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*Country Paper*
# Germany

*Item 9: WTO Valuation*

## Statistical value of goods

**Present recommendations**

The valuation of imported goods as described in the "International Merchandise Trade Statistics, Revision 2: Concepts and Definitions" (IMTS, Rev.2) is based on the World Trade Organisation (WTO) Valuation Agreement from 1994, which came into force in the beginning of 1995.

The Statistical value is – as a rule - derived from the transaction value.

The transaction value is defined as the price actually paid (or payable) for goods when sold for export to the country of importation. If that price does not reflect a real market price, it cannot serve as the transaction value. This is the case in particular if prices are affected by corporate or personal relationship between the buyer and the seller.

The transaction value is the normal basis for determining the customs value, which is used as the basis for calculating the amount of customs duties and taxes.
Where the transaction value is not adequate for determination of the customs value, there are alternatives for determining the customs value, such as the

- transaction value of identical goods
- transaction value of similar goods
- price of identical or similar goods in domestic trade or
- costs of production

WTO agreement allows to include in or exclude from the customs (transaction) value - in whole or in part – such components as
transportation costs of the import goods to the port or place of importation
loading/unloading and handling charges associated with the transport
insurances
Following this agreement, countries can choose between FOB-type-valuation and CIF-type valuation (transaction value and services performed to deliver the goods to the border of the exporting country (FOB) or importing country (CIF)).

For the purpose of a better comparability of international merchandise trade statistics and taking into account commercial and data collecting practices it is recommended to use CIF-type values for imports and FOB-type-value for exports.

CIF-type values for imports satisfy specific analytical needs, but FOB-type values are also needed for some purposes. For example, CIF-type values of imports are required for price comparisons with domestic goods. FOB-type values for both imports and exports provide a single point of valuation for both flows (border of the exporting country) and therefore serve the purposes of compilers of national accounts and BOP statistics. FOB/FOB valuation helps to reduce asymmetries between mirror figures of two countries.

**Procedure in the Member States of the European Union**

CIF/FOB valuation is applied in foreign trade statistics of all EU-Member States, e.g. Member States have to provide the statistical value that is defined as the price which had to be paid at the border of the reporting Member State (=value of the goods when crossing the national frontier), taking into account any discounts. Customs duties and taxes are generally excluded from the statistical value.

The statistical value is based on the customs value in the case of extra-EU trade and has to be specified in the customs declaration.

In case of Intra-EU-trade the statistical value is based on the taxable value. However, the declaration of the statistical value is not mandatory in accordance with EU- statistics law. Statistical authorities may exempt the traders totally or partly from declaring the statistical value. Missing statistical values are then derived from the invoice value in combination with other variables such as the terms of delivery (Incoterms), partner country, commodity or mode of transport. This has to be done by the National Authorities. The methods used are differing from country to country. In Germany conversion factors between invoice value and statistical value are used which are calculated for each commodity code with the help of statistical declarations where both, invoiced value and statistical value are available. In Germany only bigger companies (above a specific

threshold) are obliged to report the statistical value. Another way is to conduct additional surveys multiannually on a sample basis.

In the case of goods imported or exported for processing (inward or outward processing), it is always the total value of the goods which should be entered, before and after processing, not just the value added by the processing procedure (gross principle).

**Practical issues**

Statistical value corresponds with the invoiced value only if the terms of delivery are CIF (or CIP) regarding imports and FOB (or FCA). If so, information on the statistical value can be transferred directly from the accounting system of the trading companies. Statistical evaluation of the customs declarations in Germany by the terms of delivery show that

17% of the imports are declared CIF or CIP
18% of the exports are declared FOB or FCA

as measured by the total value.

As a result the statistical value must be calculated in a majority of cases by making adjustments (additions or deductions) for the invoiced value. Unfortunately the quality of those data is not always satisfying. Regarding the German Intra Community trade, invoice value and statistical value are equal in 60%-65% of all data records which looks rather implausibly. Obviously companies often tend to copy the invoiced value as statistical value since they are unable to indicate the statistical value exactly. In Extra community trade the quality of data seems to be better if the statistical value can be derived from the customs value (in Germany customs value has to be calculated only for imports). An examination of import data reveals that the ratios between statistical value and invoiced value are to a large extent in line with the particular terms of delivery.

Another problem is related to the valuation of goods for/after processing. Sometimes the value of those goods before processing is several times higher than the value of processing. In this context ships or aircrafts are to be noted whose value amounts to hun-

dreds of million $ while the value of processing might be only 5 million $. The results of German foreign trade statistics are extremely affected by those transactions, because they are valuated on a gross basis.

**Recommendations**

Since foreign trade statistics covers all movements of goods across the national border it is coherent to calculate the value of the goods at the time of border crossing. Therefore CIF/FOB-valuation should be maintained.

Foreign trade statistics (and other business statistics) has to be based as far as possible on data available from administrative sources or from the accounting system of the companies. If the customs value is available (in Germany only for imports from countries outside the EU) this value should be the basis for calculating the statistical value. Otherwise the invoice value in combination with the terms of delivery should be used as basis. If possible, costs for transport and insurance should be reported separately. If a couple of goods are transported in one shipment, transportation costs could be broken down by the weight and insurance costs by the value of the goods.

Companies should not be obliged to report the statistical value directly but to declare components relevant for the calculation (invoice value, terms of delivery, commodity code, partner country, mode of transport). The advantage of that proceeding is that any CIF/FOB conversions – including those for the specific purposes of BOP-Statistics and National Accounts - are made by the National authorities in a transparent way according to harmonized methods.

Some explanations about the valuation of specific transactions should be added such as:

- bundled delivery of goods and services (the value to be declared should cover only the value of the goods)
- electricity and gas (sources for estimation of the value)
- waste (how to treat goods with negative values)
- returned goods (when the returned goods are broken or defective the value reported should be the value of the original sale or purchase of the goods)