

Project 06/07K: 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)

## **Workshop on the compilation of IMTS and the application of methodological concepts**

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# Trade System

## Introduction & Key Issues

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# Types of Trade System

- General System
  - *statistical territory* = economic territory
- Relaxed Special System
  - *statistical territory* = free circulation area + inward processing area + industrial free zones
- Strict Special System
  - *statistical territory* = free circulation area

# Statistical Territory

- Key concept that determines type of trade system
- Countries should develop a description of their statistical territory suitable for use by compilers of the detailed trade data
  - And should make that description available to their trading partners and to international organizations
  - NCDP question no. 5 regarding trade system designed to address countries' statistical territory

# Treatment of compensating products

- “compensating products” means the products resulting from the manufacturing, processing or repair of the goods for which the use of the inward processing procedure is authorized;

- **In the case of inward processing**
  - **if origin does not change** : these products remain foreign goods and should be recorded as re-exports.
- **In the case of outward processing**
  - **if origin does not change** : the compensating products remain domestic goods and should be recorded as re-imports.

# Treatment of re-exports/re-imports

- In both trade system, re-exports/re-imports are both to be compiled and included in total exports/imports
  - In UN Comtrade, exports include re-exports and imports include re-imports
    - in addition, re-exports and re-imports are recorded separately
  - However, not all countries report re-exports/re-imports (?)

# Country of Origin

- ‘Rules of origin as established by each country’
- Relevant for customs duties (i.a. GSP)
- Principles:
  1. ‘wholly obtained’ in case only one country involved
  2. ‘substantial transformation’ in other cases
  3. provide documentary evidence of origin
  4. direct consignment (required by several countries)
  5. cumulative origin (allowed by several countries under certain conditions)
- Momentary under review (harmonization) by ‘Committee on Rules of Origin’ (WTO) and ‘Technical Committee on Rules of Origin’ (WCO)

- process criterion  
(example: change in 4 digit heading of HS)
- percentage criterion  
(example: contribution not less than 35% of appraised value)

# Hong Kong SAR case study:

re-/export of Electronic toys in plastic casing 8501-8548

- HK offers assembling and testing for electronic toys in plastic casing as outward processing (for other countries)
- HK changes criteria country of origin if
  - Assembled in Hong Kong and
  - Containing 25% Hong Kong cost content attributable to local component parts and labor
- If those criteria are not met, HK registers trade as re-export, otherwise export

# Conclusions

- IMTS Rev.2 recommends the use of general trade system
  - because the statistics will show all trade activities and flows which took place in the country.

However...

- Any change from special to general system would require important administrative restructuring



# Conclusions (continue)

- To allow for the adjustments necessary for the estimation of data on general trade system, countries should compile / estimate:
  - Goods imported into and exported from premises for *customs warehousing, inward processing, industrial free zones or commercial free zones*, when the strict definition is used
  - Goods imported into and exported from premises for *customs warehousing or commercial free zones*, when the relaxed definition is used

# Custom Procedures allocated by trade flow and system (draft)

Customs Procedure	General	Relaxed Special	Strict Special
Clearance for home use	M	M	M
Re-importation in the same state	RM	RM	RM
Outright exportation	X	X	X
Customs warehouses	M & RX	--	--
Free zones	M & (X or RX)	M & (X or RX)	--
Customs transit	--	--	--
Transshipment	--	--	--
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 & RX	M & RX	Adjustment M
Processing of goods for home use	M	M	M
Temporary admission	--	--	--
<b>Legend: M = Imports, RM = Re-imports, X = Exports, RX = Re-exports</b>			

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