Introduction

A. Background

1. *Relevance of international merchandise trade statistics*. The international merchandise trade statistics (IMTS) is a specialized multipurpose domain of official statistics concerned with provision of data on the movements of goods between countries1. The continued interest in international merchandise trade is due to its crucial role in economic development as it binds producers and consumers located in different countries into a global economic system. In this context, availability of timely and high quality international merchandise trade statistics becomes a precondition for an in-depth analysis of the production, consumption, employment, income and overall welfare both at the country and global level.

2. *Users and uses of IMTS.* IMTS are compiled to serve the needs of many users, including governments, business community, other economic statistics such as balance of payments and national accounts, various regional, supranational and international organizations, researchers and the public at large. Different users need different data, ranging from data sets of varying detail by country and commodity to aggregated figures. The uses include:

    a. Development of international trade policy, including trade negotiations, monitoring trade agreements and settling trade disputes;

    b. Establishing general economic policy, including policies on fiscal, monetary, structural and sectoral matters;

    c. Market analysis by importers and exporters to find supply sources or foreign markets;

    d. Establishing supply balances to monitor commodity markets, in particular in such areas as agriculture and energy;

    e. Infrastructure planning (harbours, airports, roads etc.);

    f. Compilation of transportation statistics;

    g. Compilation of the import component of the various price indexes (e.g., cost-of-living indexes);

    h. Input into and forecasting in the framework of the system of national accounts and balance of payments statistics.

1 The term "international merchandise trade statistics" is used in this publication to refer to both foreign (or external) merchandise trade statistics compiled by countries as well as to the international merchandise trade statistics which are represented by the consolidated and standardized country data sets compiled and maintained by the international agencies. In the context of this publication the term "merchandise" has the same meaning as the terms "goods" and "commodities".

3. *A brief history of the development of the international recommendations.* Although the search for greater comparability of external trade statistics has been going on for a very long time, it was not until the nineteen-twenties that significant developments towards the solution of the problem took place. In 1928 the League of Nations organized the International Conference Relating to Economic Statistics which devoted a significant part of its proceedings to these statistics. The conference formulated a number of recommendations including on coverage, trade system, valuation and partner attribution which provided a foundation for a better international comparability of the country data2. Ten years later, in 1938, the League of Nations published the report of its Committee of Statistical Experts entitled *Minimum List of Commodities for International Trade Statistics*3 making available the first internationally agreed classification of goods for use in international trade statistics. The United Nations Statistical Commission (the Commission) put the matters relevant to IMTS on its agenda since its inception and concentrated on the preparation of an improved commodity classification. After the preparatory work was completed, the *Standard International Trade Classification* (SITC) was adopted by the Commission and published in 1950/4. For further details on SITC and recommendations on commodity classifications see Chapter 3.

4. The adoption and implementation of SITC played an important role in improving cross-country comparability of trade data. However, further work was needed to standardize many other elements of IMTS methodology. At its thirteenth session, in 1965, the Statistical Commission initiated the preparation of a broader set of recommendations in order to improve the comparability of international trade statistics. As a follow up to the Commission's decision the United Nations Statistical Office published in 1970 *International Trade Statistics: Concepts and Definitions5*. To take into account developments in commercial practices as well as methodological developments in other areas of statistics those recommendations were revised in 1981 and in 1997.

5. The 1997 version of the recommendations was adopted by the United Nations Statistical Commission at its 29th session and published (1998) in *International Merchandise Trade Statistics: Concepts and Definitions, Revision 2* (IMTS, Rev.2)6. To assist countries in the implementation of IMTS, Rev.2 *International Merchandise Trade Statistics: Compilers Manual* (IMTS: CM)7 was issued in 2004. Both publications were promoted by UNSD and other agencies-members of the Task Force on International Merchandise Trade Statistics

2 League of Nations, 1928 […]

3 League of Nations, 1938 (II.A.14; and corrigendum, 1939).

4 Statistical Papers, No. 10/Rev.1, June 1951(United Nations publication, Sales No. 51.XVII.1).

5 *International Trade Statistics: Concepts and Definitions*, United Nations publication, Sales No. E.70.XVII.16, United Nations, 1970.

6 *International Merchandise Trade Statistics: Concepts and Definitions* (United Nations publication, Sales No. E.98.XVII.16), United Nations, 1998.

7 *International Merchandise Trade Statistics: Compilers Manual* (United Nations publication, Sales No. E.02.XVII.17), United Nations, 2004

(TFIMTS)8 including in a series of training workshops for developing and transition countries. These efforts contributed to strengthening national merchandise trade statistics programmes and to harmonizing IMTS methodologies across countries, thus improving the availability of trade data and their cross country comparability. However, with time it became apparent that the next cycle of review and updating of the recommendations was needed.

B. Need for the current revision

6. The need for a new revision was recognized in the recent years by both, country and international experts at various regional, supranational and international forums. This issue was discussed also at the TFIMTS meetings. The third revision of the recommendations for international merchandise trade statistics became necessary, *inter alia*, in view of:

(i) Changes in user needs, including increased demand for more detailed and timely data for market access negotiations and trade policy purposes, market research by the business community and economic analysis (e.g., linking industry and trade data);

(ii) Changes in the way international merchandise trade is conducted, e.g., increasing globalization of the production and distribution processes, expansion of intra-firm trade, transactions with bundled goods and services components;

(iii) Changes in the legal environment such as the adoption by the WCO Council of the Revised Kyoto Convention and new legal/administrative measures for increased security or further simplification of customs formalities;

(iv) Changes in related statistical frameworks, like the 1993 System of National Accounts and the Balance of Payments Manual;

(v) Need for further clarification of some existing concepts and improvement of the overall readability.

8 TFIMTS is an inter-agency body and consists of representatives of the United Nations Statistics Division, Economic Commission for Latin America and the Caribbean, Economic and Social Commission for Western Asia, United Nations Conference on Trade and Development, Food and Agriculture Organization of the United Nations, International Monetary Fund, World Trade Organization, International Trade Center, Organisation for Economic Cooperation and Development, Statistical Office of the European Communities and World Customs Organization.

C. Organization of the revision process

7. During 2007 UNSD developed in consultation with the TFIMTS a strategy for the revision process which included the identification of areas where revision was particularly needed, the drafting of a timetable and the terms of reference of an Expert Group on International Merchandise Trade Statistics (EG-IMTS) which would assist in the revision process. The UNSD proposals were submitted to the Commission for consideration at its 39th session in February 2008. The Commission endorsed the UNSD initiative and strategy and requested that the draft revised recommendations be submitted for adoption at its forty-first session in 2010. The Commission requested, *inter alia*, that the revised recommendations provide an updated conceptual framework, as well as guidance on data compilation and dissemination, in the context of an integrated approach to economic statistics. Also, the Commission requested that the revised recommendations be harmonized to the extent possible with the updated recommendations for statistics of international trade in services, balance of payments statistics and national accounts and that due consideration be given to the concern of minimizing the cost of data collection and compilation[9].

8. To provide a mechanism for an active involvement of countries in the revision process UNSD convened on 3-6 December 2007 the EG-IMTS for the first time. The EG-IMTS is composed of national experts from developed and developing countries of different regions. A number of international organizations which are active in production and/or use of international merchandise trade statistics were also invited to participate. EG-IMTS agreed on the need for a new version of the recommendations and identified issues for which advice was needed at the global level in order to define the scope of the future revised recommendations. In May to June 2008 the first round of worldwide consultation on these issues took place.

9. During 2008 – 2009 three virtual meetings of EG-IMTS were organized in order to prepare the provisional draft of IMTS2010. In July-August 2009 a second world-wide consultation on the full provisional draft was held. A large number of countries participated in the two worldwide consultations and the replies provided important guidance for the revision and were taken into account to the best possible extent. TFIMTS reviewed the provisional draft as well and provided its valuable comments.

10. IMTS is a part of official statistics and its compilation is guided by the Fundamental Principles of Official Statistics. These principles were fully taken into account during the preparation of IMTS2010.

9 See Official Records of the Economic and Social Council, 2008, Supplement No. 4 (E/2008/24), Decision 39/109.

Box 1. The UN Fundamental Principles of Official Statistics.

Principle 1. Official statistics provide an indispensable element in the information system of a democratic society, serving the Government, the economy and the public with data about the economic, demographic, social and environmental situation. To this end, official statistics that meet the test of practical utility are to be compiled and made available on an impartial basis by official statistical agencies to honor citizens' entitlement to public information.

Principle 2. To retain trust in official statistics, the statistical agencies need to decide according to strictly professional considerations, including scientific principles and professional ethics, on the methods and procedures for the collection, processing, storage and presentation of statistical data.

Principle 3. To facilitate a correct interpretation of the data, the statistical agencies are to present information according to scientific standards on the sources, methods and procedures of the statistics.

Principle 4. The statistical agencies are entitled to comment on erroneous interpretation and misuse of statistics.

Principle 5. Data for statistical purposes may be drawn from all types of sources, be they statistical surveys or administrative records. Statistical agencies are to choose the source with regard to quality, timeliness, costs and the burden on respondents.

Principle 6. Individual data collected by statistical agencies for statistical compilation, whether they refer to natural or legal persons, are to be strictly confidential and used exclusively for statistical purposes.

Principle 7. The laws, regulations and measures under which the statistical systems operate are to be made public.

Principle 8. Coordination among statistical agencies within countries is essential to achieve consistency and efficiency in the statistical system.

Principle 9. The use by statistical agencies in each country of international concepts, classifications and methods promotes the consistency and efficiency of statistical systems at all official levels.

Principle 10. Bilateral and multilateral cooperation in statistics contributes to the improvement of systems of official statistics in all countries.

11. In addition, the preparation of the recommendations was guided, *inter alia*, by the following considerations:

    a. needs of major user groups should be considered as a starting point and be taken into account to the maximum extent possible to ensure that the compiled data are policy relevant, meet the needs of the trade community (both producers and users) and provide a solid foundation for integration of trade statistics into the broader framework of economic statistics;

    b. the revision should be conducted in close consultation with national statistical offices as well as with the relevant international and supranational organizations;

    c. while providing recommendations on data items and their definitions care should be taken that (a) necessary data sources are available in at least some countries to compile such data, (b) collection of such data items will not create significant additional reporting burden, and (c) collection procedures can be implemented by most countries to ensure improved cross-country comparability;

d. the revision should be seen in the context of promoting an integrated approach in the national statistical system which requires, to the extent possible, the use of harmonized concepts, classifications, and standardized data compilation methods in order to achieve maximum efficiency and minimize reporting burden;

e. additional guidance on more practical/technical matters to assist countries in the implementation of IMTS, Rev.3 should be treated in the revised *IMTS Compilers Manual*.

12. [***provisional text, subject to finalization after the second meeting of EG-IMTS***. The second meeting of the EG-IMTS, held on [] October 2009, endorsed the final draft of IMTS2010 which was submitted to the 41st session of the Commission for adoption. The Commission adopted IMTS2010 and the United Nations Statistics Division finalized the text of IMTS2010, which is contained in the present publication.]

D. Conceptual framework

13. *IMTS2010 and other economic statistics.* International merchandise trade statistics aim to satisfy the information needs of various user groups ranging from international trade policy makers and commodity markets analysts to compilers of balance of payments and national accounts. IMTS2010 is intended to provide recommendations which will be globally applicable and as operational as possible. The conceptual framework of IMTS reflects both its multipurpose nature and concern for availability of the adequate data sources and data compilation procedures.

14. It should be noted that the use of the term "trade" in the name of this statistical domain is a reflection of the dominant role of buying and selling in the generation of the cross-border flows of goods. However, many other movements of goods between countries are covered as well. IMTS follows an integrated approach to economic statistics including the use, as mush as possible, of common concepts, definitions, classifications and data compilation strategies.

15. *IMTS2010, 2008SNA and BPM6.* Giving priority to the needs for statistics on the cross-border movement of goods valued on a gross basis and detailed by partner countries, IMTS2010 fully maintains the conceptual framework established in the previous revisions. Data compiled on this basis satisfy most of the requirements of trade policy makers and business community. However, in some cases, these data have to be adjusted prior to use in balance of payment statistics and national accounts as those systems are based on the application of the criterion of change of ownership between residents and non-residents for the identification of international transactions. These adjustments are needed as the cross border movements of goods due to the change of ownership between residents and non-residents are a subset of the IMTS trade flows. Also, the BPM/SNA count as international trade transactions where goods do not cross the boundary of the compiling country but where a change of ownership between residents and non-residents did took place. The latter flows are outside of the scope of IMTS.

16. The national trade data collection systems for IMTS are, in general, relying on administrative systems which are set up to record transactions associated with the physical movement of goods across borders and they lack the necessary recording mechanisms to determine when change of ownership occurs. Nevertheless, since most traded commodities are part of a normal buying and selling operations between an importer and an exporter, the change of ownership is largely approximated by the cross-border movement of goods. The integration of trade data compiled on the IMTS2010 basis into the 2008SNA and BPM6 are facilitated also by the use of a number of the common concepts and definitions. These concepts and definitions include *goods, services, economic territory, residency, change of ownership etc*. For detailed description of the relationship between IMTS2010 and BPM6/2010SNA see Annex F.

E. Structure of IMTS 2010

17. The IMTS2010 is structured in accordance with its objectives. It consists of an introduction, eleven chapters and six Annexes as follows:

Introduction

Chapter 1.	Scope and time of recording
Chapter 2	Trade system
Chapter 3	Commodity classifications
Chapter 4	Valuation
Chapter 5	Quantity measurement
Chapter 6	Partner country
Chapter 7	Mode of transport
Chapter 8	Data compilation strategies
Chapter 9	Quality and metadata
Chapter 10	Dissemination
Chapter 11	Supplementary topics

Annexes

A. Basic national accounts and balance of payments concepts and definitions
B. Definition of selected customs terms
C. Rules of origin
D. Rules on customs valuation as set out in the WTO Agreement on Valuation
E. Terms of goods delivery
F. The bridge table between IMTS2010 and BPM6

F. Summary of the revised Recommendations

18. The following is a summary of the recommendations contained in the present publication (in order of their appearance). With respect to the issues which might be relevant to compilation of international merchandise trade statistics, but which are not explicitly covered in the IMTS2010, countries are encouraged to develop their own treatments and clearly document them in their metadata.

[to be prepared after the EGIMTS meeting]

G. Implementation

19. The United Nations Statistics Division in cooperation with the TFIMTS will develop a detailed programme to assist countries in the implementation of IMTS2010 which will include the preparation of the updated version of *International Merchandise Trade Statistics: Compilers Manual* as well as such capacity-building activities as regional training workshops, technical assistance missions and preparation of related complementary technical materials.

20. It is recognized that the updating process of the recommendations should be envisaged as a recurrent and well-organized procedure. While any required interpretation of the existing recommendations will be the task of UNSD in cooperation with the TFIMTS, any proposed substantive changes in the recommendations should be reviewed and endorsed by the United Nations Expert Group on International Merchandise Trade Statistics and submitted to the United Nations Statistical Commission for approval.