

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

Bogotá, 31 March - 3 April, 2009

Trade system (item 9)

**(Clarification of territorial elements; Boundaries of the relaxed
definition of the special trade system; Other concerns)**



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Issues discussed by the EG-IMTS, Dec 2007

- The current recommendation to use the General Trade System (IMTS, Rev.2, para 89, page 13) was reconfirmed
- Elaboration and clarification regarding the inclusion of certain territorial elements
- Elaboration and clarification regarding the boundaries with the relaxed definition of the Special Trade System;
- The text should further make separate mention of the possibility of a different trade system for imports and exports within one country.

Issues discussed by the EG-IMTS, Dec 2007

Elaboration and clarification regarding the boundaries with the relaxed definition of the Special Trade System;

- Strict definition of the special trade system covers only trade of:

Free circulation area

- Relaxed definition includes in addition trade of:

Premises for inward processing

Industrial free zones

- General trade system includes in addition trade of:

Customs warehouses

Commercial free zones

Problems i.e. variable definition of 'Customs free zones'; trade with and through own free zones.

Results of the 2006 NCDP Questionnaire

Elaboration and clarification regarding the boundaries with the relaxed definition of the Special Trade System;

NCDP 2006 Question	Yes (%)	No (%)	N/A (%)
Do you include in your trade statistics goods entering or leaving the following territorial elements:			
- premises designated for inward processing	56.8	25.8	17.4
- industrial free zones	48.5	28.8	22.7
- commercial free zones	47.0	29.5	23.5
- customs warehouses	61.4	29.5	9.1
Do you disseminate trade statistics only according to			
- the general trade system ?	42.4	53.0	4.5
- the special trade system ?	40.2	53.0	6.8
- both the general and special trade system ?	21.2	60.6	18.2

Results of the 2006 NCDP Questionnaire

Elaboration and clarification regarding the inclusion of certain territorial elements

NCDP Questionnaire 2006	Yes (%)	No (%)	N/A (%)
Do you include in your trade statistics goods entering or leaving the following territorial elements:			
- territorial waters, and continental shelf	32.6	36.4	31.1
- offshore territories, possessions, dependencies etc (including outer space installations).	19.7	43.2	37.1
- your country's embassies, military bases and other territorial enclaves in other countries	17.4	62.1	20.5

UNSD draft proposal for chapter 2 on the trade system (March 2009) - Definitions:

Statistical territory. The statistical territory of a country is the territory with respect to which data are being compiled. **It is recommended that** countries provide a detailed description of their statistical territory and make that description publicly available as a part of their metadata.

Elements of statistical territory. The statistical authorities of a country may define its statistical territory by listing various elements of its economic territory

- **it is recommended** that countries use, to the extent possible, definitions of the customs terms as contained in the annexes to the Kyoto Convention.
- **it is recommended** that countries make clear whether or not the following territorial elements exist in the country, and on whether or not they are included in its statistical territory:
 - a) Islands;
 - b) Territorial waters;
 - c) Continental shelf;
 - d) Offshore and outer space installations and apparatus;
 - e) Commercial free zones;
 - f) Industrial free zones;
 - g) Premises for customs warehousing;
 - h) Premises for inward processing;
 - i) Territorial enclaves of the compiling country in other countries;
 - j) Territorial exclaves that is enclaves of other countries in the compiling country.

UNSD draft proposal for chapter 2 on the trade system (March 2009) - Definitions:

Commercial and industrial free zones. "The term 'free zone' means a part of the territory of a State where any goods introduced are generally regarded, insofar as import duty and taxes are concerned, as being outside the customs territory and are not subject to the usual customs control".

A distinction may be made between commercial and industrial free zones. According to the Kyoto convention

- "in commercial free zones the permitted operations are generally limited to those necessary for the preservation of the goods and the usual forms of handling to improve their packaging or marketable quality or to prepare them for shipment.
 - In industrial free zones processing operations are authorized".
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- Customs free zones exist, inter alia, in such forms as investment promotion zones, export processing zones, foreign trade zones, commercial free zones or industrial free zones.
 - In some cases, these zones are not delineated geographically but may involve only different tax, subsidy or customs treatment.
 - A large and growing number of customs free zones are onshore manufacturing enclaves which have been created to attract foreign direct investment, stimulate local industry and provide employment to the local labor force.
 - The legal status of these zones ranges from extra-territorial, whereby they are exempt from all customs laws, to varying degrees of customs control.

UNSD draft proposal for chapter 2 on the trade system (March 2009) - Definitions:

Domestic and foreign goods. In their foreign trade statistics countries usually distinguish between flows of domestic and foreign goods. However, country practices differ with respect to the definition of those two concepts.

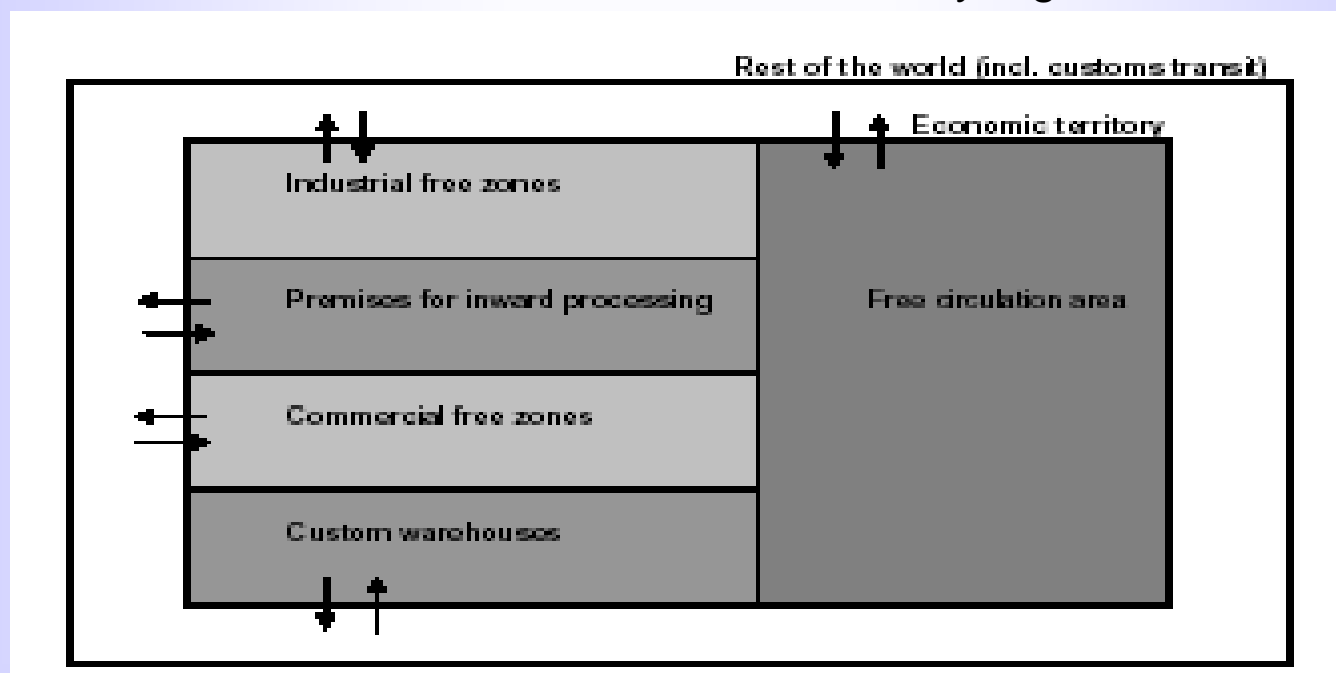
Domestic goods: To increase international comparability of country trade data **it is recommended** that *domestic goods* be defined as goods originating in the economic territory of a country.

- In general, goods are considered as originating in the country if they have been wholly obtained in it or were substantially transformed (criteria for determination of origin of goods are discussed in more detail in Chapter 6).
- Goods normally originate in such parts of an economic territory as the free circulation area, industrial free zones or premises for inward processing. It is assumed that goods do not originate in customs warehouses or commercial free zones, which are also parts of an economic territory, since operations normally permitted in these zones do not constitute production or substantial transformation of goods.

Foreign goods are goods which originate from the rest of the world (this includes foreign goods which are in transit through the compiling country) or are obtained under the outward processing procedure, when such processing confers foreign origin (compensating products which changed origin).

UNSD draft proposal for chapter 2 on the trade system (March 2009) - Recommendations:

- **It is recommended** that countries use the general system for compilation of both their import and export statistics
- **It is recommended** that the statistical territory of a country applying the general trade system includes all applicable territorial elements (including enclaves in other countries if there is economically significant flow of goods)



UNSD draft proposal for chapter 2 on the trade system (March 2009) - Recommendations:

General imports consist of:

- Imports of foreign goods (including compensating products after outward processing which changed domestic origin to foreign) entering the free circulation area, premises for inward processing, industrial free zones, premises for customs warehousing or commercial free zones;
- Re-imports of domestic goods into the free circulation area, premises for inward processing or industrial free zones, premises for customs warehousing or commercial free zones.

Reimports are imports of domestic goods which were previously recorded as exports. **It is recommended that** re-imports are not only included in total imports, but also be separately identified (coded) for analytical purposes.

(clear definition of re-imports as imports of domestic goods !)

UNSD draft proposal for chapter 2 on the trade system (March 2009) - Recommendations:

General exports consist of:

- Exports of domestic goods (including compensating products after inward processing which changed foreign origin to domestic) from any part of the statistical territory including customs free zones and customs warehouses;
- Re-exports of foreign goods from any part of the statistical territory including customs free zones and customs warehouses.

*Re-exports are exports of foreign goods which were previously recorded as imports. **It is recommended** that re-exports are not only included in total exports, but also be separately identified (coded) for analytical purposes.*

(clear definition of re-exports as exports of foreign goods !)

UNSD draft proposal for chapter 2 on the trade system (March 2009) - Recommendations:

General exports consist of:

- Exports of domestic goods (including compensating products after inward processing which changed foreign origin to domestic) from any part of the statistical territory including customs free zones and customs warehouses;
- Re-exports of foreign goods from any part of the statistical territory including customs free zones and customs warehouses.

*Re-exports are exports of foreign goods which were previously recorded as imports. **It is recommended** that re-exports are not only included in total exports, but also be separately identified (coded) for analytical purposes.*

(clear definition of re-exports as exports of foreign goods !)

UNSD draft proposal for chapter 2 on the trade system (March 2009) - Recommendations:

1. ***It is recommended that*** information about the customs procedure applied to individual transactions (or the nature of transaction) is part of the dataset for international merchandise trade statistics in order to facilitate the identification of re-exports and re-imports but also of other types of trade to the possible extend.
2. Further ***it is recommended that*** in case customs is not the agency compiling the statistics that this information is regularly included in the dataset provided to the agency responsible for the compilation of merchandise trade statistics

UNSD draft proposal for chapter 2 on the trade system (March 2009) - Recommendations:

Special trade system and its limitations

- *not uniformly applied*
- *incomplete coverage*

- Therefore, countries using this system **are encouraged** to develop plans to introduce the general trade system. However, it is recognized that a change from special to general trade system would require important administrative restructuring, which might prove impractical for some countries.
- Hence, **it is recommended that** countries which continue to use the special system should compile or estimate, on at least an annual and a quarterly basis, with full geographical and commodity breakdowns, statistics on
- (a) goods imported into and exported from premises for customs warehousing, premises for inward processing, industrial free zones or commercial free zones, when the strict definition is used and
 - (b) goods imported into and exported from premises for customs warehousing or commercial free zones, when the relaxed definition is used.

Thank you for your attention