises within the maquiladora programme were surveyed monthly via the Internet by the National Statistical Office of Mexico (INEGI). It was mandatory for these enterprises to complete a questionnaire that asked mainly about employment and

salaries, purchase and consumption of goods and services, and the value added of exports. The value added of exports corresponds with the processing fee since it includes the wages and salaries, domestic expenses and profits. The 2006 statistics showed that the total value of processing fees was $24 billion and that the industry employed 1.2 million persons.

4.36. The production and the analysis of IMTS in Mexico are done by the Group on Foreign Trade Statistics consisting of the General Customs Administration, the central bank (Bank of Mexico), the Secretariat of the Economy and INEGI. INEGI leads the activities and takes decisions regarding the treatment of the available information. Since 1991, Mexico has included the goods traded by the maquiladora industry valued on a gross basis. Exports include the value of the goods temporarily imported for manufacturing or assembly plus the processing fee. Goods for repair are excluded from the merchandise trade statistics.

4.37. In Mexico it is assumed that all goods temporarily imported by the maquiladora industry are owned by non-residents and that in terms of the new BPM6 this industry is therefore delivering *manufacturing services on inputs owned by others*. For BPM6 purposes change of ownership will only be recognized (and an import recorded) when the enterprise pays duties and taxes on the imported goods to export the finished products to the domestic market. As mentioned these transactions are identified by specific customs records.

Some conclusions

4.38. The China example shows that in the case of goods for processing not all inputs have to originate in the client's country. The client may provide only a part of the necessary input, while the processing enterprise would need to procure the rest by its own means. Even if the client provides all the necessary input, it does not necessarily originate in the client's own economy. The client might order these goods from various countries abroad and have them shipped directly to the country of processing. While the only transaction between the client and the processing enterprise is the supply of a service, the actual movement of goods can be more complicated.

4.39. Calculation of service fees in cases where goods are returned after processing (case (i) in para. 4.5) is the same in BPM6 as the calculation already recommended in cases where goods are eventually sold to residents of the processing country (case (ii) in para. 4.5) or sold to a third country (case (iii)). However, deriving the service charge as the net of gross *goods for processing* flows can be problematic, because:

(a) Matching goods for processing with the resulting products when they enter and exit the processing country can be difficult or impossible; and

(b) Between the time of import and the time of export, goods might undergo significant value changes independent of the processing fee (mostly owing to the mark-up value of the finished product).

4.40. The examples given above show problems related to the measurement of transactions of goods for processing. The inward and outward processing procedures described in the Revised Kyoto Convention may be helpful in identifying at least part of these transactions. In addition,

the compiling economy may want to conduct enterprise surveys. Finally, country practices such as those of China and Mexico show additional possibilities for obtaining information.

4.41. With respect to rules of origin and the definition of "goods in the same State", IMTS, Rev.2, recommends that countries follow the provisions of the Kyoto Convention and develop more detailed national guidelines on that basis.

4.42. In practice, *goods for processing* are not always easy to distinguish from *goods for repair,* the statistical treatment of which is described in section B.

B. Goods for repair

4.43. IMTS, Rev.2, recommends that goods undergoing repair should be excluded from trade statistics but recorded separately for use in national accounts and balance of payments. For these concerns, goods for repair should be valued at the value of the repair only – that is, the fees paid or received for the cost of repair (net basis).

4.44. The BPM5 and 1993 SNA distinguish repairs of investment goods from repairs of other goods, the first being recorded in BPM5 under general merchandise, the latter being recorded under services.[23] In the BPM6, all goods sent for repair will be included in trade of services. The transactions involving repairs of investment goods will be recorded as "repairs and maintenance on moveable goods" under services and the fees paid should be recorded as the value of the repair. Construction or maintenance performed in ports and airports on transportation equipment are included under the respective services categories.

Definition of Repair Transactions: the European Union Experience

4.45. The European Union has excluded repairs from trade statistics between member States since 2005 and, as from January 2006, also from trade statistics with non member countries. A more detailed definition of repair transactions is provided in the European Union legislation on external trade statistics, which defines a repair action as the restoration of goods to their original function or condition. The objective of the operation is simply to maintain the goods in working order; this may involve some rebuilding, replacement or enhancements but does not change the nature of the goods in any way.

4.46. In practice, however, it may not be easy to determine whether a repair transaction has been carried out. In particular, the boundary to processing activities may be blurred. Processing under contract covers operations such as transformation, construction, assembly, enhancement, renovation, modification and conversion with the objective of producing a new or significantly improved item. This does not necessarily involve a change in the product classification.

4.47. When distinguishing processing and repair transactions, it is recommended that the conceptual approach aligned to the definitions of processing and repair be applied with a view to grasping the real intention of the transaction in question. Any standardized allocation rules

[23] International Monetary Fund, *Balance of Payments Manuel*, *5th ed*. (Washington, DC, 1993), para. 200.

linked, for example, to the value of the processing or repair (e.g. below or above a certain percentage of the value of the goods) or to the change in the commodity classification (e.g. processing necessitates a change in the product classification; a repair will keep the same commodity code) is not sufficient to determine the border-line cases.

4.48. It would be useful to draw up a list of examples of transactions that are borderline processing and repair. Although the allocation of these transactions will not always prove satisfactory from a conceptual point of view, it might at least facilitate harmonized and transparent resolutions over time and reconciliation with data from other countries.

4.49. Boarder line processing activities (included in trade statistics on a gross value basis) might include the following:

(a) Assembly/reconstruction of goods after delivery;
(b) Conservation(e.g. by the addition of preservatives);
(c) Treatment (e.g. against parasites or rust);
(d) Mixing goods of different qualities in order to produce goods of a new quality;
(e) Labelling of goods and providing the labels as part of a sales transaction; if not, labelling is a service;
(f) Bottling of liquids, (e.g. wine from barrels);
(g) Canning of goods (e.g. tinned food);
(h) Making textiles into products, (e.g. clothing, handbags, curtains);
(i) Dilution or concentration of liquids (e.g. orange juice);

4.50. Boarder line repair transactions (excluded from trade statistics however; recoded separately on a net value basis) might include the following:

(a) The pure replacement of part of an item, which indicates that a repair transaction might have been carried out. (on the other hand, if it results in an improved item, it is a process;
(b) Repair of damage to goods incurred during transport;
(c) Repainting should be excluded as repair/maintenance (however, the painting of an unpainted good should be treated as processing).
(d) For aircraft, technical maintenance activities carried out because of legal requirements (e.g. controls, mandatory periodic replacements);
(e) Testing, adjusting, regulating or certifying of goods (e.g. aircraft, machines, apparatus, vehicles);
(f) Simple ironing, washing, cleaning, and drying operations;
(g) Simple packaging operations;
(h) Simple sorting, sifting, weighing, dividing and filtering of goods.

4.51. The lists set out above are far from comprehensive. They reflect the current output of the European Union expert group on methods of trade statistics.

4.52. It should be mentioned that spare parts and replacement parts that were incorporated in the goods under repair are exempted from recording for trade statistics. However, the exemption

applies only after the parts are integrated into the goods. Any trade with spare parts has to be recorded.

4.53. It has been proposed that customs authorities should make arrangements for separate identification of goods imported for repair and exported after repair. This can be done by introducing a specific customs procedure code (or a subheading to existing codes) for repair. Although, customs procedures are in general linked to procedures that have an economic (fiscal or customs) impact, an attempt should be made to implement specific procedure codes purely for statistical purposes, on condition that the customs procedures do not become too overloaded and complex.

4.54. Within the European Union another promising approach is to identify repair transactions by an additional box on the customs declaration that collects the nature of the transaction purely for statistical purposes. The coding of the transactions could also serve to determine the different characteristics (purchase/sale, work under contract, etc.) deemed useful in distinguishing one transaction from another for Balance of Payments or National Accounts purposes. For European Union trade statistics, a two-digit coding system is given for the nature of the transaction (member States provide at least a one-digit code for intra-Community statistics; for extra-Community trade, collection is still optional).

4.55. The main categories for nature of transaction are as follows:

(a) Transfer of ownership against compensation;
(b) Operations with a view to processing or following processing under contract;
(c) Goods under repair;
(d) Codes for national purposes;
(e) Other transactions.

C. Re-exports

4.56. There is increasing interest in statistics of re-exports in view of the policy and analytical needs to better understand the economic content of international flows of goods. Re-exports are exports of goods whose origin did not change while in the country of export. IMTS, Rev.2, recommends that re-exports be included in the country's exports. It is also recommended that re-exports be recorded separately for analytical purposes, which may require the use of supplementary sources of information to determine whether the goods in question are indeed re-exports rather than exports of goods that have acquired domestic origin through processing.

4.57. With respect to the rules of origin and definition of "goods in the same State", IMTS, Rev.2, recommends that countries follow the provisions of the Kyoto Convention and develop more detailed national guidelines on that basis. Rules to determine the origin of a good are important for trade negotiations in particular. The Revised Kyoto Convention includes a section on rules of origin. These rules are broadly followed by many countries, but they are not accepted as a standard.

Rules of origin

4.58. The country of origin of a good (for imports) is determined by rules of origin established by each country. Generally, rules of origin contain of two basic criteria:

(a) The criterion of goods wholly produced (obtained) in a given country, where only one country enters into consideration in attributing origin;
(b) The criterion of substantial transformation, where two or more countries have taken part in the production of the goods.

4.59. *Goods wholly produced.* Goods produced wholly in a given country shall be taken as originating in that country. According to the Revised Kyoto Convention, only the following shall be taken to be produced wholly in a given country:

(a) Mineral products extracted its soil, from its territorial waters or its sea-bed;
(b) Vegetable products harvested or gathered in that country;
(c) Live animals born and raised in that country;
(d) Products obtained from live animals in that country;
(e) Products obtained from hunting or fishing conducted in that country;
(f) Products obtained by maritime fishing and other products taken from the sea by a vessel of that country;
(g) Products obtained aboard a factory ship of that country solely from products of the kind covered in sub-paragraph (f) above;
(h) Products extracted from marine soil or subsoil outside that country's territorial waters, provided that the country has sole rights to work that soil or subsoil;
(i) Scrap and waste from manufacturing and processing operations, and used articles, collected in that country and fit only for the recovery of raw materials;
(j) Goods produced in that country solely from the products referred to in sub-paragraphs (a) to (i) above.

4.60. *Substantial transformation*. The term is defined in specific annex K of the Convention as "substantial transformation criterion" the criterion according to which origin is determined by regarding as the country of origin the country in which the last substantial manufacturing or processing, deemed sufficient to give the commodity its essential character, has been carried out. According to the Convention, in practice, the substantial transformation criterion can be expressed:

(a) By a rule requiring a change of tariff heading in a specified nomenclature with lists of exceptions;
(b) By a list of manufacturing or processing operations that confer, or do not confer, upon the goods the origin of the country in which those operations were carried out;
(c) By the ad valorem percentage rule, where either the percentage value of the materials utilized or the percentage of the value added reaches a specified level.

4.61. Many shipments of goods are accompanied by a certificate of origin, which may make it easier to obtain preferential treatment from customs at the port of import (where applicable). These certificates are issued by a governmental agency of the exporting country (usually an office other than customs). The customs administration of the importing country usually accepts this certificate of origin but it is not obliged to do so.

4.62. The approaches taken by the Netherlands and New Zealand are briefly described below.

Practice in the Netherlands[24]

4.63. Statistics Netherlands undertook a study in 2005 to measure the significance of re-exports as part of its exports. It defined a good as re-exported if it was first imported and subsequently no change in the 6-digit Harmonized System product-code had occurred when it was exported. This definition is relatively unambiguous and it opens a possible way to measure the re-exports without the explicit use of any other source of information. This is important as it does not increase the administrative burden for companies.

4.64. The results of this study showed that in the Netherlands the share of re-exports is more than 40 per cent of the total merchandise exports. They show further that about half of the re-exports consist of machinery and transport equipment. In particular, exported computers, computer parts and consumer electronics are mostly foreign made. Medical and optical instruments and clothing also make up a considerable portion of re-exports. According to preliminary results, about half of the re-exports of the Netherlands originate in European countries. That is far less than the imports for domestic use, almost three quarters of which originate in other European countries. Imports from Southeast Asia and the United States in particular are often meant for re-export. On the outgoing side, only about 13 per cent of the re-exports are destined for a country outside Europe. By a comparison, the share of the domestic exports to those countries is twice as high.

Practice in New Zealand[25]

4.65. Statistics New Zealand defines re-exports as exports of goods that were imported earlier and contain less than 50 per cent New Zealand content by value. In other words, New Zealand has adopted a value-added-based assessment to determine if a "transformation" of a good is "substantial". The phrase "50 per cent New Zealand content by value" is a simplified definition referring to the exact rules of origin in the customs and excise regulations that govern whether a good is of domestic or foreign origin.

4.66. The 50 per cent rule is based on a ratio of qualifying expenditure (QE)/factory cost (FC), where QE = domestic expenditure on materials, labour and overhead, and FC = total expenditure on materials, labour and overhead. Total expenditure on materials includes the purchase price,

[24] The information in this section was obtained from a presentation given by Statistics Netherlands at the 2006 OECD International Trade Statistics Expert Meeting in Paris.

[25] The information is taken from a presentation given by Statistics New Zealand at a United Nations Statistics Division-ESCAP workshop on IMTS in Bangkok in December 2006 (for details, see http://unstats.un.org/unsd/trade/workshops_imts.htm).

overseas freight and insurance, port and clearance charges, and inward transport to store, but excludes all duties and taxes.

4.67. *Identification of re-exports*. Since 1 March 2004, a customs export entry must be lodged electronically prior to goods being loaded for export. All customs export entries must state the country of origin of the good being exported. Where goods in an entry are classified in the same tariff item but have a different country of origin, they must be recorded on a separate detail line. Customs sends Statistics New Zealand an electronic file containing all customs entries and all applicable fields, which includes the country of origin information.

4.68. *Compilation of re-exports statistics*. Trade statistics are compiled at the HS10 level. All imports and exports over $1,000 are included as separate records in the trade edit database, which retains the country of origin information from the customs entry. An edit check on the country of origin field is performed. Each month all records in the edit database are copied to the output database. All export records where the country of origin is not New Zealand are classified as re-exports and are included in both total export and re-export figures. Statistics New Zealand is able to report re-exports by country of origin, detailed product and country of destination.

4.69. The treatment by Statistics New Zealand relies heavily on exporters accurately interpreting the rules of origin of their exports, as well as accurately reporting the country of origin of their exports. Re-exports make up about 5 per cent of New Zealand's exports and are separately identified in published trade statistics. It should be noted, however, that the compilation of re-exports is facilitated by the fact that the statistical territory of New Zealand equals its customs territory and New Zealand does not have any industrial or commercial free zones.

D. Feasibility of imports FOB

4.70. In international merchandise trade statistics, exports are valued on the FOB basis and imports are valued inclusive of costs relating to transport and insurance from the border of the exporting country up to the border of the importing country (CIF). Within the balance-of-payments framework, both exports and imports of goods are valued FOB. While IMTS are used as the main source to compile the goods item of the balance of payments, an adjustment is generally carried out by BOP compilers to convert imported goods from the CIF to FOB basis and to reclassify costs relating to transport and insurance as costs of services.

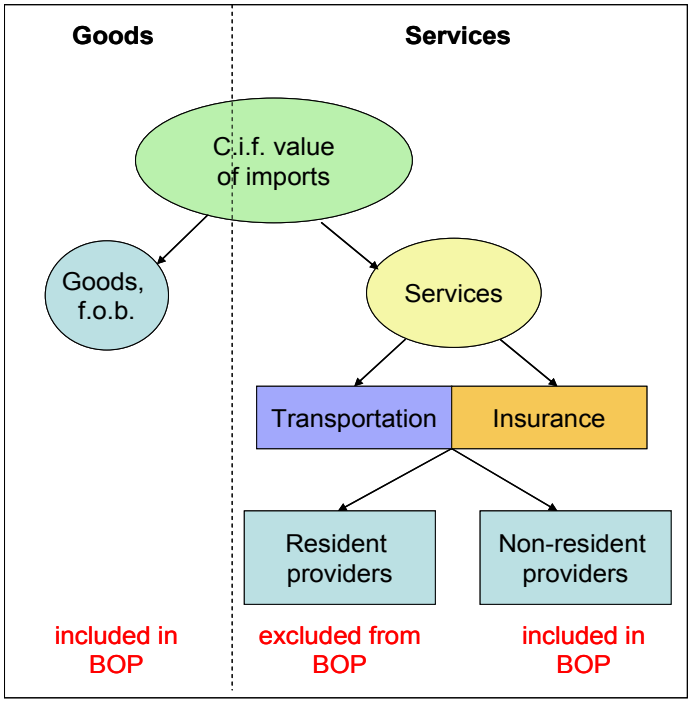
4.71. Some countries have confirmed their ability to compile import statistics on the FOB basis (see chap. 1) and there is a growing interest in this data as it provides the basis for a more thorough analysis of international flows of goods and services. This section provides a brief overview of conceptual and data collection issues so that trade data compilers in other countries will be ready to provide assistance to BOP compilers or to participate in the production of imports FOB data series.

4.72. The CIF/FOB adjustment of imports has two crucial aspects:

(a) Splitting the cost of transportation and insurance services from CIF value of imported goods and re-valuation of these goods on the FOB basis;
(b) Splitting the service cost between domestic (excluded from BOP) and international transactions (included in BOP).

4.73. These splits are illustrated in figure 4.2.

Figure 4.2. Illustration of the decomposition of CIF value of imports



4.74. *Splitting of the CIF value of imported goods into FOB-valued imported goods and service costs*. Ideally, the CIF to FOB adjustment for imports should be obtained for each transaction or at a detailed commodity level. It should be noted, however, that the relationship of FOB to CIF prices varies according to factors such as the type of good, weight, scale (bulk or not), special needs (such as refrigeration or careful handling), mode of transport and the distance travelled. Therefore, a number of options are used by BOP compilers to estimate and deduct from merchandise the part corresponding to freight transport and insurance services.

4.75. *Transportation and insurance of imports to be recorded in BOP.* As discussed above, the CIF to FOB adjustment involves more than the valuation of imported goods and the respective assessment of transportation and insurance services. In reclassifying part of the CIF value to services, additional information needs to stem from the statistical convention that these costs are borne by the importer. Regardless of the effective contractual arrangements between the importer, exporter and service providers, the importer is conventionally the consumer of transportation and insurance services provided beyond the border of the exporting economy. Whether these service transactions are to be recorded in BOP therefore depends on whether the transportation and insurance companies are, or are not, resident in the same country as the importer. BOP compilers of the goods-importing country also need to estimate, within the total

transportation and insurance service, which part has been supplied by resident companies (excluded from BOP) and which part by non-residents (recorded as service debits in BOP).

4.76. *Different options for the CIF to FOB adjustment of goods imports***.** The *Balance of Payments Compilation Guide* [26] provides different options for measuring goods, freight transportation, and insurance services associated with the CIF/FOB adjustment of imports that are of interest for trade statistics compilers who would like to explore the possibility of compiling imports on the FOB basis. The recommended options are set out in the following box.

Methods for estimating freight and insurance on imports

Option 1. ***Extract data from IMTS.***
In some countries IMTS contains both the FOB and CIF values for imports; therefore, the values of freight costs and insurance premiums can be directly taken from IMTS. Still some method is needed to identify freight costs and insurance premiums separately. When both valuations are not reported as a matter of course, it may be possible to analyse the supporting import documentation supplied to customs to obtain freight costs and insurance premiums. Such analysis could be achieved by means of a properly designed sample survey of the customs records. However, while such an approach may be sufficient for BOP purposes to get an adjustment at a macro level, it may not be realistic for conversion of the detailed trade data.

Option 2. ***Collect, from importers, data on freight and insurance premiums paid on imports.***
Data could be collected from importers through enterprise surveys or an international transaction reporting system (ITRS). In an ITRS, the basic breakdown of freight and insurance costs could be collected on a supplementary basis, or the ITRS could be used as a basis for identifying certain importers who could then be approached on a sample or selective basis. Alternatively, enterprise surveys could be used to obtain across-the-board measures or selective data on commodities, modes of transport and/or operators.

Option 3. ***Collect freight data from resident operators and branch offices or agents of non-resident operators.***
Through enterprise surveys, data could be collected from branch offices or agents of foreign transport operators on the value of freight and the value and volume of imports. These data could be categorized by type of cargo (containerized, bulk, etc.) or commodity carried, the country from which the goods were consigned and the mode of transport. Unfortunately, agents for non-resident operators may not always have these data in respect of their principals. Therefore, although enterprise surveys represent a partial approach in some cases, they could be useful in identifying freight for selected commodities and/or modes of transport.

[26] International Monetary Fund, *Balance of payments Compilation Guide* (Washington, DC, 1995).

Option 4. ***Analyse trade flows, freights and insurance rates.***
Tables on the value (CIF or FOB) and volume of imports broken down by commodity, mode of transport and country from which the goods were consigned could be derived from MTS. Freight and insurance rates could then be applied to these to derive freight costs and insurance premiums. Freight and insurance rates could come from several sources, including trade journals, any of the sources described elsewhere in this box, or surveys of industry prices. (These surveys could range from highly sophisticated surveys to small selective surveys.) In this option, some cells of data may be very accurate but other cells may be less accurate. This is a good example of a data model approach.

Option 5. ***Use a ratio approach.***
Some compilers may consider it unnecessary to measure freight and insurance accurately and may therefore apply somewhat arbitrary ratios to determine the value of freight and insurance on imports. For example, they may assume that freight is *x* per cent of the value of imports and insurance premiums are *y* per cent. To the extent that these ratios are inaccurate, there will be a misclassification of current account debits between imports and freight and insurance. This method of ratio estimation should be used sparingly. Most analysts would find accurate data on transport costs to be an advantage. By undertaking even a small survey of selected importers, the estimates would be greatly improved.

Option 6. ***Extrapolate from residents' experience.***
Data on freight and insurance rates could be collected, through enterprise surveys or an ITRS, from resident transport operators and insurance companies. These data could be broken down by commodity, mode of transport, country of origin, etc. and used in conjunction with option 4, for example, to derive the amounts earned by non-residents.

Practice in Brazil[27]

4.77. In Brazil, all foreign trade operations are automated through the Integrated System of Foreign Trade (SISCOMEX), involving the three bodies responsible for Brazilian foreign trade: the Ministry of Finance, the Secretary of Foreign Trade and the Central Bank of Brazil, each with their own specific activities.

[27] The information in this section is based on a presentation by the Ministry of Development of Brazil given at the first meeting of the United Nations Expert Group on IMTS, held in New York, in December 2007 (see http://unstats.un.org/unsd/trade/EG-IMTS/EG-IMTS_cs.htm).

4.78. SISCOMEX determines the imports value on the FOB basis in the following way:

(a) The importer accesses SISCOMEX and enters all business information, including the Incoterms (international commercial terms) and value components of the transactions;
(b) Internally, the system evaluates the information provided and converts, systematically, all Incoterms to the value of the goods at the place of imports, equivalent to the FOB value;
(c) If a declaration of import contains more than one commodity, the system makes the distribution of additional costs in accordance with the Incoterms used. If there is only one commodity, no further breakdown of costs is necessary; for multiple items, the distribution of freight is made in proportion to the net weight of each commodity and the distribution of the insurance is made in proportion to their value.

4.79. The table below shows a declaration of imports valued at CIF (Cost, insurance and freight) including five commodities with different values and weights. The freight and insurance are available only for the whole shipment and need to be broken down by commodity. As mentioned, freight is broken down in proportion to the weight and insurance in proportion to the value. Value FOB is thereafter a simple subtraction of freight and insurance from value CIF.

Commodity	Value CIF	Weight	Freight	Insurance	Value FOB
A	1000	7000	700*	100*	200*
B	2000	200	20*	200*	1780*
C	3000	1300	130*	300*	2570*
D	2000	1300	130*	200*	1670*
E	2000	200	20*	200*	1780*
Total	10000	10000	1000	1000	8000

Note: Estimated data are indicated by an astrik (*).

Chapter 5 Relationship between trade statistics compiled on an IMTS, Rev.2, basis and those compiled on a BPM6 basis

5.1. *International Merchandise Trade Statistics, Concepts and Definitions, Revision 2* (IMTS, Rev.2), recommends recording all goods that add to or subtract from the stock of material resources of a country by entering (imports) or leaving (exports) its economic territory (para. 14).[28] This recommendation is different from the underlying concept in the *1993 System of National Accounts* (1993 SNA)[29] and the *Balance of Payments, fifth edition* (BPM5)[30] for determining the coverage and timing of international transactions in goods. The revised versions of SNA (1993 SNA, Rev.1)[31] and BPM (BPM6)[32] retain the principle of change of ownership in resident/non-resident transactions and expand the application of this principle to ensure even stricter conceptual coherence between the goods component in balance of payments and the corresponding financial recordings in other parts of SNA and BOP statistics.

5.2. The goods account of BPM5 has five main components: general merchandise, goods for processing, repairs on goods, goods procured in ports by carriers and non-monetary gold. The draft of the forthcoming sixth edition (BPM6) has three main entries: general merchandise on a balance of payments basis (with the subcategory "*Of which*: re-exports), net exports of goods under merchanting and non-monetary gold. The largest component in both cases is general merchandise. In almost all countries, the compilation of this component is based on IMTS data compiled on the basis of IMTS, Rev.2. However, imports and exports of General merchandise in BPM5 and BPM6 are intended to cover goods that change ownership between resident and non-resident (see BPM5, paragraph 184 and draft BPM6, paragraph 10.13). Due to this conceptual difference, BOP compilers need to make certain adjustments to IMTS data for the production of the general merchandise BOP component.

5.3. The IMTS compilers should be aware of these amendments and take them into consideration while reviewing and improving their data collection procedures.

A. Bridge table between IMTS and BPM6

5.4. The conceptual differences between IMTS, Rev.2, and BPM6 regarding coverage, valuation and time of recording are explained in detail below. These differences constitute the entries of an IMTS/BOP bridge table (see table 5.1 below, which is comparable to table 10.2 of BPM6). The differences between IMTS, Rev.2, and the current BPM5 are generally the same as

[28] United Nations publication, Sales No. E.98.XVII.16.
[29] United Nations publication, Sales No. E.94.XVII.4.
[30] International Monetary Fund, *Balance of Payments Manual*, *5th ed.* (Washington, DC, 1993).
[31] A draft is available from http://unstats.un.org/unsd/sna1993/toctop.asp.
[32] A draft is available from www.imf.org/external/pubs/ft/bop/2007/bop man6.htm (the November 2007 version was used as a reference).

those between IMTS, Rev.2, and BPM6. Where this is not the case, the difference is made explicit.

Table 5.1. Reconciliation between IMTS and general merchandise on a BOP basis

	Exports	Imports
Merchandise trade statistics as provided in data source		
Adjustments, as relevant:		
For example		
- *CIF/FOB adjustment*		
- *Goods for processing without change of ownership*		
- *Goods imported for projects by nonresident construction enterprises*		
- *Returned goods*		
- *Migrants' effects*		
- *Inventories of goods held abroad (at time of dispatching abroad)*		
- *Computer software and audiovisual products (non-customized with periodic license for use)*		
- *Goods lost or destroyed before change of ownership*		
+ *Goods lost or destroyed after change of ownership*		
+ *Goods entering/leaving territory illegally*		
+ *Goods procured or supplied in ports by carriers*		
+ *Inventories of goods held abroad (at time of sale)*		
+ *Fish catch, minerals from the seabed and salvage sold from resident-operated vessels in foreign ports or from resident-operated vessels on the high seas to foreign vessels*		
+ *Equipment that changes ownership while outside the territory of owner*		
= General merchandise on a BOP basis		

B. Differences in coverage: Items to be added to IMTS for BOP purposes

5.5. The following items are not included in IMTS but are included in general merchandise BOP. They therefore need to be added to IMTS to arrive at exports and imports according to BPM6.

5.6. *Fish catch, minerals from the seabed and salvage sold from national vessels in foreign ports or from national vessels on the high seas to foreign vessels (*BPM6, sub para. 10.17(e)*).* These items are not included in IMTS exports for practical reasons, (as they do not pass through national customs), but it is recommended that they be recorded separately for national accounts and balance of payments purposes (IMTS, Rev. 2, para. 58). To obtain such supplementary data, a survey could be made of a representative sample of shipping companies engaged in fishery. It should be noted that the reverse transactions are included in imports (IMTS, Rev. 2, para. 38).

5.7. *Bunkers, stores, ballast and dunnage (*BPM6, sub para. 10.17(d)*).* This category concerns items that are either (a) acquired by national vessels or aircraft (in BPM6 terminology called

"mobile equipment operators in ports") outside the economic territory of a country or (b) supplied by national vessels or aircraft to foreign vessels or aircraft outside the economic territory of a country or landed in foreign ports from national vessels or aircraft. It is recommended that these items be excluded from IMTS but recorded separately for national accounts and balance of payments purposes (IMTS, Rev. 2, para. 59). To obtain such supplementary data a survey could be made of a representative sample of airlines and shipping companies requesting data on bunkers, stores, ballast and dunnage. Such transactions taking place inside the economic territory of a country are included in IMTS exports and imports (IMTS, Rev. 2, para. 39).

5.8. *Equipment that changes ownership while outside the country of residence of its original owner (*BPM6, paragraph 10.17(h)*.)* This category refers to equipment that is initially sent for temporary use and for a specific purpose (such as construction work, fire-fighting, offshore drilling or disaster relief) from one country to another but changes ownership as a result of a subsequent gift or sale to a resident of that country. It is recommended that these items be excluded from IMTS but included in general merchandise BOP (IMTS, Rev. 2, para. 57). This equipment should be distinguished from aircraft and ships that are sold or acquired, which are included in IMTS (see IMTS, Rev.2, para. 36), and from large equipment under financial lease, which is also included in IMTS (see IMTS, Rev.2, para. 35).

5.9. *Goods entering or leaving a country illegally (*BPM6, sub-para. 10.17(i)*).* This category includes, for example, smuggling, trade in stolen vehicles and shipments of narcotic substances, the use or possession of which is illegal in one or both of the compiling countries (IMTS, Rev. 2, para. 62). These items are not included in the trade data. Nevertheless, it is recommended that these items be recorded separately in IMTS for national accounts and balance of payments purposes, if customs is allowed to make records available on the capture of these goods.

5.10. *Goods lost or destroyed after leaving the economic territory of the exporting country and after ownership has been acquired by the importer but before entering the economic territory of the intended importing country (*BPM6, sub-para. 10.17(i). For IMTS, it is recommended that these goods be included in the exports of the exporting country but excluded from the imports of the intended importing country and recorded separately for national accounts and balance of payments (IMTS, Rev. 2, paras. 52 and 63). For BPM6, these goods must be included in both imports and exports. This means that an import transaction needs to be added to the country of residence of the buyer for general merchandise BOP.

5.11. The transactions described above are excluded from IMTS. It is recommended that, to the extent possible, IMTS compilers record these transactions separately so that BOP compilers can add them to IMTS to arrive at general merchandise BOP. The additions are the same for BPM5 and draft BPM6.

C. Differences in coverage: Items to be subtracted from IMTS

5.12. The following items are to be subtracted from IMTS to arrive at general merchandise BOP.

5.13. *Goods lost or destroyed after leaving the economic territory of the exporting country but before ownership has been acquired by the importer and before entering the economic territory of the intended importing country (*BPM6, sub-para. 10.17(i)*).* For IMTS, it is recommended that these goods be included in the exports of the exporting country but excluded from the imports of the intended importing country and recorded separately for national accounts and balance of payments (IMTS, Rev. 2, paras. 52 and 63). For BPM6, these goods must be excluded from exports and imports, which implies a subtraction of the export transaction for general merchandise BOP.

5.14. *Goods lost or destroyed after leaving the economic territory of the exporting country and after entering the economic territory of the intended importing country but before ownership has been acquired by the importer (*BPM6, subpara. 10.17(i)*).* For IMTS, it is recommended that these goods be included in both the exports of the exporting country and the imports of the importing country. For BPM6, these goods must be subtracted from both exports and imports since no transaction took place in terms of balance of payments.

5.15. *Returned goods (*BPM6, subpara. 10.20(h)*).* For IMTS, it is recommended that if an exported good is subsequently returned, it should be included as an import at the time when it is returned. Similarly, goods imported and subsequently returned should be included as exports, also at the time they are returned. For national accounts and balance of payments purposes, these goods are to be recorded separately (IMTS, Rev. 2, para. 30). Yet, in principle, for BPM6 not only the returned (re-imported) goods but also the original export transaction must be excluded from IMTS as no change of ownership has taken place.

5.16. *Migrants' effects (*BPM6, subpara. 10.20(b)*).* For IMTS, migrants' effects that are economically important are to be included (IMTS, Rev. 2, para. 30). While BPM5 had recommended the inclusion of migrants' effects, the draft BPM6 now recommends their exclusion as there is no change of ownership for these goods.

5.17. *Goods imported for projects by non-resident construction enterprises (*BPM6, subpara. 10.23 (d)*).* BPM6 includes these goods in construction services and therefore excludes them from general merchandise BOP. For IMTS, these goods are regular imports and exports that add to or subtract from the material stock of resources (IMTS, Rev. 2, para. 14). To obtain such supplementary data a survey could be made of a representative sample of non-resident construction companies temporarily engaged in projects in the compiling economy.

5.18. For an array of transactions the draft BPM6, in contrast to BPM5, the exclusion of goods transactions from exports or imports if no change of ownership takes place. This approach in BPM6 is a broad stricter application of the change of ownership principle, in line with the updated 1993 SNA. The transactions concerned are described below.

5.19. *Goods for processing* are goods sent abroad or brought into a country for processing, including processing under contract. Examples are oil refining, metal processing, vehicle assembly and clothing manufacture. These goods and goods resulting from such processing should be recorded as imports and exports of the respective countries (IMTS, Rev. 2, para. 28).

In BPM6, goods for processing are described as goods for assembly (excluding assembly of prefabricated constructions, which are included under constructions services), packing, labelling, or processing by an entity that does not own the goods concerned (both inward and outward movements of such goods). Since there is no change of ownership, these transactions, which are included in IMTS, are not included in general merchandise BOP. Instead, the value of processing is included in international transactions of services under the BOP component of "manufacturing services on physical inputs owned by others". However, identification of the relevant transactions is complicated. In addition, valuation of transactions in goods is not the same as that of transactions in services (for a more complete treatment of this issue, see chap. 4).

5.20. *Goods held as inventories abroad (*BPM6, subpara. 10.17(g)*).* A buffer stock organization is one that maintains a stock of certain commodities and sells or buys them in order to influence supply and demand on the world market. Goods that are shipped from a compiling country to a buffer stock organization located in the economic territory of another country or goods that are received from a buffer stock organization should be included in the merchandise trade statistics of the compiling country as exports to and imports from the country where the organization is located. If the buffer stock is held in a third country, the third country should be recorded as the partner (IMTS, Rev. 2, para. 34). These goods should be included in general merchandise BOP exports only once they are sold by residents to non-residents while located abroad. Initial IMTS exports (and imports) need to be subtracted; only when the transaction between residents and non-residents is actually completed should the exports and imports be added to general merchandise BOP.

5.21. According to IMTS, Rev.2, *goods that cross borders as a result of transactions between parent corporations and their direct investment enterprises (affiliates/branches)* are to be included (IMTS, Rev. 2, para. 29). According to BPM6, when affiliated enterprises are separate legal entities, their transactions should be treated according to the parties' own arrangements as to whether there is a change of ownership or not (BPM6, para. 10.21). If there is no change of ownership, the transaction will be excluded from general merchandise BOP, unless there is a resale of the transferred goods.

5.22. *Computer software and audiovisual products (*BPM6, paras. 10.17(c), 10.23(f) and, 10.96 and table 10.4*).* Whereas BPM5 did not explicitly cover software delivered electronically, BPM6 elaborates on this issue. First, BPM6 excludes customized computer software or audiovisual products from general merchandise BOP. BPM6 includes the related services under trade in services. Similarly, in IMTS, Rev.2, it is recommended that such customized products be excluded (IMTS, Rev.2, paras. 27 and 48). Secondly, all non-customized software or audiovisual products, that are downloadable or otherwise delivered electronically are excluded from general merchandise BOP and treated as part of trade in services. Those electronically delivered products are also outside the scope of IMTS, Rev.2. Thirdly, all non-customized software or audiovisual products provided on a disk or other device with a periodic license fee are excluded from General merchandise BOP because there is no change of economic ownership of the goods. The licence fee is included under trade in services. Finally, all non-customized software (or audiovisual product) provided on a disk or other device with a perpetual licence to use is included in general merchandise BOP. IMTS, Rev.2, does not make a distinction between periodic and perpetual licences to use for non-customized "packaged" computer software and

audiovisual products. All such packaged software products are to be included (IMTS, Rev.2, para. 27). Therefore, imports and exports of non-customized software with a periodic licence to use need to be subtracted from general merchandise BOP.

5.23. Other goods may be treated differently in IMTS and BPM6, such as goods sent to an enterprise's external operation where those operations were not sufficiently substantial to constitute a branch (BPM6, subpara. 10.20(d)) or any goods that have been included in IMTS but where there is no change of ownership (BPM6, subpara. 10.20(k)).

D. Differences in valuation and time of recording

5.24. *CIF/FOB adjustments for imports (*BPM6, paras. 10.28-10.34*)*. For IMTS, it is recommended that the statistical value of imported goods be a CIF-type value (IMTS, Rev.2, para. 116(a)), which includes the costs of freight and insurance of the delivery up to the border of the importing country. For BPM6, these costs must be excluded from the value of exported goods and included in services instead.

5.25. *Adjustments due to different time of recording (*BPM6, paras. 10.24-10.27*)*. For IMTS, the recommended time of recording is when goods enter or leave the economic territory of a country, which is approximated by the time of the lodgment of the customs declaration (IMTS, Rev.2, para. 15). BPM6 recommends the time of change of ownership as the time of recording. BPM6 acknowledges that in practice the timing of the ownership change is approximated by customs recording. Yet, in the following two cases adjustments are recommended in BPM6:

(a) For equipment that is produced over a long period, such as large ships, oil rigs and aircraft, the international accounts should follow the change in ownership as arranged between the parties (BPM6, para. 10.26);

(b) "Goods on consignment" (IMTS, Rev.2, para. 26) defined as goods intended for sale, should not be included until ownership changes, if not impractical. If there is substantial delay in the sale of goods, it is good practice to make adjustments according to the actual time of change of ownership (BPM6, para. 10.27).

E. Special recording for goods under merchanting in BPM6

5.26. "Merchanting" is defined as the purchase of goods by a resident (of the compiling economy) from a non-resident combined with the subsequent resale of the goods to another non-resident without the goods being present in the compiling economy. Merchanting occurs for transactions involving goods where physical possession of the goods by the owner is unnecessary for the process to occur. These transactions are excluded from IMTS (in the economy of the merchant) as they clearly do not fall under the general definition of exports and imports according to IMTS, Rev.2. BPM6 requires the recording of all goods under merchanting under the three newly created categories of net exports, negative exports and positive exports (BPM6, paras. 10.41-10.49). BPM5 required only entries for unsold goods.

F. Differences that no longer exist in BPM6

5.27. The following differences no longer exist due to changes in BPM6; however, for countries compiling BOP statistics on the basis of BPM5, these differences still exist.

5.28. *Goods acquired by travellers.* Goods for resale acquired by travellers while on visits (sometimes called "shuttle trade") are included in general merchandise BOP. Goods acquired by travellers for own use or to give away in excess of customs thresholds are also included. For example, durable goods (such as cars and electronics) and valuables (such as jewellry) may be acquired in this way (BPM6, paras. 10.23(c), 10.80, 10.83 and 10.84). This treatment is consistent with IMTS, Rev.2, which includes goods acquired on a significant scale as defined by national law (IMTS, Rev. 2, para. 25) and excludes goods for own use unless values exceed those established by national law (IMTS, Rev.2, para. 48). In BPM5, all goods acquired by travellers to use or give away were excluded from trade in goods in all cases as they were included in services.

5.29. *Goods for repairs*. Whereas BPM5 included these goods transactions as a separate component under the goods account, BPM6 excludes them (BPM6, subpara. 10.20(e)). These transactions are now included in the services account either under the main services component "Repairs and maintenance of movable goods" or as repair services in specific service components. By doing so, BPM6 follows IMTS, Rev.2, which recommends excluding goods for repair and separately recording transactions of goods for repair for national accounts and balance of payment purposes (IMTS, Rev.2, para. 61).

G. Adjustments due to national practices in the compilation of IMTS

5.30. Countries might not always comply with the international recommendations of IMTS, Rev.2, for practical reasons. If such cases lead to additional differences with general merchandise, BOP compilers may need to make further adjustments to IMTS data, usually by collecting additional data from other sources.

5.31. *Adjustments due to the trade system used.* In many countries data collection is based on information from the customs administration and many countries adopt the customs boundary as their statistical territory. Yet, the customs boundary might not cover the entire economic territory as special zones such as industrial and commercial free zones, customs warehouses and premises for inward processing are outside this boundary, and exports from and imports to these areas are not included in the data provided by customs (see IMTS, Rev. 2, paras. 64-89). If a statistical territory of a country is not covering the entire economic territory, a country is following the special trade system and not the recommended general trade system. In this case, IMTS does not provide a complete record of the inward and outward flows of goods and additional data collections or estimates are required to arrive at a full coverage of exports and imports according the BPM6 requirements.

5.32. *Items not covered in custom records.* Certain exports and imports are often not covered in customs records and hence might not be included in the national IMTS. Examples of such

transactions are (a) exports and imports under a certain threshold, (b) the acquisition or disposal of aircraft, ships and other mobile equipment (IMTS, Rev.2, para. 36), (c) goods dispatched through postal or courier services (IMTS, Rev.2, para. 32) and (d) items exported or imported via pipeline (oil, gas or water) or wire (electricity) (IMTS, Rev.2, para. 31).

5.33. *Items excluded for confidentiality reasons.* Countries might exclude specific goods such as oil and gas exports or imports and exports of goods for military use from IMTS.

H. Additivity of data on trade in goods and trade in services

5.34. Users of detailed international merchandise trade statistics might be looking for complementary statistics for trade in services. Yet, the available detailed information on trade in services is not complementary to the detailed information on trade in goods in a number of instances as both have a different conceptual basis. Detailed merchandise trade statistics are based on IMTS, Rev.2, while trade in services is defined within the framework of the balance of payments. Hence, the complementary part to trade in services is the goods part of the goods and services account in the balance of payments, and the conceptual differences between IMTS and general merchandise on a balance of payments basis as described above apply to the relationship between IMTS and trade in services data.

5.35. As shown in table 5.1 the differences in the coverage of IMTS and BPM6 contain four items, directly related to the classification of certain trade transactions (or part of it) as trade in services:

(a) *CIF/FOB adjustments.* The costs of the freight and insurance of bringing the imported goods from the border of the exporting country to the border of the importing country are to be excluded from the value of imports in the balance of payment and might instead be classified as a services import (depending on the residency of the service provider);

(b) *Goods for processing without change of ownership.* These goods are considered a service provision in the balance of payments and hence are to be excluded from general merchandise on a balance of payments basis (in imports and exports); instead, the net value is to be recorded in the service component "Manufacturing services on physical inputs owned by others";

(c) *Goods imported for projects by non-resident construction enterprises.* These goods are considered in the balance of payments as part of the construction service provided by a non-resident construction enterprise;

(d) *Computer software and audiovisual products with a periodic license fee.* These goods are excluded from general merchandise balance of payment and the licence fee is included in the service component "Charges for the use of intellectual property".

Chapter 6 Intrastat system of the European Union

A. Introduction by the United Nations Statistics Division

6.1. An examination of the Intrastat system of the European Union is of particular importance for illustrating (a) the challenge of implementing of a statistical system for a customs union while maintaining full trade information on its individual member countries and (b) the use of enterprise surveys for data collection. In addition, this chapter offers lessons learned on data processing and quality control.[33]

6.2. Intrastat records the trade flows between European Union member countries (the Community) and complements the trade of Community member countries with non member countries (Extrastat). Intrastat relies on enterprise surveys while Extrastat is based on customs records.

6.3. Extrastat follows the United Nations recommendations for IMTS. However, for mostly practical reasons concerning data compilation, Intrastat has introduced some deviations from the United Nations recommendations concerning certain types of transit trade, attribution of partner countries and the trade system[34]. Those deviations lead to discrepancies between the trade data of certain Community member countries and those of their non-Community partner countries.

6.4. The United Nations Statistics Division encourages the members of the European Union to provide their trade data according to the international concepts and definitions whenever feasible. Some EU member countries compile their trade data according to both the community concept and the national concept. The national concept follows the United Nations recommendations for IMTS more closely. This is the main reason why data published in the UN Comtrade database are in some cases different from data available at Eurostat.

B. Intrastat

6.5. Intrastat is a statistical data collection system on intra-Community trade in goods where data are collected directly from companies. It basically records all physical movement of goods between member States, including electricity. Outward flows from one member State to another are called “dispatches” and inward flows are called “arrivals”. However, when publishing trade flows, the same terminology is used as is applied for trade with non-EU countries: dispatches are called “exports” and arrivals are called “imports”.

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[33] The draft of this chapter was provided by Eurostat, and the United Nations Statistics Division provided the final editing of the text.

[34] For further details, see European Commission, Statistics on the Trading of Goods – User Guide, (Luxembourg, 2006), paras. 175-179.

6.6. In line with the recommendations of *International Merchandise Trade Statistics: Concepts and Definitions,* Revision 2,[35] intra-Community trade statistics:

(a) Exclude goods in simple circulation between member States (goods in transit). This means that Community goods dispatched from one member State to another, which, on the way to the Member State of destination, pass directly through another member State or stop for reasons related only to the transport of the goods, are not reported;

(b) Exclude goods dispatched or arriving for a specific purpose and intended for re-dispatch within a specified period without having undergone any change except normal depreciation due to the use made of them (goods temporarily admitted);

(c) Include goods for inward and outward processing under contract. Goods are valued on the gross basis (i.e. the amount that would have been invoiced for sale or purchase of the goods is recorded).

6.7. Customs declarations, the data source for most merchandise trade statistics, identify the above-mentioned transactions by specific customs procedures (as detailed in the Kyoto Convention), whereas for intra-Community trade statistics appropriate definitions need to be developed and communicated to the trade operators responsible for completing the Intrastat declarations.

Historical background

6.8. The European Union formally became a single market on 1 January 1993, when the physical frontiers and all customs checks at the internal borders were removed for the free movement of goods between member States. The disappearance of this comprehensive and very closely controlled source of information made it necessary to devise a new statistical system for monitoring trade in goods between member States of the European Union. This system was called Intrastat.

6.9. The European Union started in 1968 as a tariff union that abolished all customs duties on trade between member States. The new export opportunities gave a boost to the economies of the member States. Between 1958 and 1972 intra-Community trade increased by a factor of nine, leading to market optimism and investment growth in the Community. However, free circulation of goods within the Community was still not a reality. Numerous customs border formalities were in existence. Before 1993, all trucks were still stopped at the internal Community borders for clearance and inspection.

6.10. The aim of economic integration without any internal border restrictions became much closer with the single market. It ensures the four basic freedoms: free circulation of goods, persons, services and capital in a frontier-free internal market. This single market abolished the customs clearance at the Community's internal frontiers. However, new fiscal, statistical and other systems to control or document goods crossing the internal borders had to be implemented. This led to the creation of Intrastat.

[35] United Nations publication, Sales No. E.98.XVII.16.

Keeping the Customs system for trade with non-member countries

6.11. Trade with non-member countries is still collected from the customs declarations (SAD) lodged at the national customs administrations in each member State. Community customs regulations require, in general, that goods be placed under the export and import procedure in the member State where the trade operator is established and where the goods can be physically inspected by customs. Therefore, goods entering the Community may be first placed under customs supervision (e.g. transit procedures) in the member State of entry until they reach the member State of destination, where they are cleared for free circulation within the Community. Similarly, goods that are intended to leave the statistical territory of the Community move also under customs supervision between the exporting member State and the member State of exit – the location from which they physically leave the statistical territory of the Community.

6.12. These customs provisions make it possible to compile statistics based on customs declarations, which not only show imports into and exports out of the Community as a whole but also allow each member State to compile its national trade statistics with non-member countries.

The link with the VAT system

6.13. As mentioned before, the statistical information on the trade in goods between member States is obtained from Intrastat declarations. Even though no customs documents are available for checking the accuracy of Intrastat declarations, reporting of intra-Community transactions of goods for value added tax (VAT) purposes is still necessary in each member State. It was therefore decided to keep a close link to the VAT system.

6.14. In the European Union the VAT system applies more or less to all goods and services that are bought and sold for use or consumption in the Community. VAT is a tax assessed on the value added to goods and services. It is charged as a percentage of price, which means that the actual tax burden is visible at each stage of the production and distribution chain. VAT is effectively charged at the rate of VAT applicable in the place where the buyer is established (a "destination based" system).

6.15. Under the current VAT system, the goods supplier is exempted from paying VAT in the member State of departure of the goods. In the member State of destination, there is a taxable transaction, the intra-Community acquisition of the goods. As the VAT due to an acquisition can no longer be paid at a border, the VAT payment is shifted to the VAT return of the person acquiring the goods. Any VAT registered trader (taxable person) is obliged to submit to his fiscal authority periodic VAT declarations indicating the value of intra-Community acquisitions and recapitulative statements on the value and the partner member State where exempt intra-Community supplies are made.

6.16. To establish a close link between the Intrastat and the VAT system the tax authorities of the member States are required, at least once every quarter, to transmit to the national statistical agency a list of VAT registered traders who have made acquisitions (purchases) or supplies (sales) together with the value of these operations. This enables the compilers of intra-

Community trade statistics to compare the values of trade (acquisitions and supplies) reported by a company for fiscal purposes with those declared for statistical purposes.

6.17. In addition, the list of VAT registered traders provided by the fiscal authorities makes it possible to set up an inventory of intra-Community traders. The maintenance of an up-to-date list of intra-Community operators with their respective company identification data and the value of their intra-Community trade (declared for fiscal and for statistical purposes) is used to identify companies that may be requested to make Intrastat declarations. The information is also used for the purpose of ensuring the timely collection of statistical information, for quality checking and data analysis and for estimates of trade below threshold and for partial or non-response. This control instrument supports essentially the quality of intra- Community trade statistics.

A direct data collection system

6.18. The overwhelming information on intra-Community trade is directly collected from trade operators, which send the relevant national administration a summary declaration for the previous month's operations. In some cases additional data sources might be used for specific goods and movements (e.g. ships registers, information from grid operators for gas and electricity).

6.19. Within intra-Community trade statistics, any natural and legal person registered for VAT in a member State and carrying out an intra-Community trade transaction is responsible for providing the information. This condition excludes the recording of the trade transactions of private individuals and small companies not obliged to be registered for VAT.

C. Intrastat survey

6.20. Intrastat is not the same as a typical business survey in which data from a small fraction of the population of enterprises is collected. It is similar to a system based on administrative data-like the customs administration, which collects nearly all relevant observations. Only a minor part of trade is not collected by Intrastat. Specifically, member States have implemented a threshold system that allows intra-Community traders not to report on their transactions or to provide less detailed information on condition that their total trade value does not exceed a certain amount during the previous or present calendar year.

6.21. To assure sufficient coverage the exemption threshold set in each member State has to guarantee that at least 97 per cent of a member State's total trade value is directly collected. The remaining part is estimated on the basis of values declared for fiscal purposes. The exempted 3 per cent in value consists of about 70-80 per cent of VAT registered traders in the European Union who trade between the member States. Breaking down this remaining 3 per cent in terms of commodities and trading partners is problematic, in particular since small and medium-sized companies, with their special trading characteristics, are exempted.

6.22. A more traditional survey-based system for intra-Community has been considered and studied. The results were not positive enough to compete with Intrastat. In addition, the link

between Intrastat data and the fiscal records allows for quality checks, which are not possible for sample data.

Comparability with trade data collected on customs declarations

6.23. The scope and concepts of the statistics of Intrastat could have been defined differently customs-based statistics since they are not subject to customs legislation. For example, users of trade statistics might be interested in direct measurement of change of ownership of goods between residents and non-residents or in trade between affiliates of the same multinational enterprise group or in trade according to the central product classification. However, methodological deviation would harm comparability with trade data based on customs declarations. Therefore, it was decided to keep the concept and definitions of statistics for intra-Community trade in line with those for extra-Community trade.

6.24. As a consequence, intra- and extra-Community trade statistics both measure the physical cross-border movement of the goods, apply the same detailed commodity nomenclature (Combined Nomenclature = HS+2), the same periodicity (monthly declarations) and the same valuation principles (CIF/FOB). In addition, intra-Community trade statistics follow as much as possible the recommendations of IMTS, Rev.2, in order to maintain comparability with trade data compiled by non-Community countries.

Perceived as complex collection system

6.25. At present about half a million companies in Europe are obliged to provide information on intra-Community goods transactions. Each month they have to declare, for statistical purposes, their goods deliveries to and from other member States. The merchandise has to be specified according to a commodity classification that contains about 10,000 codes (Combined Nomenclature), and for each goods item the value and quantity information have to be provided.

6.26. For all trade operators involved, Intrastat meant a lighter workload compared with the previous system (before 1993), where any intra-Community trade transaction had to be declared and presented to customs. The respondents were often not aware of the fact that their reporting obligations for foreign trade statistics were fulfilled when lodging a customs declaration. With the introduction of Intrastat, the statistical reporting burden became apparent.

6.27. Since its introduction, Intrastat reporting has always been considered burdensome by business communities in several member States and in some cases also by national statistical institutes. Therefore Intrastat has already been subject to significant efforts to decrease the reporting burden for trade operators. Only a reduced data set (eight data elements) compared with customs data is now required for Community purposes, the threshold system was expanded to exempt a larger number of enterprises, the number of nomenclature headings was reduced, and several simplified reporting measures were introduced. In addition, the Community and its Member States invested in the development of modern electronic data collection and validation tools which facilitate considerably the reporting required for Intrastat. At present about 60 per cent of declarants use electronic tools when transmitting Intrastat data.

6.28. Despite all the efforts already made, further substantial simplification initiatives are necessary. The Lisbon strategy on growth and jobs aims at reducing the administrative burden on enterprises caused by public sector demand. While the statistical burden accounts for just a relatively small part of this, Intrastat makes up a significant share of all statistical reporting obligations.

Ensuring data quality

6.29. A general framework has been defined to ensure the quality of data collected via Intrastat. Quality reporting is mandatory for member States from the reference year 2005 onwards.

6.30. In practice, all member States must check the validity of the data, before transmission to Eurostat. At collection level, statistical authorities should check that all trade operators liable to submit Intrastat declarations have done so. The Intrastat trader register is the basic tool used for monitoring enterprises due to submit monthly declarations and for sending reminders to them if no declaration has been received by the deadline.

6.31. All records declared should be validated according to an appropriate set of rules. There should be clear identification of the declarant and validity of codes (trade flow, commodity codes, partner countries); in addition the accuracy of values and quantities can be checked by comparison with the average unit value (value/net mass or value/supplementary unit) or according to average weights per unit.

6.32. Information can be checked in particular by using macro-editing techniques. For instance, the reliability of aggregates can be checked by comparison with past data. The outlier detection process is also a powerful tool for identifying possible errors and it is recommended that member States agree on a common set of validity rules.

6.33. Intra-Community trade statistics should cover the total trade between member States. This means that adjustments for missing trade not collected via Intrastat declarations must be included. Estimates must be made for the trade below threshold in order to have complete coverage of trade. Non-response, which means that all or part of the statistical information is missing, is one of the main problems of Intrastat. As with the trade below the threshold, trade data must be adjusted in order to compensate for the missing information. In addition, adjustments on the statistical value (part of the Intrastat trade is collected on the invoiced amount) is necessary.

6.34. In theory, intra-Community trade statistics should be fully comparable; therefore data should generally be less affected by asymmetries than are extra-Community trade statistics. Dispatches from member State A to member State B, as reported by A, should be almost equal to arrivals from A into B, as reported by B. Due to a different valuation principle (CIF > FOB), arrivals should be slightly higher than dispatches. However, since Intrastat came into operation, bilateral comparisons have revealed major and persistent discrepancies in intra-EU trade statistics. Therefore, comparisons dealing with intra-Community trade statistics have to be made cautiously and should take into account the existence of these discrepancies. The main reasons

for the discrepancies are known and are represented by the thresholds, non-response and their related adjustments; statistical confidentiality; triangular trade; time lags in the registration of the transactions; misclassification of goods; or other methodological differences.

Institutional Arrangements

6.35. To ensure coordination in terms of content, time and method, Community statistics relating to the trading of goods between member States are based on European Union legislation. However, according to the principle of subsidiarity, the Intrastat legislation allows member States to choose, to a large extent, their method of implementing Intrastat.

6.36. The rules for compiling intra-Community trade statistics are laid down in European Union legislation. This means that the provisions have a direct effect in all their elements in the member States. Individual member States do not need to pass local laws to bring them into effect and any local laws contrary to the regulations are overruled, as European Union law takes precedence over the laws of the member States. Those States therefore have to legislate in the light of and consistently with the requirements of the provisions laid down in the European Union regulation.

6.37. Community provisions do not interfere with the compilation methods of national statistics relating to the trading of goods, as long as the data provided to Eurostat are compiled according to the Community concept. However, attention should be paid to the fact that deviation from Community legislation for national purposes normally requires additional national legal provisions.

6.38. Member States collaborate and agree conjointly on legal acts relating to Community statistics on the trading of goods. The Commission (Eurostat) has the right of initiative – that is to draw up proposals for Community legislation – but the ministers of the member States represented in the Council of the European Union and the European Parliament adopt the legal act. Implementing rules are voted by the Intrastat Committee, which represents the national statistical administrations responsible for trade statistics.

6.39. The implementation of Intrastat has given rise to an institutional reorganization of compiling trade statistics in member States. The customs administration plays a predominant role in the production of trade figures when the customs declaration is the data source, and statistical institutes often only disseminate the data. Intrastat has generated a range of implementation systems in member States, with different national administrations involved in collecting, processing and disseminating statistical intra-Community trade information. These are most often the national statistical institutes, but also include custom authorities and, in one member State, even the national bank.

Comparability between Community statistics and National statistics

6.40. Common rules (European Union legislation) are set for the compilation of Community statistics on intra-Community trade in goods. However, Community statistics, which cover the European Union as a whole, and statistics compiled and published by the member States are not always directly comparable. Member States may use a national concept at the national level but they have to provide Eurostat with harmonized data according to the Community concept.

6.41. The principal differences between the Community concept and national concepts are as follows:

(a) Breakdown by partner country: For arrivals, certain member States record the country of origin as the partner country, whereas the member State of consignment appears in Community statistics relating to the same movements;

(b) Treatment of goods in transit. Some member States do not record goods, which they consider to be "in transit" in their national figures. This involves, first, imports from non-member countries that are cleared in these member States before being dispatched to other Member States and, secondly, goods from other member States that are immediately re-exported to non-member countries. These flows are included in the Community statistics under intra- or extra-Community trade, as appropriate. This phenomenon is sometimes referred to as the "Rotterdam effect".

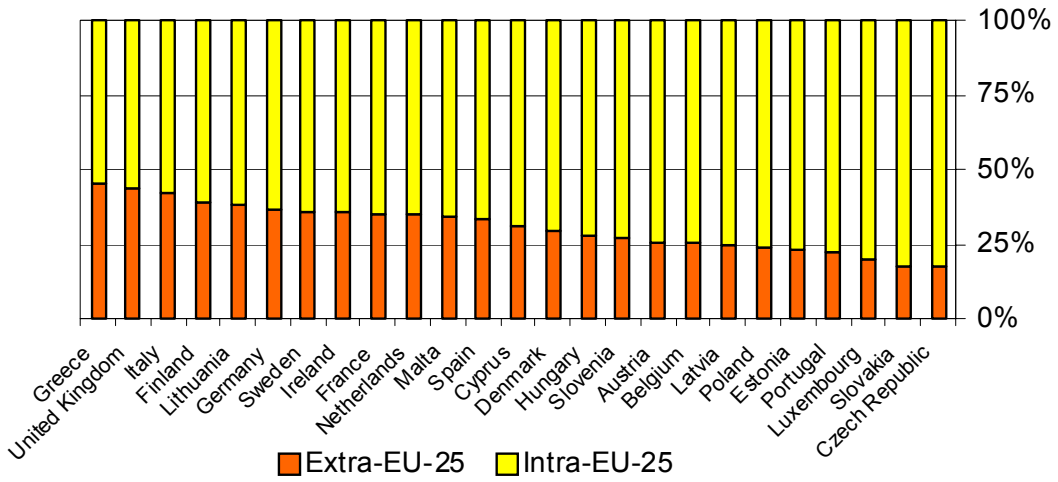
Achievements and current challenges

6.42. The timeliness and quality of national statistics on trade in goods with other member States are crucial for European economic policy purposes, such as national accounts and the data on aggregate flows between the Euro-area and other Community member States. Intra-Community trade data help European companies carry out market research and define their commercial strategy.

6.43. When joining the single market, member States in general increased substantially their trade with the other member States.

6.44. Figure 6.1 shows that the share of intra-Community trade comprises between 55 per cent and 80 per cent of member States' total trade. However, the comparison should be regarded with caution because intra-trade is reported according to the partner country of consignment, which might overestimate the trade compared to extra-Community trade.

Figure 6.1. Share of intra-Community trade in 2005



Source: Comext, Eurostat.

6.45. In the near future Intrastat will have to focus on further lightening the reporting burden, which at same time should not affect the timeliness and quality of data. From this perspective, the following options are examined:

(a) A better use of administrative data by introducing a shared Intrastat and fiscal data collection system;

(b) An increase of the exemption threshold with a substantial release for reporting companies, in particular small and medium-sized enterprises;

(c) The implementation of a single-flow system where trade operators report only on dispatches and the corresponding arrivals will be provided by the partner member State.

6.46. The collection system based on customs data (trade with non-member countries) is also faced with challenges. Centralized customs clearance procedures are at present in preparation. They disassociate the lodging of the customs formalities from the physical presentation of the goods to customs. Goods may be located in a different member State – when released for export or import – than the member State where the customs declaration is lodged. This might lead to a shifting of declaring imports and exports from one member State to another independently from the location or destination of the goods. This may lead to a loss of the data source for part of the trade of a given member State. There is also a risk for a given member State of declaring imports and exports that do not pertain to it.

6.47. As a consequence, the ongoing economic integration process of the Community will make it more and more complicated to allocate trade flows to its member States.

How can Intrastat lessons be useful for other customs unions?

6.48. The lessons learned from Intrastat may be useful for those economic communities that are considering further economic integration and discussing similar common market structures as they are already realized within the European Union. The following parameters should be considered:

(a) The implementation of a statistical data collection system concerning merchandise trade not based on customs data should be considered only if the economic integration of the community and its member States is well advanced. A common external customs tariff is in general not sufficient;

(b) A well functioning fiscal (VAT) system in the member States is essential for keeping quality standards for intra-community trade statistics;

(c) Member States have to transfer sovereign rights to the supranational authorities and agree on common binding concepts, definitions and procedures. Keeping national particularities is more difficult;

(d) Supporting measures are needed for implementing the structural changes in the data collection system. Trade operators and national administrations have to be well prepared and assisted during the implementation period. The European Union invested more than 55 million euros (the Edicom project) between 1997 and 2005 to encourage the collection, treatment and distribution of intra- and extra-Community trade statistics.

Chapter 7 Linking trade with business statistics

A. Introduction[36]

7.1. One of the issues of increased interest for international trade statistics is the relation between trade and business statistics. An established relation between these two enables the analysis of the effects of international trade on production, employment and enterprise performance. For instance, trade by size of enterprise broken down by sector of economic activity, by export markets and by location (e.g. region) would allow analysis of trade effects on employment and value added by region of a country. However, these two statistical domains are currently organized differently. International trade statistics present trade flows between countries with a breakdown of products while enterprise statistics highlight the structure and performance of economic sectors.

7.2. The central issue is to classify trade operators according to enterprise characteristics. The feasibility of doing so largely depends on the possibility of developing or using common identifiers between a country's trade and business register. If the customs declaration has an identifier for the trader that corresponds to the identifier on the business register, then the trade information coming from the customs data could be linked to the information on the trader in the business register. In general, the trader would be classified according to its economic activity (and other variables such as enterprise size and turnover) in the business register. The International Standard Industrial Classification of All Economic Activities (ISIC) is typically used for this classification.

7.3. International trade statistics can be linked to economic activity by using a correlation table between HS commodities and ISIC industries. However, it is important to note that this approach does not provide explicit trade figures of that industry; rather, it links the traded products with the industries that typically manufacture such products. Primary and manufactured goods are therefore allocated to the agricultural, mining and manufacturing sectors. The services sector is thus overlooked. This is particularly problematic for imports, where the services sector (such as wholesale and retail) usually has an important role. Equally problematic, small or medium-sized enterprises may use trading companies for handling their exports.

7.4. Apart from the problems with correct allocation of trade flows to the services sector activities, the allocation within the manufacturing sector may not be straightforward. An enterprise in a given manufacturing sector may trade (or produce) products of other sectors as well. Another very important aspect is the way multinationals organize trade between them and within the multinational (intra-firm trade). Any attempt to measure trade flows of each activity sector by using products should, therefore, be interpreted with caution.

[36] Acknowledgement is given to the pioneering work of Eurostat in this field. OECD has adapted the European Union approach to OECD countries. This chapter draws heavily on working documents of both organizations

B. How to combine trade and business statistics?

7.5. The proposed compilation practice consists of three steps: (i) assess whether integration of trade and the business register is possible, (ii) document methodological recommendations necessary for producing largely comparable results and (iii) elaborate a selective and standardized output. These three steps are illustrated in the following sections.

Linking various sources

7.6. In most countries trade statistics are compiled by the national statistical office based on customs records. But non-customs data, such as tax records, bank records or data from ministries and national energy agencies may play an important role as well. Typically, national statistical offices develop and execute enterprise surveys. There is thus a need to combine data from different sources, as illustrated in figure 7.1.

Figure 7.1. Source of data on trade

Preparing for data integration: a sample questionnaire

7.7. Data compilers are encouraged to test the feasibility of data linking by means of a simple questionnaire that might look like the one shown in annex 1.[37] It covers questions on the existence and maintenance of a trade register, the correspondence between trade and business registers and the link between the customs declaration and the trade register.

[37] The questionnaire is a model based on the questionnaires used by Eurostat and OECD, which closely cooperate in this matter. It is provided only for illustrative purposes.

Methodological recommendations: an illustration

Reference period

7.8. The reference year recommended is the calendar year.

Population of enterprises

7.9. The target population of enterprises covers those enterprises that engage in international trade. This is a subpopulation of the entire business register of a country.

Activity classification

7.10. ISIC is the recommended classification system of economic activity. The ISIC category, which has been assigned to an enterprise within the business register, should refer to the principal activity of the enterprise during the reference year.

Variables

7.11. The most important variables to be considered in this context are (i) number of establishments, (ii) number of employees (size-class), and (iii) total amount of Imports and Exports.

7.12. The terms "enterprise", "establishment" and "local unit" are defined in the manual of the *System of National Accounts 1993*.[38] Classifying enterprises by size-class is difficult, since practices vary widely in this respect owing to the particular economic and structural conditions of a country. A possible breakdown of class sizes is given by OECD and Eurostat.

7.13. However, for developing countries, a finer distinction at the lower end may be opportune. In the context of small and medium sized enterprises as engines for economic growth and employment, the separate identification of micro enterprises is desirable. They are generally defined as enterprises having 0-4 or 0-9 employees.

7.14. Concerning the employee variable, the number of employees is defined as the number of persons who have a contract of employment and receive compensation in the form of wages, salaries, fees, gratuities, piecework pay or remuneration in kind. The annual average should be considered and not employment on a particular date. Head counts should be preferred to full-time equivalents.

Trade system

7.15. The member countries of the European Union use the special trade system (including inward and outward processing). Non member countries more often use the general trade system, in line with United Nations recommendations. The general trade system includes movements of goods in and out of commercial or industrial free zones and customs warehouses excluded by the special trade system. When linking trade and enterprise statistics, it is important to know which trade system is used in a country.

[38] United Nations publication, Sales No. E.94. XVII.4.

Statistical unit

7.16. The enterprise is recommended as statistical unit, which means the enterprise is the unit of reporting in the link between trade and business statistics. An enterprise is the smallest combination of legal units that is an organizational unit producing goods or services and benefits from a certain degree of autonomy in decision-making, especially for the allocation of its current resources.

7.17. Trade statistics are recorded on the basis of transactions, where the characteristics of the traded commodities are important but those of the trading enterprises are not. By contrast, the business register is built completely on the characteristics of the enterprises. Therefore, trade data collected and registered at the level of the declaring unit of trade operators or establishments need to be connected and aggregated at the level of the whole enterprise via characteristics available in the business register. There is therefore a 1 to N relation, with $N \geq 1$, between the enterprise codes of the business register and the identification codes of the trade register. Table 7.1 summarizes these differences.

Table 7.1. The link between trade and business registers

Register	Unit	Code	Variable	Relationship
Business Register	Enterprise (usually identified on the basis of legal unit)	ID number in business register	Economic Activity, Employment	1
Trade Register	Trade operator (identified on the basis of declaring unit)	VAT number or trader ID	Trade values	$N \geq 1$

Generating standardized trade tables according to enterprise characteristics

7.18. In 2005 Eurostat launched a standardization exercise in which the information on traders on the customs declarations was connected with existing national sources of business registers. The most obvious advantage of this approach is that there is no requirement to collect additional data from traders. The existing data sources can be used to reconcile trade data according to the main enterprise characteristics. Business registers provide the basic economic information (such as the activity sector or the employment size) for categorizing traders. These characteristics, combined with key trade variables, such as product code or partner country, allow a wide range of analysis on the structure of external trade. Such an analysis is becoming increasingly essential given the functioning of economic processes in a globalized world, where the process of production is internationalized through partitioning of parts of production into “traded tasks”.

7.19. OECD adapted the approach of Eurostat for an exercise with non-member countries of the European Union. ISIC and CPC were taken as the world standard classifications instead of the Statistical Classification of Economic Activities in the European Community (NACE) and

the Statistical Classification of Products by Activity in the European Economic Community (CPA). Annex 7.2 shows some of the main findings of this exercise, with data provided by Norway to OECD. Some tables contain masked data for reasons of confidentiality (marked by the letter "c").

C. Conclusion

7.20. The exercise on linking trade with business statistics is one example of good practice, generating new indicators in a coherent and consistent way. The key to doing so efficiently lies in a coherent system design of national registers established for different purposes. The foreign trade dimension could in this way become an integral part of economic statistics. Additional surveys are not a real option to such linking exercises because of restrictions on increasing the administrative response burden of enterprises.

Annex 7.1. Sample questionnaire

QUESTION 1: Existence of a trade register

A. Do you hold a register of traders?

YES ☐ NO ☐ (Please go to C)

B. If yes, does the register consist of:

A formal register?	☐
A data base?	☐
A set of files?	☐

C. If no, how are traders identified in customs forms?

	YES	NO
Business register identification code	☐	☐
Tax registration number	☐	☐
Other numeric code(s)	☐	☐

(If "yes", please specify below):

QUESTION 2: Sources of data for updating the register of traders

A. What sources of data do you use to update the register of traders?

Customs declarations	☐
Contacts with enterprises	☐
Data from fiscal authorities	☐
Business register	☐
Other survey(s)	☐
Other register(s)	☐
Other source(s)	☐

B. Please describe the updating procedure for each of the different data sources identified above, in particular with respect to the frequency and quality of this update:

QUESTION 3: Correspondence between the unit(s) of reference of the Trade and business registers

A. Which is/are the unit(s) of reference in the trade register(s):

Customs forms/register of traders	☐
The legal unit	☐
The enterprise	☐

The establishment	☐
The local unit	☐
The fiscal unit	☐
Other(s) (please specify below)	☐

B. Is there at least one common unit of reference between the business register and customs forms/register of traders?

YES ☐ NO ☐

QUESTION 4: Current or potential link(s) <u>from</u> the business register <u>to</u> customs forms/register

A. Is the basic statistical unit of the business register linked or can the basic statistical unit of the business register be linked to customs forms/register of traders?

YES ☐ NO ☐

B. Is the business register linked or can the business register technically be linked to customs forms/register of traders (if applicable) through:

	YES	NO
Tax registration number	☐	☐
Name of the company	☐	☐
Address of the company	☐	☐
Other way(s) and/or code(s) (If 'yes' please specify below):	☐	☐

C. If you have answered 'yes' to at least one of the items listed under question 4B, please describe in detail how the above link(s) is (are) established or can be established and the main problems encountered or to be encountered

D. If you have answered 'no' to question 4A and to all the items listed under question 4B, please explain why the business register cannot technically be linked to customs forms/the register of traders (if applicable)

QUESTION 5: Current or potential link(s) <u>from</u> customs forms/trade registers <u>to</u> the business register

A. Are customs forms/registers of traders (if applicable)/or can customs forms/registers of traders (if applicable) technically be linked to the business register through:

	YES	NO
Business register identification code	☐	☐
Tax registration number	☐	☐
Name of the company	☐	☐

Address of the company	☐	☐
Other way(s) and/or code(s)	☐	☐

B. If you have answered 'yes' to at least one of the items listed under question 5A, please describe in detail how the link(s) is (are) established/can be established and the main problems encountered/to be encountered:

C. If you have answered 'no' to all the items listed under question 5A, please explain why the customs forms/trade registers (if applicable) cannot technically be linked to the business register

QUESTION 6: Statistical matching exercises between the trade and business registers

A. Has your country carried out any statistical matching exercise(s) between the trade register(s) and the business register?

YES ☐ (Please go to part B) NO ☐ (Please go to question 7)

B. What percentage of the trade operators could be matched in the business register?

C. What were the main problems encountered during matching?

D. Please provide some comments on the quality of the results:

QUESTION 7: Other experimental work and/or analyses already performed by the country

A. Has your country carried out any trials and/or analyses in linking the trade register(s) to the business register and/or vice-versa?

YES ☐ (Please go to part B) NO ☐ (Please go to question 8)

B. What were the main problems encountered when linking the trade and business registers?

C. Please provide some comments on the quality of the study results:

QUESTION 8: Possible additional cross-referenced links

A. In the context of testing the feasibility of linking the registers of trade operators to the business register, additional tables, based upon cross-referenced registers, could be of analytical interest. Please indicate which of the following additions you would favour:

Cross-references between sectors of activities, product traded and main partner countries involved in trade to provide some indication of the real economic activities of trade operators ☐

External balance by sector of activities to provide some results on competitiveness of various sectors of activities ☐

Cross-references between trade and employment variables to assess the impact of external trade on employment by sector of activity ☐

Annex 7.2. Some output tables of the Linkage Exercise: Example of Norway

For illustrative purposes and for demonstrating the type of data this linkage exercise can generate, the following tables have been populated with real data provided by Norway to OECD. Some tables contain masked data due to confidentiality reasons (marked by the letter "c"), at the request of Statistics Norway.

Table I. Trade and business registers:

This table gives an indication of the statistical relevance of the results by measuring the coverage after merging the trade and business registers. The results in all tables are more reliable and significant if the coverage of trade is good.

Table I: Trade and Business Registers			
Population concerned		**Imports**	**Exports**
1) All trade operators	Number of foreign trade operators[i]	67,490	16,884
	Trade coverage [ii] (%)	97.1 %	74.9 %
2) All trade operators except incomplete or wrong ID	Number of foreign trade operators [i]	67,490	16,884
	Trade coverage [ii] (%)	97.1 %	74.9 %
3) Trade operators successfully matched with the BR	Number of foreign trade operators [i]	66,968	16,840
	Number of enterprises / establishments [iii]	66,968	16,840
	Trade coverage [iv] (%)	92.4	69.2

Total number of enterprises in Business Register:

[i]: as defined by the identification number. Includes only the above exemption threshold operators.
[ii]: trade identified in the trade register, as a proportion of total trade. Total trade includes an estimation of below-thresholds trade.
[iii]: as defined in the BR. For the difference between trade operator and enterprise, see the methodological introduction (annex).
[iv]: trade identified in the trade register, and matched with the BR, as a proportion of total trade. Total trade includes an estimation of below-thresholds trade

Population 1 includes all trade operators above the statistical transaction threshold.
Population 2 includes all trade operators from population 1 except incomplete or wrong identification codes.
Population 3 includes all trade operators from population 2 that can be succesfully matched with business register.

Tables II (imports) and IV (exports): Number of enterprises by economic sector and employment size class

Table II: Number of enterprises by economic sector and employment size class

Imports		ISIC Rev.3.1 (2-digit level)							Total
		01	02	05	10	11	12	99	
Number of employees	0-9	110	12	46	.	32		c	9,427
	10-49	3261	528	c	c	74		c	51,544
	50-249	c	c	11	c	20		.	2,388
	250 or more	c	c	c	.	18		.	785
	Unknown	14	13	6	.	15		248	2,824
	Total	**3,394**	**554**	**534**	c	**159**		**685**	**66,968**

Table IV: Number of enterprises by economic sector and employment size class

Exports		ISIC Rev.3.1 (2-digit level)							Total
		01	02	05	10	11	...	99	
Number of employees	0-9	229	65	59	c	40	...	41	**10,489**
	10-49	24	c	29	c	24	...	c	**4,223**
	50-249	c	c	c	.	c	...	c	**1,372**
	250 or more	c	.	c	.	18	...	c	**472**
	Unknown	c	.	c	.	c	...	25	**284**
	Total	**257**	**72**	**93**	c	**103**	**...**	**67**	**16,840**

Tables III (imports) and V (exports): Trade by economic sector and employment size class (thousands of United States dollars):

Table III: Trade (1000 US$) by economic sector and employment size class

Imports		ISIC Rev.3.1 (2-digit level)							Total
		01	02	05	10	11	...	99	
Number of employees	0-9	59122	5954	32262	c	56245	...	34693	**8,421,066**
	10-49	27523	122	c	.	13532	...	c	**8,546,713**
	50-249	4196	c	559	c	27828	...	c	**9,015,762**
	250 or more	c	c	c	.	878548	...	.	**9,733,432**
	Unknown	c	132	46	.	2764	...	63246	**1,251,324**
	Total	**92,005**	**6,231**	**74,857**	**878**	**978,916**	**...**	**97,983**	**36,968,297**

Table V: Trade (1000 US$) by economic sector and employment size class

Exports		ISIC Rev.3.1 (2-digit level)							Total
		01	02	05	10	11	...	99	
Number of employees	0-9	4816	6006	49926	c	6045249	...	1401	**9,673,478**
	10-49	1029	c	169871	c	662878	...	c	**3,951,673**
	50-249	c	c	c	.	c	...	c	**6,832,635**
	250 or more	c	.	c	.	18783256	...	c	**26,348,121**
	Unknown	c	.	c	.	c	...	4342	**426,151**
	Total	**6,115**	**7,228**	**454,034**	**123,797**	**26,008,500**	**...**	**5,759**	**47,232,058**

Tables VI (imports) and VII (exports). Concentration of trade

These tables help to identify the degree to which the top enterprises (in terms of trade value) determine the total trade/trade by sectors of the country. The ISIC categories are grouped by sector.

Table VI: Concentration of trade (1000 US$)				
Imports	ISIC Rev.3.1 (2-digit level)			
	C-E	G	Others	Total
Top 5 enterprises	1,883,735	1,725,696	1,382,515	2,692,435
Top 10 enterprises	2,371,744	2,660,238	1,998,579	4,146,987
Top 20 enterprises	3,080,681	3,729,782	2,624,192	5,949,702
Top 50 enterprises	4,412,917	5,666,335	3,146,648	8,906,194
Top 100 enterprises	5,538,745	7,723,348	3,497,751	11,930,888
Top 500 enterprises	8,392,514	13,519,747	4,230,693	20,976,616
Top 1000 enterprises	9,280,117	16,198,349	4,446,278	25,300,634
All enterprises	**10,027,570**	**22,085,018**	**4,855,709**	**36,968,297**

Table VII: Concentration of trade (1000 US$)				
Exports	ISIC Rev.3.1 (2-digit level)			
	C-E	G	Others	Total
Top 5 enterprises	22,785,475	718,614	1,071,295	22,785,475
Top 10 enterprises	25,876,137	1,146,728	1,481,797	25,876,137
Top 20 enterprises	28,321,265	1,719,907	1,892,483	28,540,592
Top 50 enterprises	31,586,055	2,567,520	2,249,840	32,671,533
Top 100 enterprises	34,021,387	3,136,080	2,454,606	35,947,466
Top 500 enterprises	38,841,557	4,036,512	2,720,175	43,452,233
Top 1000 enterprises	39,748,219	4,213,791	2,767,959	45,496,912
All enterprises	**40,054,421**	**4,379,894**	**2,797,743**	**47,232,058**

Table VIII (imports). Number of enterprises by partner zone

1	Table VIII: Number of enterprises by partner zone				
2	Imports	ISIC Rev.3.1 (section level)			
3	Partner country or zone	C-E	G	Others	Total
19	EU15	8694	26682	23968	59344
36	Africa	226	1379	247	1852
40	North America	10	20	6	36
41	Central America and Caribbean	53	297	61	411
42	South America	229	736	173	1138
45	Middle East	254	998	259	1511
49	Asia	2003	10895	3342	16240
57	Oceania and Antarctica	214	638	254	1106
58	Unspecified	290	1115	242	1647
59	Total	9333	29294	28341	66968

Table IX (imports): Value of trade by partner zone

1	Table IX: Value of trade (1000 US$) by partner zone				
2	Imports	ISIC Rev.3.1 (section level)			
3	Partner country or zone	C-E	G	Others	Total
19	EU15	6813588	15158980	3102091	25074659
36	Africa	233184	93571	3393	330148
40	North America	696	1801	209119	211616
41	Central America and Caribbean	13938	42647	13023	69609
42	South America	277932	87199	35809	400939
45	Middle East	21405	65075	16085	102565
49	Asia	451853	3971614	692367	5115834
57	Oceania and Antarctica	29637	37566	18426	85629
58	Unspecified	86372	69563	36610	192546
59	Total	10027570	22085018	4855709	36968297

Tables XII (imports) and XIV (exports): Number of enterprises according to number of partner countries:

These tables show the degree of geographic diversification by sectors in terms of number of partner countries and number of enterprises.

Table XII: Number of enterprises according to number of partner countries					
Imports		ISIC Rev.3.1 (2-digit level)			
		C-E	G	Others	Total
Number of partner countries	1 partner country	3,720	10,280	19,709	33,709
	2 partner countries	1,548	4,895	4,218	10,661
	3 partner countries	960	2,985	1,690	5,635
	4-5 partner countries	1,064	3,485	1,339	5,888
	6-7 partner countries	635	2,017	594	3,246
	8-10 partner countries	575	1,991	382	2,948
	11-13 partner countries	334	1,270	217	1,821
	14+ partner countries	497	2,371	192	3,060
	Unknown				
	Total	9,333	29,294	28,341	66,968

Table XIV: Number of enterprises according to number of partner countries					
Exports		ISIC Rev.3.1 (2-digit level)			
		C-E	G	Others	Total
Number of partner countries	1 partner country	1,725	4,413	2,911	9,049
	2 partner countries	693	1,376	601	2,670
	3 partner countries	397	722	259	1,378
	4-5 partner countries	491	715	220	1,426
	6-7 partner countries	268	312	110	690
	8-10 partner countries	260	248	76	584
	11-13 partner countries	135	125	52	312
	14+ partner countries	460	194	77	731
	Unknown				
	Total	4,429	8,105	4,306	16,840

Tables XIII (imports) and XV (exports). Value of trade according to number of partner countries

These tables show the degree of geographic diversification by sectors in terms of number of partner countries and value of trade.

Table XIII: Value of trade (1000 US$) according to number of partner countries

Imports		ISIC Rev.3.1 (2-digit level)			
		C-E	G	Others	Total
Number of partner countries	1 partner country	91,271	618,259	1,019,063	1,728,593
	2 partner countries	186,324	599,298	187,320	972,942
	3 partner countries	147,919	607,240	180,646	935,806
	4-5 partner countries	297,957	1,148,212	868,814	2,314,982
	6-7 partner countries	408,811	1,652,503	198,335	2,259,648
	8-10 partner countries	853,939	1,790,506	416,643	3,061,088
	11-13 partner countries	825,381	2,048,083	221,513	3,094,978
	14+ partner countries	7,215,968	13,620,917	1,763,374	22,600,259
	Unknown				
	Total	10,027,570	22,085,018	4,855,709	36,968,297

Table XV: Value of trade (1000 US$) according to number of partner countries

Exports		ISIC Rev.3.1 (2-digit level)			
		C-E	G	Others	Total
Number of partner countries	1 partner country	375,240	161,225	759,272	1,295,737
	2 partner countries	206,328	105,364	159,760	471,453
	3 partner countries	343,179	113,417	346,754	803,350
	4-5 partner countries	1,103,819	293,098	78,788	1,475,705
	6-7 partner countries	944,893	413,930	112,253	1,471,076
	8-10 partner countries	3,349,026	468,789	81,073	3,898,887
	11-13 partner countries	3,580,531	357,421	141,465	4,079,417
	14+ partner countries	30,151,404	2,466,649	1,118,379	33,736,432
	Unknown				
	Total	40,054,421	4,379,894	2,797,743	47,232,058

Table XVI (imports). Trade by commodity and economic activity:

These are detailed cross-tabulation tables by CPC 1.0 (2-digit-level) and ISIC 3.1 (2-digit-level).

Table XVI: Trade (1000 US$) by commodity and economic activity									
Imports		ISIC Rev.3.1 (2-digit level)							*Total*
		01	02	05	10	11	…	99	
CPC 1.0 (2-digit level)	01	37149	221	c	.	c	…	c	898,603
	02	3543	39	c	.	.	…	c	21,402
	03	2872	1142	32	.	c	…	c	156,936
	04	c	c	1904	.	.	…	.	96,922
	11	533	.	.	c	c	…	.	38,049
	12	.	.	.	.	c	…	.	.
	13						…		17,730
	14	.	.	.	.	c	…	.	78,161
	15	35	c	.	c	130	…	c	36,155
	16	32	.	.	c	c	…	.	79,280
	17	.	.	.	.	.	…	.	565,899
	18						…		
	21	265	.	48538	.	c	…	c	804,855
	22	c	.	c	.	c	…	.	44,049
	23	574	13	278	.	c	…	14	841,863
	24	c	c	c	.	c	…	.	352,834
	98						…		
	99						…		
	Total	**92,005**	**6,231**	**74,857**	**878**	**978,916**	**…**	**97,983**	**36,968,297**