

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

Bogotá, 31 March - 3 April, 2009

Coverage (item 7)

**(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 Goods simply being transported through a country (goods in transit) or temporarily admitted or withdrawn (except for goods for inward or outward processing; see IMTS, Rev.2, para. 28) do not add to or subtract from the stock of material resources of a country and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 115 replies	82	10	8	1
Developed (34)	91	6	3	0
Developing and transitional (81)	78	11	11	1
Part 2 – Total of 115 replies	75	12	10	3
Developed (34)	82	12	6	0
Developing and transitional (81)	72	12	12	4
Part 3 - Total of 115 replies	85	7	4	3
Developed (34)	91	6	0	3
Developing and transitional (81)	83	7	6	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).

Comments from 64 countries were received on this question. Many countries offer specific proposals including such as:

- (a) identify the criteria which differentiate “adding to or subtracting from the stock of material resources” from “temporary admission” and “being simply transported”;
- (b) treat goods as adding to the stock of material resources if they become directly available in the economy and as being temporary admitted or simply transported if this condition is not satisfied;
- (c) provide examples and/or links to customs procedures to clarify the meaning of those terms;
- (d) for identification of temporary admission use the length of stay of goods in a country;

Coverage – Definition of IMTS and Nature of transaction covered

5. UNSD draft proposal for chapter 1 on coverage (March 2009):

General guideline remains unchanged but is subject to clarifications:

- “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.”

Specific guidelines clarify whether those goods are:

- included in international merchandise trade statistics,
- excluded from international merchandise trade statistics,
- excluded from international merchandise trade statistics but be separately recorded mainly to assist in the derivation of the totals of international merchandise trade for balance of payments and national accounts purposes.

Coverage – Definition of IMTS and Nature of transaction covered

5. UNSD draft proposal for chapter 1 on coverage (March 2009)

- Exclude goods simply being transported through a country. “Goods are considered as simply being transported through a country if they
 - (i) enter and leave the compiling country solely for the purpose of being transported to another country,
 - (ii) are not subject to halts not inherent to the transportation and
 - (iii) can be identified both at the time of entering and leaving the country.”
 - Halts not inherent to the transportation are... [insert].
 - Transportation may involve *simple handling operations* and *temporary storage*. Examples are...
 - Include, but are not limited to the cases of goods under "in transit" or "in trans-shipment" customs procedures.
 - Try to identify also if declared as regular imports on arrival and exports on departure

Coverage – Definition of IMTS and Nature of transaction covered

5. UNSD draft proposal for chapter 1 on coverage (March 2009)

- Exclude goods temporarily admitted or dispatched. **It is recommended** that goods are considered as temporarily admitted/dispatched if at the time of admission/dispatch it is known that their intended stay in the receiving country is temporary (in general one year or less) and after their stay they can be withdrawn/returned in the same state (except for normal wear and tear).
 - Includes, but is not limited to,
 - goods identified in the Kyoto and Istanbul Conventions
 - goods covered by the "temporary admission subject to re-exportation in the same state" customs procedure.
 - Examples: display equipment for trade fairs and exhibitions; art exhibits, commercial samples and pedagogic material; animals for breeding, show or racing; packaging, means of transport, containers and equipment connected with transport; and equipment for the working of lands adjacent to the border by persons resident abroad.

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 115 replies	77	8	15	1
Developed (34)	91	3	6	0
Developing and transitional (76)	70	10	19	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 115 replies	80	7	12	1
Developed (34)	85	3	12	0
Developing and transitional (81)	78	9	12	1

Coverage – Change of ownership

4. UNSD observation of wwc result

There is overwhelming support (77% and 80%, respectively, with “No”-answers below 10%) for both parts of the question.

Comments from 62 countries were received on this question.

- Several comments suggest that change of ownership should only be used in a very limited set of special cases and that a list of cases and examples would be useful.
- Particular issues which raised concern are the recording of ships, aircraft, satellites, sea products, gas and electricity, the refitting of ships, processing incl. oil refining, financial leasing and trade without crossing the border.
- In this connection the issues of partner country attribution and time of recording should be addressed also.
- The concepts of “change of ownership”, “resident” and “non-resident” should be clearly defined in order to avoid misinterpretations.

Coverage – Change of ownership

5. UNSD draft proposal for chapter 1 on coverage (March 2009)

“Change of ownership. The criterion of change of ownership is to be applied only if the general guideline is not applicable, that is when goods do not cross the border of the compiling country (e.g. ships, aircraft, satellites). Change of ownership refers to change of economic (not legal) ownership, in accordance with 2008SNA and BPM6.”

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 115 replies	86	7	6	1
Developed (34)	85	12	3	0
Developing and transitional (81)	86	5	7	1

Question 4(ii): Do you agree that that a new recommendation should be added which states that <i>goods for processing with physical inputs owned by others</i> be separately recorded ?	Yes in %	No in %	No Op. in %	N/A in %
Total of 115 replies	63	19	15	3
Developed (34)	47	35	15	3
Developing and transitional (81)	70	12	15	2

Coverage – Goods for processing

4. UNSD observation of wwc result

There is almost universal support (86%, with “No”-answers 7%) for the first part of this proposal. The majority of countries (63%) support the separate recording of goods for processing owned by others but there is significant opposition (19% of countries replied no) to this proposal. The opposition to part 2 of this proposal is three times as strong from developed countries (35%) than from other countries (12%).

Comments from 61 countries were received on this question.

- Countries suggest that processing needs to be clearly defined and differentiated from other transactions.
- Some find change of ownership to be not sufficiently defined or difficult to determine (i.e. in the case of trade between affiliated enterprises).
- Many countries see difficulties in identifying goods for processing with physical inputs owned by others and several countries request that the revised recommendations provide practical guidelines and best practices for the identification and measurement of these transactions.
- Several countries suggest to utilize customs procedure codes or the nature of transactions coding system (in the EU) to identify this kind of transactions. Other countries suggest using surveys.
- Several countries are concerned about the difference to BOP statistics and request that a clear explanation about the link or bridge to BOP statistics should be provided in the revised recommendations.

Coverage – Goods for processing

5. UNSD draft proposal for chapter 1 on coverage (March 2009)

- *“Goods for processing with or without change of ownership. Goods for processing are goods sent abroad or brought into a country, under a specific arrangement between the involved parties (which may or may not include the change of ownership) and for a specific purpose which usually entails further transformation that is changing the characteristics of the goods.”*
 - Goods for processing without change of ownership are a subset of this general concept.
 - Goods for processing may be brought into a country under the special customs procedures such as for importation for inward processing or processing under customs control (see Annex B for definitions of these procedures) as well as be declared for home use.
 - Goods resulting from processing might be returned to the sending country, sold in the country of processing or be sent to a third country.

Coverage – Goods for processing

5. UNSD draft proposal for chapter 1 on coverage (March 2009)

- **“It is recommended** that in all cases goods for processing, as well as goods resulting from the processing (compensating products in customs terminology) are to be included in the merchandise exports and imports of the countries, as applicable, at their gross value unless those goods fall into the category of goods temporarily admitted or dispatched, goods for repair, maintenance or service which are excluded from merchandise trade statistics.”
- **“[...] countries are encouraged** to explicitly identify (code) in their trade statistics goods for processing as well as goods resulting from such processing where no change of ownership takes place. However, it is recognized that such identification may not be all-inclusive [...] and the obtained information may not be internationally comparable as (a) merchandise trade statistics compilers may not have adequate sources of data (especially in cases when the appropriate customs procedures are not used) and (b) national definitions of such procedures may differ significantly.”
- **“It is further recommended** that the metadata on international merchandise trade statistics contain the estimate of the manufacturing services on inputs owned by others if made available by the compilers of statistics on international 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 115 replies	57	26	17	0
Developed (34)	47	35	18	0
Developing and transitional (81)	62	22	16	0

Coverage – Trade between affiliated enterprises

4. UNSD observation of wwc result

The majority of countries (57%) support the separate recoding of intra-firm trade (trade between related parties) but there is a significant opposition (26% 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.
- 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.

Coverage – Trade between affiliated enterprises

5. UNSD draft proposal for chapter 1 on coverage (March 2009)

- “*Goods which cross borders as a result of transactions between related parties.* These are goods in cross-border transactions of the related parties, including parties related by ownership and/or control. These goods should be included following all recommendations contained in this publication.”
- “Countries **are encouraged** to separately identify (code) such goods and types of the relationships in order to be able to review their valuation and to provide information on these transactions to users.”
 - But according to specific data needs and overall compilation strategies countries can estimate their share in imports/exports by conducting regular surveys of companies which have foreign affiliates or are affiliates of the foreign companies.
 - Countries are encouraged to describe their practices in this respect in their metadata to ensure proper use of their statistics and to assist in international comparisons.

Thank you for your attention