

UNITED NATIONS
DEPARTMENT OF ECONOMIC AND SOCIAL AFFAIRS
STATISTICS DIVISION

**WORKSHOP ON THE REVISION OF THE
RECOMMENDATIONS ON IMTS,
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Country Note

Malaysia

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1. INTRODUCTION

- 1.1. The Department of Statistics Malaysia (DOSM) was established in 1949 under the provisions of the Statistics Ordinance 1949 - Bureau of Statistics. In 1965, the name of Bureau of Statistics was changed to the Department of Statistics, Malaysia, under the provisions of the Statistics Act 1965 (Revised 1989).
- 1.2. The Department of Statistics, Malaysia is under the purview of the Prime Minister's Department. The Chief Statistician of Malaysia is the head of the national statistical service who is responsible to the Chief Secretary to the Government.

2. COMPILATION OF INTERNATIONAL MERCHANDISE TRADE STATISTICS (IMTS), MALAYSIA

- 2.1. Department of Statistics Malaysia (DOSM) is responsible for compilation and dissemination of international merchandise trade statistics. External trade data are compiled and disseminated by DOSM at one to nine digit level(s) of HS/SITC codes. Information on unit, quantity, value and country of origin by commodity as per international classifications and format are compiled and presented as well as direction of trade and commodities. In DOSM, the External Trade Statistics Division (ETSD) is responsible to compile external trade statistics for Malaysia.
- 2.2. The ETSD was established in 1949 together with the DOSM under the provisions of the Statistics Ordinance 1949 - Bureau of Statistics. ETSD is responsible for the compilation of monthly and annual external trade statistics (import and export statistics). ETSD publish Monthly and Annual Statistics of External Trade, and Monthly External Trade Indices.

- 2.3. In 2007, Malaysia's exports and imports were valued at RM605.2 billion and RM504.8 billion respectively. Singapore, the United States and Japan were the top three Malaysia's trading partners.

3. SCOPE AND COVERAGE OF MALAYSIA'S IMTS

- 3.1. The general system of recording is adopted in compiling Malaysian external trade statistics. Under this system, the national boundary of the country is used as the statistical frontier. All goods entering or leaving the country (except specific exclusions) are recorded, whether or not such goods are subject to clearance. Accordingly, goods entering or leaving customs bonded warehouses, Free Trade Zones (Industrial/Commercial) and Free Zones are recorded in the statistics.
- 3.2. Details of commercial and private ships and aircraft are also included in these statistics if they were imported or exported as goods purchased, sold or leased (financial) whether or not they arrived or departed under their own power.

4. ISSUES ON THE REVISION OF THE RECOMMENDATIONS FOR INTERNATIONAL MERCHANDISE TRADE STATISTICS

4.1. ISSUE 2: USE OF CHANGE OF OWNERSHIP BETWEEN RESIDENTS AND NONRESIDENTS

Current recommendation

4.1.1 Except for several special cases (e.g., ships) and a reference to annex A, IMTS, Rev.2 does not provide further guidance on use of the change of ownership between resident and non-resident in international merchandise trade statistics.

Malaysia's experience

4.1.2 In Malaysia, manufactured goods exports contribute 45-50 per cent of total exports. Temporary export is one of the types of export that normally declared in Malaysia. This transaction type (declared electronically) can be identified and is excluded in export statistics of Malaysia. It contributes between one to two per cent of total exports or approximately USD80-150 million monthly. There were cases whereby these goods eventually acquired/purchased by other country. In Malaysia, this transaction is not updated in export account because it cannot be traced. In most of the cases, the change of ownership happens abroad. The local manufactures should have recorded this transaction as export of their goods as well as in their sales.

4.1.3 In other example, Malaysia had experienced in dealing with sale of ship which happened outside Malaysia boundary. There was a case where a ship that belongs to Malaysia's company was sold in foreign country. This transaction is not required to be declared to Malaysian Custom Department of Malaysia (because of its nature of sale). Hence, it is not captured in Malaysia's export account.

4.1.4 The questions are a) how to update this transaction (using other devise such as financial statement?) and b) what is the time of recording. This transaction has implication on the accuracy of Gross Domestic Product's (GDP) compilation.

4.2. ISSUE 3: PACKAGED SOFTWARE

Current recommendation

4.2.1 IMTS, Rev. 2, makes a distinction between packaged software (or audiovisual products), which is recommended to be included, and software "developed to order".

For detail, refer to *Goods used as carriers of information and software* (IMTS, Rev 2 para. 27) and *Goods treated as part of trade in services* (IMTS, Rev 2, para. 48).

4.2.2 The question, then, is whether the existing IMTS, Rev.2 recommendation on “*Goods used as carriers of information and software*” should be updated to clarify its scope.

Malaysia’s experience

4.2.3 In order to take into account in the International Trade Statistics of the packaged software, DOSM implements the following measures:

- DOSM forced these products as an error for more detail checking purposes (price and description)
- Validate the ‘error’: Check the declared code against the declared description. This is to identify whether it is a ‘Master Copy’ or import of goods for resale (wholesale/retail activity)
- Forced accept the transactions with ‘valid’ description.

4.2.4 DOSM usually goes back to the importer for confirmation. In future, DOSM anticipates this transaction become more tedious to handle if the present system is used. As a suggestion, may be by introducing a special code, this problem will be solved.

4.3 ISSUE 5: TRANSACTIONS BETWEEN PARENT AND AFFILIATED BRANCHES

Current recommendation

4.3.1 According to IMTS, Rev.2, goods which cross borders as a result of transactions between parent corporations and their direct

investment enterprises (affiliates/branches) are to be included (IMTS, Rev. 2, paragraph 29).

4.3.2 According to BPM6, when affiliated enterprises are separate legal entity, their transactions should be treated according to the parties' own arrangements as to whether there is a change of ownership or not. (BPM6, paragraph 10.21).

4.3.3 If there is no change of ownership the transaction will be excluded from General Merchandise BOP, unless there is a resale of the transferred goods.

4.3.4 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 affiliates.

Malaysia's experience

4.3.5 Transaction between parent and affiliated branches has an impact on value of export and/or import in Malaysia. Once goods are brought out of a country, it will be recorded as export (vice versa). But transaction between parent and affiliated branches is not recorded as earnings for the country of origin. It is just a value of goods that are taken out from a country. Users of international merchandise trade statistics have the tendency to interpret differently. They will say it is revenue for a country.

4.3.6 If this is linked to the compilation of Gross Domestic Product (GDP), how to explain the relationship between the supply (the production process) and demand (export of a country). The production activity occurred but there is no revenue recorded from international trade (except as value added for services activity).

4.3.7 The discrepancies also occurred in contractual manufacturing activities. The company which does the processing activity will get payment in term of fees.

4.4 ISSUE 17: COMPILATION OF SEASONALLY ADJUSTED DATA

Current recommendation

4.4.1 (IMTS, Rev. 2, para 161) Seasonally adjusted data. The publication of seasonally adjusted monthly/quarterly data, including both values and index number, provides additional valuable information required for economic analysis. Countries are encouraged to publish such data on regular basis.

Malaysia's experience

4.4.2 To produce seasonally adjusted data, Malaysia has problem with moving holiday. In Malaysia (and other Muslim countries), 'Eid Al Fitr' is celebrated by muslims every year. During the period, on average, many companies close their business between four to seven days. The problem is, every year this public holiday moves from month to month (become early). This due to the different between Gregorian and muslim lunar calendar. Malaysia would like to seek opinion on how to overcome this matter (in terms of software and expertise).

5 Conclusion

Malaysia hopes this workshop will give guideline and further explanation on how to handle current compilation issues of international merchandise trade statistics. The exchange of knowledge between the countries who participate in this workshop will also benefit us.