

**Workshop for Developing Countries on the Revision of the International
Recommendations for International Merchandise Trade Statistics (IMTS),
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SOME IMTS ISSUES IN THE PHILIPPINES

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Coverage

1. As a general guideline, it is recommended that international merchandise trade statistics record all goods which add to or subtract from the stock of material resources of a country by entering (imports) or leaving (exports) its economic territory. Goods simply being transported through a country (goods in transit) or temporarily admitted or withdrawn (except for goods for inward or outward processing; see IMTS, Rev.2, para. 28) do not add to or subtract from the stock of material resources of a country and are not included in the international merchandise trade statistics. In many cases, a country's economic territory largely coincides with its customs territory, which is the territory in which the customs law of a country applies in full. (IMTS, Rev.2, para. 14).
2. All goods entering any of the seaports or airports of entry in the Philippines properly cleared through or remaining under the Bureau of Customs control, the goods maybe utilized for direct consumption, for merchandising, for warehousing or for further processing, are considered imports. On the other hand, all goods leaving the country, which are properly cleared through the Bureau of Customs, are considered exports.
3. In recording the Philippines IMTS, the customs frontier and not the national boundary is used as the statistical frontier. This is important because the Philippines is one of the largest island groups in the world consisting of more than 7,000 islands. The Philippines' coasts consist the world's longest discontinuous coastline measuring 34,600 kilometers.
4. This unique topography of the Philippines makes it ideal for goods entering or leaving the economic territory illegally or smuggling. The extent of illegal transaction cannot be measured in the IMTS for these cannot be cleared by customs. The vast coastline of the country makes it difficult for the BOC to monitor such transactions. In turn, the NSO being dependent on the BOC for its IMTS is unable to compile the information.
5. It is recommended that the IMTS Rev 3 include a provision recommending a methodology for the measurement of smuggling including technical smuggling.

Goods for Processing

6. Goods for processing are goods sent abroad or brought into a country for processing, including processing under contract. Examples are oil refining, metal processing, vehicle assembly and clothing manufacture. These goods and goods resulting from such processing should be recorded as imports and exports of the respective countries. (IMTS, Rev. 2, para 28)
5. Goods for processing, that is, goods sent abroad or brought into the Philippines for processing, including processing under contract and processing under the inward processing procedure are included in the Philippines IMTS.

6. In the Philippines, the single biggest export earner is the electronic components, accounting for about two-thirds of total exports. Inputs for these products are all imported and the only added value the domestic economy contributes to these exports is labor for assembling the components into chips or circuit boards. When multinational electronic firms' parent companies abroad send electronic components to their Philippine affiliates for further assembly and subsequent re-export to their mother unit or another sister unit, the value of imported components are not reported in the customs documents compiled by the NSO. But the full value of the exported products is reported in the export declarations. The export earnings are not being matched by enough imports resulting in favorable trade balance. Government economists were troubled at how the data appeared to show too much capital flight, showing up as "short term capital outflows in the balance-of-payments accounts. A Task Force was then created in 2001 to look into the seeming inconsistency in the external economic data and to investigate whether the import figures were understated.
7. The findings of the Task Force showed that the understatement of imports is due to the undervaluation of the imported value of goods for processing, particularly that of the electronics sector. Based on the results of a Special Survey of Imported Raw Materials approved by the National Statistical Coordination Executive Board (NSCB), it can be recalled that in 2003, the NSO had to revise its imports figures for 2000 to 2003. The respondents were the top electronic exporters which understandably expressed reluctance to undergo the same survey every year. Due to budget constraints and respondent's burden, the survey was not deemed sustainable, but intra-company import transactions need to be captured. Hence, an interim methodology was developed by the Task Force and upon approval by the NSCB Executive Board on May 8, 2005 became the basis for the second set of import revisions between 2002 and 2005. The interim methodology consisted of estimating the true measure of imports of consigned electronics using the value of raw materials compiled from the export declarations instead of the fob import figures from the Import Entry and Internal Revenue Declaration of consigned electronic exports.
8. Starting 2006, NSO stopped using the interim methodology to adjust its imports figures, and instead utilized the electronic files from the Automated Cargo Operating System of the Bureau of Customs to validate them.
9. Considering the importance of the measurement of the value of goods for processing, the Philippines agrees that the existing recommendation (IMTS, Rev.2, para 28) for inclusion of **goods for processing** should be updated to define more clearly its scope.

Likewise, the Philippines agrees that a new recommendation should be added which states that goods for processing with physical inputs owned by others (or goods on consigned basis) should be separately recorded and should be included in the IMTS.

Coverage - Trade between Affiliated Enterprises

10. 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).
11. Transactions between parent corporations and their direct investment enterprises (affiliates/branches) are included in the Philippines IMTS, but the value and volume of these transactions cannot be identified separately.
12. In both the Export Declaration Form and the Import Entry Revenue Declaration Forms, Box 2 contains the name of the Exporter/Supplier and Box 8, the name of the Importer/Consignee. In compiling export statistics, the Philippines NSO processes only the name of the exporter or supplier from Box 2. Similarly, only Box 8 containing the name of the importer or consignee is being processed in the compilation of import statistics. Even if the NSO will obtain both information for the IMTS, the relationship between the exporter - importer as parent corporation - affiliate cannot be established in the customs documents.
13. The Philippines does not agree with the existing recommendation (IMTS, Rev.2, para 29) to include goods which cross borders as a result of transactions between parent corporations and their direct investment enterprises (affiliates/branches) be supplemented by a new recommendation that such goods should be separately recorded. Relationship between a parent corporation and its affiliates or branches cannot be established in the customs documents. The name of the Exporter/Supplier (Box 2) and the name of Importer/Consignee (Box 8) are provided in the Export Declaration Forms and the Import Entry Revenue Declaration (IERD) Forms, but information on whether they have parent corporation-affiliate relationship is not available. As such, we do not agree that transactions between them should be separately recorded.
14. We do agree, however, that transactions of goods between parent corporations and their affiliates shall be included in the IMTS.

Adding mode of transport

15. There is no explicit reference to mode of transport in IMTS, Rev.2. However, IMTS, Rev.1, (IMTS, Rev1, paragraph 148) recommended that countries should collect import and export data by mode of transport, broken down into three categories:
 - Air
 - Water (of which Sea, Inland waterway)
 - Land (Railway, Road, Pipeline)
16. Mode of transport statistics is being compiled by NSO. During Receipt and Control, the documents are segregated according to mode of transport – whether by air or vessel. Documents by air or by vessel are separately bundled and folioed. Box 18 of the IERD and Single Administrative Documents contains entry for carrier/feeder. Entry in this box indicate the type of transport.

17. Mode of transport is one of the data being transcribed by the NSO into Form T-8 – Processing Sheet. It corresponds to Column 20 for Exports and Column 19 for Imports. Regular and special tabulations can be generated for all the data contained in the T – 8.
18. Since the Philippines does not share a border with another country, only mode of transport statistics by sea and by air are available. Mode of transport by land is not applicable.
19. The Philippines agree with the recommendation to update the recommendations on compilation and dissemination of trade statistics by mode of transport and further elaborate them in IMTS, Rev.3.
20. We recommend that mode of transport be recorded by means of transport at port of origin and port of destination, and by multiple modes of transport.

Valuation - Compilation of Imports FOB in addition to Imports CIF;

21. To promote the comparability of international merchandise trade statistics and taking into account the commercial and data reporting practices of the majority of countries, it is recommended that the statistical value of imported goods be a CIF-type value. (IMTS, Rev.2, para 116)
22. In the Philippines, value of imported goods are compiled and published as a FOB-type value. Data for international freight and insurance associated with the importation of goods are available separately such that value of imported goods as CIF-type value are also available in publications.
23. In comparing trade partner data in the Philippines, the value of imported goods are both expressed as a FOB-type value.
24. In September 2008, the NSO will conduct a 2007 Special Survey of Imported Commodities for 120 sample traders. The survey questionnaire includes questions on the cost of insurance and freight by mode of shipment for the top products or goods imported by the traders. The results of the survey will be used to validate the current methodology in compiling insurance and freight data.
25. The Philippines agrees to the following:
 - a) that in addition to the existing recommendation on the valuation of imports, a new recommendation should be added as supplementary information to compile the statistical value of such goods also on a FOB-type basis.
 - b) that the compilation of such FOB-type imports data should be at least at total level .
 - c) that compilation of such FOB-type imports data at the detailed level should be encouraged.

Maintaining institutional arrangements

26. IMTS, Rev.2 contains no recommendation regarding institutional arrangements required for the collection of basic information for the purpose of compiling IMTS. However, *International Merchandise Trade Statistics: Compilers Manual* (IMTS:CM) describes various institutional frameworks (IMTS:CM, chapter 2) and indicates some desirable practices in this area. For example:

(IMTS:CM, Ch. 2, para 15) Compilers should establish a working arrangement with the organizations keeping records relevant to trade statistics (e.g., records of imports and exports of electrical energy, pipeline shipments of natural gas and crude oil, maintained by specialized governmental agencies). Compilers should also initiate, whenever appropriate, modifications to national legislation or relevant administrative regulations in order to establish a solid foundation for enhancing the quality and timeliness of trade statistics. This includes identifying governmental agencies involved in trade statistics and setting up a clear division of responsibility between them. IMTS:CM, Ch. 2, para 22) The reliance by the statistical office on data from sources external to itself requires close cooperative relationships with all governmental departments and agencies involved. The statistical office and the customs agency - the largest data supplier - along with other source agencies, should establish a **memorandum of understanding** so that the roles and responsibilities of each party with regard to all aspects of the production and distribution of official statistics are clearly defined. The memorandum should be updated, as needed.

27. The NSO has an existing memorandum of agreement with the Bureau of Customs for the latter to provide the NSO with a copy of the Export Declarations and the Import Entry Revenue Declarations, including electronic files from the Automated Export Documentation System and the Automated Cargo Operating System. The paper documents are collected daily in Metro Manila and weekly outside Metro Manila by NSO staff. The electronic files in CDs are collected monthly at designated dates. The NSO has also a Memorandum of Agreement with the Subic Bay Metropolitan Authority for the latter to provide the NSO with customs documents.
28. Even if we have working agreements with other agencies, NSO does not regularly meet or consult with these agencies before release of the trade statistics.
29. The Philippines agrees to include a new recommendation into IMTS, Rev. 3 on the need to establish and maintain necessary institutional arrangements to ensure effective compilation of high quality trade statistics.