

International Merchandise Trade Statistics in India

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Introduction

The foundational principles and methods that constitute the basis for the compilation of India's trade statistics were for the first time described in the *Report of the Committee on Indian Trade Statistics, 1905*. Prepared and submitted to the then Finance and Commerce Department, Govt. of India by Mr. L. Morshead, I.C.S., Chief Collector of Customs, Calcutta, Mr. J.A. Robertson, Director General of Statistics and Mr. R.E.V. Arbuthnot, I.C.S. judged in terms of contemporary standard, this was remarkable effort on the part of these officers.

National efforts to develop trade in subsequent years so as to improve balance of trade and payments have been largely conditioned by the activities and discussions in international fora. These called for the adoption of new concepts and approaches popularized by economic theories and empirical studies employing statistical tools and techniques. Viewed in retrospect, developments of India's trade have taken place *pari passu* with the systematic reorganization of economic structure accompanied by institutional reorganization and control over factor movements through instruments of policy related to economic planning.

Significant changes overtook the system of compilation followed in India that had naturally to respond to international efforts at Comparability and harmonization. It was in the wake of these developments that an innovation was introduced in January, 1957 through the adoption of the mechanized system of compilation and also a publication later on, viz. Indian Trade nomenclature based on Brussels Tariff Nomenclature (BTN) and subsequently Standard International Trade Classification (SITC).

There is no denying that Indian Statistics are the bye-products of Government administration. This is in equal measure true of India's trade statistics also. Indian official trade statistics are the bye-product of two broad streams of activity. These are (i) information collected in the course of the administration of laws such as those relating to taxation of goods entering or leaving the country, and (ii) compilations made by Government railways, on which are based the statistics of inland (rail-borne) trade. As a secondary function, the Indian Customs authorities furnish to the Directorate General of Commercial Intelligence and Statistics (D.G.C.I. & S.) data relating to India's foreign trade, coastal trade, shipping in the foreign and coastal trade, and Customs and Central Excise revenue collections. Consequently, the main sources for the detailed statistics on external trade, revenue and shipping are the Customs authorities at the ports. The synchronized operation of the D.G.C.I. & S and Customs authorities based on data collection has been greatly strengthened in recent years with an exchange of information and experience. Similar steps towards coordination have been taken by the D.G.C.I. & S. vis-a-vis the Central Statistical Organization (CSO), the Directorate of Transport Research and other organizations e.g. the IIFT concerned with the analysis of data relating to India's Trade.

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Coverage

The principle of covering only merchandise goods for the purpose of foreign trade statistics is followed in India. Merchandise is that, the movement of which into or from a country adds to or subtracts from the resources of country. Commercial transactions only are thus covered. Non-commercial transactions like personal baggage are excluded. However, gifts received under international aid programme such as food grains, milk-powder, machinery, etc. are covered since they add to or subtract from the resources materially. Further, transactions in treasure i.e. gold and current coins and notes are excluded, but transactions in silver (other than current coins) and in notes and coins not yet in circulation or withdrawn from circulation are included as they constitute merchandise trade.

The merchandise trade covered also includes government stores. The government trade is, however, reported separately in the forms of returns specially designed for the purpose. While separate recording of government trade is not difficult in the case of exports, it is not always practicable to separate out government imports from private imports.

The statistics of India's foreign trade exclude 'prohibited goods'. The import or exports of certain goods are subject to prohibition under Section 11 or any other laws for time being in force.

The following types of transactions are also excluded from the purview of India's trade statistics as they do not constitute merchandise trade:

(a) Transshipment Trade relates to imported goods transferred under bond for re-shipment from one vessel to another at the same or different ports. A separate bill of transshipment must be submitted to the Customs authorities for the purpose.

(b) Direct Transit Trade: It is the trade of the adjacent countries passing through the country compiling the statistics and relates to goods moving across the country without being placed at the free disposal of the importers or without being warehoused. This category covers both goods transferred from one vessel to another at the same port and the goods shipped from one port to another under Customs bond. It is excluded completely as the goods do not touch the Customs area. As against direct transit trade, there is the indirect transit trade. It relates to goods arriving from abroad, warehoused and subsequently exported without being placed at the free disposal of the importers and without having undergone transformation, repairs or supplementary treatment other than repacking, sorting or blending. The indirect transit trade is however included because the goods touch the Customs area. Goods arriving from abroad are first included under imports and when they are subsequently shipped later to other countries, they are included under re-exports. Indirect transit trade thus does not differ much from re-export trade.

(c) Diplomatic goods i.e., goods consigned by the government to its armed forces and diplomatic representatives abroad and those sent by Governments of

foreign countries to their Diplomatic personnel stationed in India are excluded. The Embassies and armed forces of foreign governments stationed in the country are considered for this purpose to be extra-territorial and part and parcel of the foreign governments concerned.

(d) Passenger's baggage, both accompanied and unaccompanied, whether dutiable or non-dutiable, are excluded.

(e) Bunkers (coal, other fuels and lubricating oil) and ship's stores (foodstuff for the crew, spare parts for the vehicle's machine, etc). These are excluded as they are meant for consumption in ship/aircraft. Surplus bunkers and stores purchased abroad are, however, treated as imports when they are landed in the country.

(f) Tourist's and travellers' effects, animals for racing and breeding, and exhibitions goods, etc.: these are considered to be articles of purely temporary trade the movements of which are likely to be reversed over a short period.

(g) Trade in the combatant items of defence equipment and in fissionable materials are not recorded by India as the relevant information is withheld from the Customs authorities for security reasons. Trade in non-combatant items is, however, recorded.

(h) Imports of non-dutiable articles and exports of all articles by letter post.

(i) Purchase and sales of ships and aircraft: These are generally excluded on the assumption that all merchant shipping lies outside the national frontiers. The trade is, however, included if it is effected through the Customs authorities after fulfilling the usual formalities.

The existing recommendations for coverage are quite clear and needs no further elaboration.

Use of change of ownership between residents and non-residents

The current recommendation does not provide further guidance on use of the change of ownership between residents and non-residents in IMTS. The principle of change of ownership between residents and non-residents in specific cases like ships, aircrafts etc. needs to be more clearly defined for taking appropriate decisions.

The applicability of the principle of change of ownership between resident and non-resident in specific cases needs to be more clearly defined for the purpose of not only assisting the compilers but also to help the Customs to laid down the procedures to be followed to capture such data, specially for those Countries where the Merchandise Trade Statistics data capturing and compiling are done by two different agencies of the Government like India.

Treatment of Packaged Software

So far as packaged software is concerned, the same is being treated as trade-in-services. It does not make distinction between periodic and perpetual license to as well as packaged software and audio-visual products. The question remains whether

the “goods used as carriers of information and software” should be updated or not to clarify its scope.

Issuing of periodic/perpetual licenses to the packaged software products on-line involved no physical movement of goods, hence such cases need to be excluded from the Merchandise trade. However, to make such distinction, it is required to provide a detailed clarification on the Customs procedures to be followed to capture such trade separately.

Goods for Processing

As per the current recommendation the goods sent abroad or brought into a country for processing and the goods resulting for such processing are recorded as imports and exports of the respective countries. For example oil refining, metal processing, vehicle assembly and clothing manufacture. This part needs attention because of its increasing economic importance.

Detailed recommendation may also be added for inclusion of goods for processing in terms of percentage of value addition in the process as well as physical inputs owned by others.

Transactions between Parent and Affiliated Branches

As part of current recommendation goods which cross borders as a result of transaction between parent corporations and their direct investment enterprises are to be included. If, in general, trade between affiliated entities does not entail a change of ownership it will be very useful for BOP compilers to know which transactions were made between the affiliates and in that case IMTS compilers may be requested to provide these additional information. However, the special care needs to be taken to define such action of transaction in more exhaustive and exclusive manner so that uniformity is maintained.

There should not be any separate recording for goods which cross borders as a result of transactions between parent corporations and their direct investment enterprises (affiliates / branches) because such separate recording may lead to anomalies in coverage by partner countries. Such goods may be included by some country but may be excluded by its partner country, hence may lead to complications.

Electronically Delivered Computer Software and Audiovisual Products

So far as information on customized software and audio-visual products are concerned these are excluded from general Merchandise BOP and treated as part of trade in services in case of downloadable or otherwise electronically delivered computer software and audiovisual products. For example software, blueprints, books, music, movies, engineering plans etc. which transmitted electronically from one country to another which generally considered being services rather than a good.

Recommendation needs explicitly mention for exclusion for electronic transmission of any downloadable product from one country to another as it is outside the scope of IMTS .

Asymmetric inclusions and exclusions

In order to obtain some supplementary information like the items acquired by national vessels or aircrafts outside the economic territory of a country or supplied by national vessels or aircrafts to foreign vessels or aircrafts outside the economic territory of a country or landed in foreign ports from national vessels or aircrafts which are excluded for IMTS to record separately for national imports or BOP purposes, a survey can be conducted on a representative sample airlines and shipping companies requesting data on bunkers, stores, ballast, etc. However, such transactions taking place inside the economic territory of a country are included in IMTS exports and imports. Another case with similar asymmetries is fish catch in high seas.

The review of asymmetric inclusion/exclusion and further elaboration of the guidelines will certainly facilitate the trade data compilers.

Adding Mode of Transport

It may be noted that most of the countries compile trade data by mode of transport broken into three categories, air, water and land.

It would be appropriate to review the relevant IMTS Rev.I recommendation and further elaborate in IMTS Rev. 3. As such mode of transport-wise trade data is being compiled and disseminated in India.

Adding Imports on FOB Type Basis

For both national income compilers and BOP compilers the imports FOB are required and also there is growing interest in imports data valued FOB for reconciliation exercise as it provides a basis for more thorough analysis of international flows of goods and services.

In addition to CIF basis the imports should be recorded on FOB type basis also as supplementary information. However care is to be taken to provide the instructions in the relevant paragraph to enable the data capturing agency (say, Customs Authority in India) to capture the said supplementary information as well. Once the data is captured, it would be appropriate to compile such FOB type imports data at the detailed level, instead of total level.

Strengthening Country of Consignment for Imports

So far as imports are concerned the information on country of origin is collected. The country of consignment for imports is generally found to be very important information for reconciliation exercises and for improving the calculation of trade balances with individual partner countries.

The collection of country of consignment as the second partner attribution for imports alongside with the country of origin will certainly help in reconciliation exercise with the partner countries.

Recommendation on Country of Consignment for Exports

So far as the export is concerned, the country of consignment is normally not recorded. But the country of consignment is better known to exporters than country of last known destination and this can be used to check the validity of country of last known destination and also for reconciliation exercises.

The recording of additional information on the country of consignment for exports as the second recommended partner attribution alongwith the country of the last known destination will obviously be of great help in reconciliation of trade data with the partner countries.

Use of Non-Customs Source & Data Compilation Strategies

The major source of IMTS is the customs data. The importance of non-customs data sources is increasing day by day due to absence in customs documentation of some statistically important information. However, the facilitation of customs formalities, elimination of tariff measures, and elimination of customs documentation altogether among members of customs unions creates additional difficulties for trade data compilers. It is, therefore, found that proper guidance on the use of information of customs sources and on the corresponding data compilation strategies needs to be provided.

The use of integrated approach by using non-customs sources and data compilation strategies like enterprise surveys, business register, etc. will obviously provide better quality of data, but proper care needs to be taken to avoid any duplication / omission, etc.

Maintaining Institutional Arrangements

In general there is no specific recommendation regarding the institutional arrangements required for collection of basic information for the purpose of compiling of IMTS. But as per the IMTS Compilers Manual some desirable practices in this area are in operation which is not sufficient for all the time.

In order to have proper trade statistics, it requires to include the importance of the institutional arrangements for compilation of the same so that a memorandum of understanding (MOU) can be made which clearly specifies the roles and responsibilities of each party with regard to the aspects of the production and distribution of the official statistics and the MOU should be updated as and when required.

The establishment and maintenance of necessary institutional arrangements among the related agencies through some sort of memorandum of understanding (MOU) to ensure effective compilation of trade statistics will be of great help to the member countries to have proper trade statistics in more efficient manner.

Recommendations on quality of International Merchandise Trade Statistics

So far as data quality is concerned, a number of quality framework reports, indicators have been developed and implemented by international and regional organizations like IMF, OECD, Eurostat etc. mentioning separate chapters on data quality.

So far as quality control of IMTS is concerned the use of same set of 'data quality indicators' by the partner countries will surely help in establishing the consistency and reconciliation of trade data on most uniformity basis.

Recommendations on the compilation and dissemination of metadata of IMTS

So far as compilation and dissemination of metadata of IMTS is concerned, in many cases completed metadata is not readily available as it is not an integral part of the international trade statistics dissemination. The metadata for IMTS are to be made available for the correct interpretation of country of trade statistics as well for comparison trade data between the countries for reconciliation exercise.

Like any kind of economic statistics in IMTS also the compilation and dissemination of metadata should be an integral part of the regular work programme of trade statistics compilers.

Compilation of External Trade Indices

Most of the countries compile external trade indices for both imports and exports for unit value and quantum (volume), price indices are no doubt preferred but normally not possible due to more costly of price survey. Compilation of external trade indices should be a part of regular programme of trade statistics compilers. Index numbers of unit value and quantum of external trade are being compiled and disseminated in India.

Compilation of Seasonally adjusted data

Seasonally adjusted trade data are very important for economic analysis and hence should be published on a regular basis. Compilation of seasonally adjusted trade data should be a part of regular programme of trade statistics compilers, but detailed recommendation on the methodology including concepts and definitions, etc. is needed for those country, like India who does not compile and disseminate seasonally adjusted trade data.

It is desirable to have more and more active and effective interactions among the member countries on the issue of compilation and dissemination of merchandise trade statistics under the over all guidance of the UNSD. The Compilers of different countries may be called for workshops periodically to enable them to share their views, difficulties etc. and standardize the methodology followed, which will help long way in reconciliation of bilateral trade between the partner countries.