



ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

DIRECTION DES STATISTIQUES
STATISTICS DIRECTORATE

Prices and Structural Economic Statistics

The Head of Section

To: ISWGNA and BOPCOM members
 c.c.: Task Force IMTS,
 Task Force SITS.
 Participants of the 6th OECD ITS and TIS meeting

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Subject: Goods for processing

Dear colleagues,

I am writing to you as chair of the OECD International Trade Statistics (ITS) Expert Meeting. At the 6th ITS OECD (ITS) Expert Meeting and the OECD-Eurostat Expert Meeting on Trade-in-Services Statistics (TIS) this September, some considerable concern was expressed as to the implications of the SNA AEG decision on goods for processing (GFP). It was proposed that the OECD as convener of the 6th ITS meeting should issue a note to the ISWGNA and BOPCOM setting out these concerns.

Let me state at the outset that this note is neither a critique nor an attempt to re-open the debate on a decision made by the AEG, but rather aims at encouraging a stronger cooperation across statistical expert groups as to coordination and implementation needs, including future data needs.

It is acknowledged that the SNA decision has been taken and that it offers a conceptually more consistent treatment throughout the accounts for this aspect of trade in processing of goods. It is to be hoped that it may lead in due course of time to a better understanding of the increasing economic contribution of this activity to global production. On the other hand its implementation is likely to pose a severe and immediate challenge to trade, balance of payments, business statisticians, and national accountants in terms of data collection and presentation that can be internationally comparable, understandable and of reasonable quality.

The increasing divergence between customs-based merchandise trade and trade in goods in the balance of payments/external accounts implies a new approach to collection and presentation of trade statistics. For users and producers of trade statistics the decision will need to be explained and sold. Feasibility issues have to be addressed as well. The impacts on a small but important group of countries' trade statistics in the balance of payments, based on what information exists, could be dramatic – reducing trade in goods by up to 50%, and if processing of goods were treated as services doubling services trade in some countries (see Annex 1). Such countries would need to be closely involved in the implementation consultations and discussions.

Also the international compilation guidelines for merchandise trade statistics of the UN and the position of the Task Force on Merchandise Trade Statistics throw a clear light on the scope for implementation and the possible needs for more detailed data (e.g. a separate identification of goods for processing and processed products, the identification of re-imports and re-exports, the value of processing fees) while acknowledging the limits with regard to any additional response burden for enterprises (see Annex 2 and Annex 3).



As information on trade flows are of high political importance everywhere and vital for world trade negotiations, and where much effort over the years has gone into building a stable and comparable system centred on customs data, we would ask ISWGNA to urgently consider with stakeholders in trade policy, trade, balance of payments and other statisticians how the SNA AEG decision can be implemented and presented in the most acceptable, useful and effective way. This cross-disciplinary consultation process seems indispensable to help in the practical implementation process.

It goes without saying that we would be willing to assist in this process if you agree.

With kind regards,

Head, International Trade and
Structural Business Statistics Section (TASS)

Attachments:

Annex 1: Illustrative examples of changes to country trade data in BOP for selected countries – table compiled by OECD

Annex 2: Note from UNSD, Trade Statistics Branch, on Goods for/after processing (and some related concepts) in the IMTS context

Annex 3: Communication on Goods for Processing from the Task Force on International Merchandise Trade Statistics