

Workshop for Developing Countries on the Revision of the International Recommendations for International Merchandise Trade Statistics (IMTS)

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Coverage

**(Definition of IMTS and nature of transactions covered;
Change of ownership; Goods for processing;
Trade between affiliated enterprises)**



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Part 1

Definition of IMTS and nature of transactions covered

Coverage – Definition of IMTS and Nature of transaction covered

1. Current recommendation(s)

Coverage: 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 Goods simply being transported through a country (goods in transit) or temporarily admitted or withdrawn (except for goods for inward or outward processing; see IMTS, Rev.2, para. 28) do not add to or subtract from the stock of material resources of a country and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.

Refer to IMTS, Rev.2, para. 14

2. Result from the 2006 NCDP Questionnaire

Question:	Yes in %	No in %	N/A in %
As a general rule, do you include in trade statistics goods which enter (imports) or leave (exports) your economic territory (except for goods in transit and temporary admissions/ withdrawals)?	90.9	5	4.1

Coverage – Definition of IMTS and Nature of transaction covered

3. Result from world wide consultations

Question 1: Should the basic definition of IMTS further elaborated by clarifying the terms “adding to or subtracting from the stock of material resources” (part 1 of the question), “being simply transported” (part 2) and “temporary admission” (part 3)?	Yes in %	No in %	No Op. in %	N/A in %
Part 1 – Total of 110 replies	82	9	8	1
Developed (34)	91	6	3	0
Developing and transitional (76)	78	11	11	1
Part 2 – Total of 110 replies	75	13	10	3
Developed (34)	82	12	6	0
Developing and transitional (76)	71	13	12	4
Part 3 - Total of 110 replies	85	7	5	4
Developed (34)	91	6	0	3
Developing and transitional (76)	82	8	7	4

Coverage – Definition of IMTS and Nature of transaction covered

4. UNSD observation of wwc result

There is overwhelming support (82% and 85%, respectively) for part 1 and 3 of the question with slightly less support (75%) regarding the need for clarifying the term “simply transported” (part 2). Many comments support the need for clarification, in particular regarding the term “temporary admission”. Several comments mention that maybe examples could be given or a link to customs procedures be made. The comments will provide a good guidance for the drafting of revised text.

The support from the 34 developed countries is slightly stronger than from the 76 developing/ transitional countries.

Coverage – Definition of IMTS and Nature of transaction covered

5. Selected comments (from total of 59 comments)

- “The term “**adding to or subtracting from the stock of material resource**” is fundamental to the correct understanding to the record of merchandises that enter or leave the country. ”
- “Economy has to have the goods directly available. [...] The definition should therefore include aspects of customs warehouses, processing and change of ownership.”
- “There is the need to include some examples of cases where the goods do not add to or subtract from the country's resources.”
- “For example, more and more goods are placed into [...] special customs control areas and bond zones as buffer stock by overseas owners [...].”
- “Coverage should be further elaborated, since in many countries trade of goods is treated in special or general system [...].”

Coverage – Definition of IMTS and Nature of transaction covered

5. Selected comments (from total of 59 comments) - continued

- “We agree that these terms are not always clear and perhaps they should be linked to specific customs procedure codes where applicable.”
- “[...] the **definition of transit** in IMTS Rev.2 should be further specified: If goods enter a country with the purpose of reaching a third country but there is a legal operation (e.g. change of ownership) or a halt not inherent with transport in the intermediate country [...].”
- “[...] the description of goods in situation of “**temporary admission**” be followed by examples in which this term applies. It’s essential to particularize the situations in which goods can be fit in as “temporary admission” in a country”
- “**Temporary admission** should be limited (in EU: 24 months)”
- “However, clarification would be beneficial to ensure that the type of **lease arrangements** currently entered into for aircraft are addressed”
- “More clarifications concerning **temporary admissions** in commercial free zones would be helpful.”

Coverage – additional issues raised (open list)

- **Further elaborate the nature of transactions** covered by international trade statistics (e.g. sales and purchases, goods transfer, non-competitive or intra-firm trade), to clarify the role of certain activities adding value to the goods (of which the origin may or may not change), such as distributive trade, storage or transportation, and to clarify whether these transactions should be included in international merchandise trade statistics or should be classified as simple transportation (and excluded)?
- Expert Group found that there is a need for further discussion on and explanation of the term ‘trade’ (while the existing definition should be maintained).

Coverage – additional issues raised (open list) - continued

- **Review the list of inclusions and exclusions** for updating or refocusing and that for certain categories of goods it should be specified that they should be included in the total, but may not be fully described in commodity and partner detail?
- **Humanitarian aid (including emergency aid) and other donations:** to be included (IMTS, Rev.2, para 23, page 5), even if details of these transactions may only become available at a later stage?
- **Merchanting:** Reconfirm that the existing recommendation on exclusion of merchanting (IMTS, Rev.2, para 50, page 7), and elaborate in this respect the trade in aircraft and vessels (which is included, see IMTS, Rev.2, para 36, page 6)?

Part 2

**Change of ownership;
Goods for processing;
Trade between affiliated enterprises**

Coverage – Change of ownership

1. Current recommendation(s)

Change of ownership: *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.*

2. Result from the 2006 NCDP Questionnaire

Question	Yes	No	N/A
Do you use change of ownership (between residents and non-residents) as a basis for inclusion of certain goods in trade statistics?	28.8	64.5	6.7
Can your office compile detailed commodity by partner trade statistics on the basis of change of ownership?	26.4	66.9	6.7

Coverage – Change of ownership

3. Result from world wide consultations

Question 2(i): Do you agree that the reasons for use of change of ownership between residents and non-residents as an alternative criterion for inclusion of certain categories of goods should be clarified?	Yes in %	No in %	No Op . in %	N/A in %
Total of 110 replies	76	9	14	1
Developed (34)	91	3	6	0
Developing and transitional (76)	70	12	17	1

Question 2(ii): Do you agree that a list of such categories of goods should be developed, reviewed and added to the revised manual ?	Yes in %	No in %	No Op . in %	N/A in %
Total of 110 replies	80	8	11	1
Developed (34)	85	3	12	0
Developing and transitional (76)	78	11	11	1

Coverage – Change of ownership

4. UNSD observation of wwc result

There is overwhelming support (76% and 80%, respectively, with no-answers below 10%) for both parts of the question. Particular issues raised in the comments are the refitting of ships, partner country attribution and time of recording, processing, incl. oil refining, financial leasing, gas and electricity, trade without crossing the border and ships. Comments suggest that a list of cases and examples would be useful.

The support from the developed countries for this proposal is very strong and slightly less strong from the developing/ transitional countries

Coverage – Change of ownership

5. Selected comments (from total of 59 comments)

- “The change of ownership has to be used not as an alternative but a **substitute criterium** for cases where the physical movement of goods across borders is not a suitable criterium (e.g. for vehicles).“
- We feel that ownership should be used **only for a very limited set of high-valued transactions** for which using the IMTS's usual approach of simple movement into or out of a country would distort the trade statistics.
- We suggest that the list should contain **guidance and examples on how to record the following**: Ships, Aircraft, Satellites, Sea Products, Gas and Electricity [...] The current guidance states, in para 31, that it is ‘important that trading partners in such transactions record these flows using the same method’. We think there should be guidance on the method to be used to mitigate against current asymmetry problems.

Coverage – Change of ownership

5. Selected comments (from total of 59 comments) - continued

- Besides it is necessary to clarify for such categories of goods **different possibilities of change of ownership**, for example, financial lease, operational lease or hire.
 - It is also important to **define clearly the concepts of “change of ownership”, “resident”, “non-resident”** in order to avoid misinterpretations.
 - The revised recommendation should also include suggestions concerning the **attribution of partner countries** in such situations.
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- Statistics Netherlands makes a distinction between change of ownership in general. This is requested by National accounts and Balance of Payments.
 - In our country, we could not determine the ownership and much more the change of ownership.

Coverage – Goods for processing

1. Current recommendation(s)

Goods for processing (IMTS, Rev.2, para 28). These 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.

2. Result from the 2006 NCDP Questionnaire

Question: Do you INCLUDE in trade statistics:	Yes	No	N/A
Goods for processing (i.e., goods sent abroad or brought into your country for processing, including processing under contract and processing under the inward processing procedure)	83.5	9.1	7.4

Coverage – Goods for processing

3. Result from world wide consultations

Question 4(i): Do you agree that the existing recommendation (IMTS, Rev.2, para 28) for inclusion of <i>goods for processing</i> should be updated to define more clearly its scope? ?	Yes in %	No in %	No Op. in %	N/A in %
Total of 110 replies	85	8	5	1
Developed (34)	85	12	3	0
Developing and transitional (76)	86	7	7	1

Question 4(ii): Do you agree that that a new recommendation should be added which states that <i>goods for processing with <u>physical inputs owned by others</u></i> be separately recorded ?	Yes in %	No in %	No Op. in %	N/A in %
Total of 110 replies	62	21	15	3
Developed (34)	47	35	15	3
Developing and transitional (76)	68	14	14	3

Coverage – Goods for processing

4. UNSD observation of wwc result

There is almost universal support (85%, with no-answers 8%) for the first part of this proposal. The majority of countries (62%) support the separate recoding of goods for processing owned by others but there is a significant opposition (21% of countries replied no) to this proposal. Several countries argue for adopting the new BOP treatment and several question the feasibility of this proposal. Countries commented that processing needs to be defined and differentiated. Also, a link/bridge to BOP should be provided in the revised recommendations.

The opposition to part 2 of this proposal is twice as strong from developing countries (35%) than from other countries (14%).

Coverage – Goods for processing

5. Selected comments (from total of 58 comments)

- The current **definition of processing** should become a clear/detailed description.
- Detailed recommendation may also be added for inclusion of **goods for processing in terms of percentage of value** addition in the process.
- **BOP statisticians are in favor** of separate recording since comparability between BOP statistics and foreign trade statistics would be improved.
- In practice, separately recording is **very difficult using only customs documents**.
- **We oppose** adding a recommendation that all countries separately record goods for processing with physical inputs owned by others.
- **We agree** to better assess the scope of processing.
- In principle it would be very good to have this kind of information [...] However, from practical compilation point of view it does **not appear to be feasible** to attempt this kind of refinement in the context of IMTS.

Coverage – Goods for processing

5. Selected comments (from total of 58 comments) - continued

- [...] it is worth noting that discussions re the current **'nature of transaction' coding system** are currently under way at Eurostat and one of the recommendations made for supplementing the coding system is to capture more detailed information on processing (i.e. processing under contract and processing on own account)
 - [...] **we suggest that goods for processing be included into trade statistics and fell into two types, namely: goods for processing with ownership passed on to the processing company and goods for processing with physical inputs owned by others.**
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- In the revised IMTS (para 28) there should be a recommendation to exclude goods for processing if ownership did not change; they should be separately recorded as trade in services.

Coverage – Trade between affiliated enterprises

1. Current recommendation(s)

Trade between affiliated enterprises: 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).

2. Result from the 2006 NCDP Questionnaire

Question: Do you INCLUDE in trade statistics:	Yes in %	No in %	N/A in %
Goods which cross borders as a result of transactions between parent corporations and their direct investment enterprises (affiliates/branches)	74.4	14	11.6

Coverage – Trade between affiliated enterprises

3. Result from world wide consultations

Question 5: Do you agree that 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) is supplemented by a new recommendation that such goods should be separately recorded? ?	Yes in %	No in %	No Op. in %	N/A in %
Total of 110 replies	56	28	15	0
Developed (34)	47	35	18	0
Developing and transitional (76)	61	25	14	0

Coverage – Trade between affiliated enterprises

4. UNSD observation of wwc result

The majority of countries (56%) support the separate recoding of intra-firm trade (trade between related parties) but there is a significant opposition (28% of countries replied no) to this proposal. From the comments it seems there is very wide support for the goal to collect this information but at the same time many countries are concerned about the practicality of data collection as part of IMTS. Countries indicate that there is no universal or agreed definition for related parties. Several countries recommend conducting special surveys instead of recording intra-firm trade as part of IMTS. Several countries make reference to the discussion within the EU on this topic. Some comments 'mix in' the issue of change of ownership.

Only 47% of developed countries support this proposal and 35% are opposing it. Other countries are more clearly in support of this proposal (61%, with no-answers 25%).

Coverage – Trade between affiliated enterprises

5. Selected comments (from total of 62 comments)

- “I think it's **important to record separately** the transactions between parent companies and their affiliates/branches because of its relevance in the host countries economies.
- 'In the **customs declaration the relationship between the buyer and seller is not specified** as this is difficult.
- Normally customs document contains a code "relation between buyer and seller" but it is **not completely declared** by traders and not to check by Customs stuffs. So, the information produced using customs documents will be unreliable.
- We agree that the extra information that this would provide would be beneficial to users. **However in practice it will be very difficult** to identify all cases where this occurs. We are likely to identify occurrences where there are regular and substantial transactions, but smaller one-off transactions are unlikely to be captured meaning separately recorded figures would be understated.
- Despite the practical difficulties involved, **additional information of movements between parents and affiliates is really needed**. However, this type of information is of structural characteristics and may not be required at same frequency as short-term trade statistics.

Coverage – Trade between affiliated enterprises

5. Selected comments (from total of 62 comments) - continued

- **Desirable from the point of view of users but difficult to get the information in practise.** Difficult to distinguish mother company and daughter company. [...] The better way is to carry out an **additional survey** (annual or multiannual) in the framework of business statistics).
- [...] **But in practice, it is very difficult** for customs to accurately know that the goods declared is associated with the transaction between parent company and its direct investment enterprises. [...] We think it is comparatively **feasible to acquire the data by survey** and suggest that the detailed guide be provided in the compiler's manual.
- The Recommendation should include a reference to the point that while affiliate trade may be identifiable, the **change or non-change of ownership status for specific transactions may not be readily (or at all) available.** As well, it should be noted that **definitions of affiliate trade** may differ from country to country.

Thank you for your attention