



### SPECIAL FEATURE:

## GOODS FOR PROCESSING ABROAD

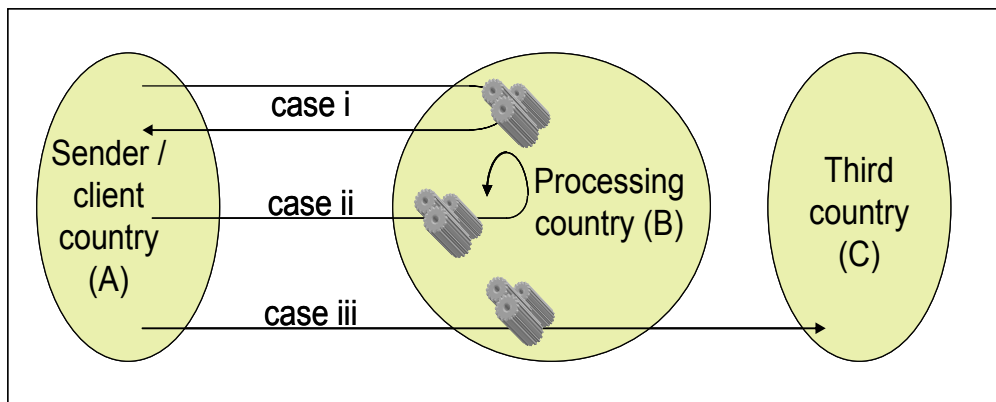
International trade has been at the centre of many recent discussions on globalization, be it from the point of view of off-shoring of the production process, operations of multi-nationals, foreign direct investments or trade negotiations. The production process of garments, motor vehicles, televisions or computers is now often spread over a number of countries not only to reduce labor and capital costs but also, for instance, to benefit from investment incentives offered by the host countries.

Even though treatment of goods for processing in the statistical sense is by no means a new discussion, it gained a lot of new attention because of proposed changes to the System of National Accounts (SNA) and because of its economic importance, especially for economies like China and Mexico. At the centre of the discussion stands the issue of the economic ownership of the goods being processed, in particular if these goods add to the economic wealth or the stock of resources of the country receiving them. SNA and the Balance of Payment Manual (BPM) now specifically recommend that if goods are being processed abroad but ownership of the goods have not been passed on to the processing company, that in such case

the transaction would be described as an international service transaction.

Already a few years ago the Task Force on International Merchandise Trade Statistics (IMTS) warned of data collection problems arising from the wish by SNA/BOP statisticians to separately identify, revalue and reclassify goods for processing without change of ownership. It indicated the different elements that could be recorded and those elements that would be very difficult to measure.

1. Goods for processing and the resulting products can enter/exit a country under the specially designed customs procedure called "inward processing" or under "clearance for home use"/"outright exportation" procedures depending on practical considerations of the parties involved.
2. Under inward or outward processing procedure 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 use of goods of national origin or previously imported. It should be noted that com-



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IMTS “Concepts and Definitions” Manual is available online in six languages:



([unstats.un.org/unsd/pubs/gesgrid.asp?id=111](http://unstats.un.org/unsd/pubs/gesgrid.asp?id=111))

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processing products can be re-declared for exportation to any third country or for home use (Kyoto Convention, annex E.6). Customs records in the case of application of inward or outward processing may/or may not contain all information needed for the purposes of trade statistics depending on national legislation. IMTS Compilers Manual recommends, therefore, that trade statistics compilers cooperate with the customs administrations to ensure full coverage of both import and export flows in trade statistics, as well as better availability and comparability of data. In general, national statistical systems can identify goods under those procedures and pass the relevant information to SNA/BOP compilers.

3. However, if goods are sent for processing but are declared (in the country where processing is performed) for home use and goods after processing

are declared for outright exportation, there will be no separate identification and they will be treated as any regular imports and exports. In such cases, compilers of international trade statistics (normally) will not be able to assist SNA/BOP compilers.

4. IMTS recommends application of the general trade system that is to record goods which enter/exit any part of the economic territory of the compiling country. Many countries apply special trade system (that is recording system which excludes some parts of its economic territory from its statistical territory). 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.

5. In countries, like members of the European Union and other customs unions, which abolished customs controls, identification of imported goods

as goods for processing in merchandise trade statistics is even more difficult.

Some “goods for processing” scenarios were given by WTO in a recent discussion note. The graphical illustration below shows goods sent abroad for processing that subsequently (i) return to the country of origin, (ii) enter the domestic economy of the country of processing, or (iii) are shipped to a third country. Scenarios (ii) and (iii) assume that during processing the goods were still owned by country A, and the change of ownership took only place with respect to the produced goods.

Table 1 hereafter illustrates recording in IMTS,

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IMTS, Rev. 2		
Case	marginal processing	substantial processing
(i)	<b>A:</b> export good X to B, then re-import good X from B <b>B:</b> import good X from A, then re-export good X to A	<b>A:</b> export good X to B, then import good Y from B <b>B:</b> import good X from A, then export good Y to B
(ii)	<b>A:</b> export good X to B <b>B:</b> import good X from A	<b>A:</b> export good X to B <b>B:</b> import good X (or Y?) from A
(iii)	<b>A:</b> export good X to C <b>B:</b> import good X from A, then import good X to C <b>C:</b> import good X from A	<b>A:</b> export good X to B <b>B:</b> import good X from A, then export good Y to C <b>C:</b> import good Y from B

**Table 1:** Classification of bilateral flows for processing of goods in IMTS, Rev. 2

SNA/BOP		
Case	Goods processing	Processing services
(i)	<b>A and B:</b> no flow as goods remain the property of sending country (A)	
(ii)	<b>A:</b> export of good X to B <b>B:</b> import of good Y from A (including processing fee)	<b>A:</b> import from B
(iii)	<b>A:</b> export of good Y to C (including processing fee) <b>C:</b> import of good Y from A (including processing fee)	<b>B:</b> export to A

**Table 2:** Classification of bilateral flows for processing of goods in SNA/BOP



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Rev. 2 depending on whether processing is "substantial" (and hence changes origin) or not (re-exports and related flows) and given by bilateral flows of origin and last known destination, which are assumed known to all transactors. IMTS tracks physical movement of goods across borders independent of the ownership of the goods. Moreover, IMTS does not recommend (so far) to record flows in relation to processing of goods (such as import for inward processing, export after inward processing, export for outward processing and import after outward processing).

Table 2 shows for SNA/BOP cases where there was no change of economic ownership. In case (i) goods move from and back to the country of economic ownership of the goods. Although in this case flows are not to be included in the BOP trade in goods account it is necessary to identify these flows in IMTS in order to adjust IMTS to the general merchandise item in BOP, since IMTS is the main data source. A new requirement of SNA/BOP for case (i) is the assessment of the ser-

vice fee for processing (as was already recommended in previous guidelines for cases (ii) and (iii)).

Note that the nature of the goods (before and after processing) has been added. Goods before processing are indicated as X and goods after processing as Y. Whereas IMTS makes a distinction between marginal and substantial processing, such distinction is not made for SNA/BOP. In fact, processing of goods (in case (i)) is now recommended to be treated in the same way as returned goods except for recording of the transaction fee of the processing service.

Tables 1 and 2 could be investigated more in-depth from the data collection point of view, when considering the recording process at the customs office and the possibility of adding enterprise surveys. Some detailed information on the activities of inward processing companies could be surveyed, as well as acquisitions from enterprises which buy goods from inward processing zones, even though such survey would already be much more complicated to conduct. ■

## COOPERATION WITH COUNTRIES AND AGENCIES: ASEAN WORKSHOP ON TRADE STATISTICS, 16-21 JANUARY 2007

As part of an ITC Workshop, UNSD was invited to make a presentation on the challenges in data collection and compilation in ASEAN region. This workshop had as purpose to demonstrate tools for analyzing or mining trade statistics. As main data source, UN Comtrade is very important for ITC Tools: Country Map, Product Map and Market Access Map all make extensive use of UN Comtrade data. As part of ITC-USAID cooperation, this workshop was intended to promote the use of ITC tools and to stress the importance of availability of detailed trade data in the ASEAN Region.

The UN Comtrade presentation was well received. Difficulties on collection data were also discussed and personal contact

were established with countries which are behind in reporting their trade data, namely Viet Nam, Laos and Brunei. Participants from Malaysia (and also ITC) were interested in Standard Unit Value methodology.

ASEAN intends to improve regional data compilation (monthly, quarterly) and is willing to cooperate with UNSD. ASEAN also expressed intention to organize workshop specialized in data editing.

Even though ASEAN hasn't standardized and harmonized its regional trade database; they expressed strong interest to build such database including good data processing. Therefore, UNSD is willing to support such activities, since it may improve data quality in the ASEAN region.



Visit the  
ASEAN statistics  
webpage:  
[www.aseansec.org/  
19230.htm](http://www.aseansec.org/19230.htm)



Further information on the United Nations Economic and Social Commission for Western Asia is available at [www.escwa.org.lb](http://www.escwa.org.lb)

Visit the website of the United Nations Statistics Division, Trade Statistics Branch, at [unstats.un.org/unsd/trade/](http://unstats.un.org/unsd/trade/)

## COOPERATION WITH COUNTRIES AND AGENCIES: ESCWA WORKSHOP ON TRADE IN SERVICES STATISTICS, 6-9 FEBRUARY 2007

The United Nations Economic and Social Commission for Western Asia (ESCWA) organized in Cairo, Egypt, a four-day regional workshop on the Compilation of Statistics on International Trade in Services, from 6 to 9 February 2007.

The workshop aimed at building the capacity to compile data of trade in services, and at sharing the experiences and concerns of ESCWA member countries and UN organizations working on Trade in Services Statistics. The contents of the presentations and discussions of the workshop included the statistical systems and classifications related to trade in services statistics. Draft questionnaires on how to facilitate the compilation of trade in services data in mode 1 (cross border supply) and mode 2 (consumption abroad) were also discussed in this opportunity. These ques-

tionnaires were prepared by ESCWA secretariat in consultation with UN agencies working in the same area. Manual on Statistics of International Trade in Services covers four modes of supply.

Participants from National Statistical Offices (trade and national accounts statisticians), central banks (balance of payments statisticians) and ministries of commerce and planning (officers that deal with WTO issues) attended the workshop. Experts from UNSD and IMF were invited to attend and gave several presentations.

The meeting was held in Arabic, with simultaneous interpretation from English to Arabic and vice-versa.

More information on this workshop is available on <http://www.escwa.org.lb/divisions/scu/events/6-9feb07.asp>. ■

## COOPERATION WITH COUNTRIES AND AGENCIES: MISSIONS TO EGYPT, JORDAN, LEBANON AND SYRIA, 10-22 FEBRUARY 2007



As part of the UN ESCWA Project "Strengthening the Development of International Merchandise Trade Statistics (IMTS) and the

compilation of e-commerce in Member Countries of the Economic and Social Commission for Western Asia (ESCWA)", experts from UN ESCWA and UNSD have made several country visits to the region. The goal of these missions is to mobilize the necessary support for this project and to review the status of compilation and dissemination of IMTS.

The first set of country missions was conducted in September 2006, and entailed visits to Saudi Arabia (10-12 September), Yemen (13-16 September) and Kuwait (17-19 September). In the first quarter of 2007, Markie Muryawan of UNSD together with Fathia Abdel-Fadil of UN/ESCWA vis-

ited Egypt (10-12 February), Jordan (14-16 February) Syria (17-19 February), and Lebanon (19-22 February). The activities and experiences gathered during this two-week journey are described hereafter and contain a number elements common to all of them.

1. UNSD/ESCWA introduced the project (objectives, activities and expected outcomes) to the national statistical offices, representatives from customs and the central bank, which was in general very well received.

2. UNSD/ESCWA were able to evaluate and discuss in detail with the national statistical offices and representatives from customs and the central bank the status of IMTS compilation and dissemination. Further, the customs office was visited and direct talks with the official responsible for statistics were held.

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For merchandise trade data by commodity and partner country please visit the UN Comtrade portal at [comtrade.un.org](http://comtrade.un.org)



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3. The results of the questionnaire on national compilation and dissemination practices (NCDP) were reviewed and discussed with officials in Jordan and Syria; as for Egypt and Lebanon, the NSOs had not received the questionnaire and, therefore, the questionnaire was only discussed.

4. The need to nominate national focal points for this project was also an issue discussed in all countries.

5. In Syria, Egypt and Lebanon, commitments were received to make the latest data available to UNSD.

6. The discussions provided important feedback regarding the needs of countries in respect to the exact contents of the workshops.

7. For introduction and to facilitate the discussions, UNSD gave presentations on the activities of UNSD in trade statistics, UN Comtrade, the IMTS Compilers Manual, the NCDP questionnaire, best practices in compilation (points for discussion) and the use and importance of IMTS

A final set of country missions will take place in April/ May 2007, bringing the

team of experts to Bahrain (27-29 March), Oman (1-2 April), Qatar (3-5 April) and the United Arab Emirates (8-10 April).

Also in the coming year, a series of specialized workshops will be conducted to continue discussing the various aspects of the compilation of merchandise trade statistics in a very detailed manner. This will be beneficial for the participating countries in terms of learning concepts and definitions and identifying best practices. Similarly, UNSD will benefit from such detailed discussions of national practices for the future revisions of the methodological standards and compilation guidance. This is of particular importance as expected new data requirements of national accounts will pose additional challenges to compilers of merchandise trade statistics.

Finally, it is expected that direct contacts with national compilers will make it much easier to receive the required data. None of the four countries visited during this mission currently records trade between national free zones and rest of the world (special trade system); fortunately, all of them expressed strong interest to move into general trade system, for which further assistance is required and has in some cases been requested.



## COOPERATION WITH COUNTRIES AND AGENCIES: PACIFIC ISLANDS WORKSHOP ON AGRICULTURAL TRADE STATISTICS, 26-29 MARCH 2007



A regional workshop was conducted from 26 to 29 March this year in Suva, Fiji, to strengthen the capacities of member countries of the Secretariat of the Pacific Community (SPC) in establishing a sustainable and technically updated system of agricultural trade data collection, processing analysis and dissemination.

Participants included resource persons of SPS, the Food and Agriculture Organization (FAO), the Department of Foreign Affairs and Trade of Australia, and the United Nations Statistics Division (UNSD).

Eleven Pacific Island countries participated in this workshop: Cook Island, Fiji, Federated States of Micronesia, Kiribati, Nauru, Niue, Papua New Guinea, Samoa, Solomon Islands, Tuvalu and Vanuatu.

UNSD made presentations on the compilers manual of International Merchandise

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Trade Statistics (based on the latest available replies on the NCDP questionnaires), the SITC rev. 4 and HS 2007 classification, and UN Comtrade data base.

Also, UNSD distributed the new SITC rev. 4 and the Compilers Manual to the representing statisticians from the different Pacific Islands countries. For some of the participants, this was their first opportunity to take a detailed look at the Compilers Manual.

Relevant conclusions reached at the end of the workshop included the following:

1. Participants agreed that SPC should act as a regional node for collecting and processing regional trade data from member countries and disseminate the data to other users, such as FAO and UNSD, in order to minimize the burden on member countries and avoid duplicate data requests.
2. Participants also stressed the importance of continuing the collaboration between SPC, UNSD and FAO in the area of compiling and exchanging international trade statistics.
3. Member countries agreed to submit at least annual international trade statistics to SPC in electronic format by the end of June. SPC will share the files with FAO and UNSD through the common FTP site.
4. The workshop stressed the continuation of the cooperation of SPC, FAO and UNSD in organizing similar activities to build and promote the capabilities of the national representatives and upgrade their skills in the area of compiling, processing, analyzing and dissemination their international trade statistics.

## YOU HAVE ASKED US:

### ALL COUNTRIES AND WORLD TOTAL IN UN COMTRADE DATA

**Q:** When downloading data (Express selection, for example), is there a special code to select all countries? If I understand correctly, at the Reporter level there is none, but at the Partner level there is 0 and 'all'.

1. What is the difference between 0 and 'all'? Does 0 refer to the world, i.e., total exports of reporter?
2. If this is correct, selecting 'all' will download data for all the available countries? Including the world, 0?

**A:** First, irrespective of Reporter or Partner, if you would like to select all countries, you have the option (a) to type 'all' in the text box or (b) to leave the text box blank. In both cases all available reporters or partners will be selected.

Second, in Partner selection, 0 means World and 'all' means "all partners, including world". World is an aggregation of all available partners within the specific commodity (commodity can be at any level of the classification; for instance, it can be Total or 010111). In the processing system, partner World (code 0) is aggregated and then stored in the data base, so that the UN Comtrade system doesn't need to aggregate at the time of extraction.

Third, in Reporter selection, there is no reporter World. The reason is that World assumes that all available reporters are available; if not, missing reporters must be estimated. In the current system we do not estimate trade data and, therefore, we cannot create a complete reporter World.

Fourth, UN Comtrade contains one pre-aggregated group, namely EU25 (code 97), which appears only as a reporter. The data for EU25 have been reported to us by Eurostat. To avoid double counting, 'all' in the Reporter selection excludes EU25.





The Manual on Statistics of International Trade in Services can be viewed in the UNSD website:  
<http://unstats.un.org/unsd/pubs/>

Documents of the Lima workshop can be downloaded from  
[unstats.un.org/unsd/trade/workshops\\_imts.htm](http://unstats.un.org/unsd/trade/workshops_imts.htm)

#### UPCOMING EVENTS:

### IMF SEMINAR ON TRADE IN SERVICES STATISTICS, 16-20 APRIL 2007, TUNIS

As part of a program of training on trade in services statistics that the IMF coordinates with the Inter-agency Task Force on Statistics of International Trade in Services, the IMF's Statistics Department will host a one-week seminar at the Joint African Institute in Tunis, during April 16-20, 2007.

This seminar is organized by the partnership of the African Development Bank, the International Monetary Fund, and the World Bank, with the purpose of strengthening the statistical capacity for trade in services of the participating African countries.

Partners of the Task Force including UNSD have been invited to participate, in order to share their expertise topics

like classifications, databases, data collection, and institutional arrangements.

In particular, UNSD will contribute with expert knowledge on a number of issues, namely (1) the Manual on Statistics of International Trade in Services (SITS), (2) International Classifications related to SITS, (3) Foreign Affiliate statistics, and (4) use of business registers, ITRS and economic surveys.

Presentations by invited organization will be supplemented with several sessions of group discussions, in which the experiences and practical problems faced by countries in data compilation will be addressed.

#### UPCOMING EVENTS:

### WORKSHOP ON INTERNATIONAL MERCHANDISE TRADE STATISTICS, 7-11 MAY 2007, LIMA

To improve the quality and availability of International Merchandise Trade Statistics (IMTS) data in Latin America and the Caribbean, UNSD will organize, in cooperation with ECLAC and the Andean Community, a regional Workshop on Country Practices in Compilation of IMTS will be held on 7-11 May 2007. The workshop will take place at the Secretariat of the Andean Community, in the city of Lima, Peru.

The workshop will center on issues of current interest in the compilation of IMTS, such as (a) goods for processing [export processing zones], (b) re-exports, (c) CIF and FOB valuation of

imports, and (d) calculation of export and import price indices.

The results of the July 2006 Questionnaire on National Compilation and Dissemination Practices (NCDP) will also be discussed. This questionnaire deals with the full scope of issues related to IMTS, including institutional arrangements, basic concepts and definitions, and data reporting practices.

Participants will present their country experiences and formulate suggestions on revising existing IMTS recommendations to better serve the needs of trade data compilers.

## EDITORIAL NOTE

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