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STATISTICS DIVISION

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ECONOMIC COMMISSION
FOR LATIN AMERICA AND THE
CARIBBEAN

Workshop for Developing Countries on the Revision of the International Recommendations for International Merchandise Trade Statistics (IMTS), Bogotá, 31 March - 3 April, 2009

Report

I. Organization, purpose and participants

This workshop for **Developing Countries on the Revision of the International Recommendations for International Merchandise Trade Statistics (IMTS)** was organized and conducted by the United Nations Statistics Division (UNSD) in cooperation with the Economic Commission for Latin America and the Caribbean (UN/ECLAC) and the Departamento Administrativo Nacional de Estadística (DANE) of Colombia. The workshop took place from 31 March to 3 April 2009 at DANE facilities in Bogotá, Colombia.

At its thirty-ninth session (26 - 29 February 2008) the Statistical Commission endorsed the United Nations Statistics Division (UNSD) initiative and strategy to revise the existing recommendations for international merchandise trade statistics and requested that the draft revised recommendations be submitted to the Commission for adoption at its forty-first session in 2010. One key element of the UNSD revision strategy is a worldwide consultation process with national trade statistics compilers.

This workshop is part of a special effort of UNSD and UN/ECLAC to inform and receive feedback from developing countries on this revision process. Trade data compilers from the national statistical offices, central banks and ministries were invited to participate. DANE provided conference facilities and administrative support to the workshop. Sessions were chaired by UNSD and participants from Colombia and Brazil.

The workshop reviewed and discussed the current recommendations on international merchandise trade statistics contained in *International Merchandise Trade Statistics, Revision 2 (IMTS, Rev.2),* their application in countries and in particular proposals by UNSD to update and amend these recommendations.

The following 19 countries participated in the workshop: Argentina, Bahamas, Bolivia, Brazil, Chile, Colombia, Costa Rica, Cuba, Dominican Republic, Ecuador, El Salvador, Honduras, Jamaica, Mexico, Panama, Paraguay, Peru, Uruguay and Venezuela.

II. Summary

Opening session: Mr. Hector Maldonado, Director of DANE opened the meeting and welcomed the participants. Mr. Matthias Reister, Chief of the International Merchandise Trade Statistics Section of UNSD, Department of Economic and Social Affairs (DESA) welcomed the participants on behalf of Mr. Paul Cheung, Director of the United Nations Statistics Division, and explained the purpose of the workshop. Ms. Alejandra Ovalle welcomed the participants on behalf of UN/ECLAC.

UNSD gave presentations on its activities to strengthen statistical capacity, its activities in the field of international merchandise trade statistics and a presentation on the need for the revision of IMTS, Rev.2 and the outline and status of the revision process. This was followed by a presentation by the Division of Statistics and Economic Projections of UN/ECLAC on its activities in the area of external trade statistics.

Session 2 – Coverage (Definition of IMTS and nature of transactions covered; Change of ownership; Goods for processing; Trade between affiliated enterprises): The introduction by UNSD was followed by country presentations of Bahamas, Colombia, Cuba, Mexico, Paraguay, Peru and a general discussion.

Session 3, part 1 - Coverage - cont. (Packaged software; Downloadable software and audiovisual products; Asymmetric inclusions and exclusions; Other inclusions and exclusions): The introduction by UNSD was followed by country presentations of Dominican Republic, Honduras, Jamaica and a general discussion.

Session 3, part 2 - Trade system (Clarification of territorial elements; Boundaries of the relaxed definition of the special trade system; Free zones; Other concerns): The introduction by UNSD was followed by country presentations of Argentina, Costa Rica, Ecuador, Panama, Paraguay and a general discussion.

Session 4, part 1 - Commodity classification and quantity measurement (Review of existing recommendations; Other concerns): The introduction by UNSD was followed by country presentations of Bolivia, El Salvador and a general discussion.

Session 4, part 2 - Mode of transport (What to record; How to classify): The introduction by UNSD was followed by country presentations of Ecuador, Mexico, Peru and a general discussion.

Session 4, part 3 - Valuation (Compilation of Imports FOB in addition to Imports CIF; Valuation reviewed, i.e. value components, estimation methods, valuation and time of recording in case of non-customs sources; Valuation in certain special cases, i.e. electricity, gas and water, used goods etc.): The introduction by UNSD was followed by country presentations of Brazil, Cuba, Uruguay and a general discussion.

<u>Session 5, part 1 - Partner country</u> (Country of origin and country of consignment for imports; Country of last know destination and country of consignment (destination) for exports; Country of sale/ purchase; Calculation of trade balances; Issues concerning the determination of the country of origin and re-exports (rules of origin); Other concerns): The introduction by UNSD was followed by country presentations of Argentina, Bahamas, Paraguay and a general discussion.

<u>Session 5, part 2 - Data sources</u> (Use of non-customs sources; Data compilation strategies and promotion of an integrated approach to economics statistics): The introduction by UNSD was followed by country presentations of Dominican Republic, Panama and a general discussion.

<u>Session 6, part 1 - Institutional arrangements</u> (Adding a recommendation on the need for establishing and maintaining necessary institutional arrangements; Promoting data exchange): The introduction by UNSD was followed by country presentations of Chile, Costa Rica, Mexico, Venezuela and a general discussion.

<u>Session 6, part 2 - Data quality and metadata</u> (Providing guidance on data quality (reporting, assessment and indicators); Ensuring data quality; Compilation and dissemination of metadata; Main elements of metadata): The introduction by UNSD was followed by country presentations of Brazil, Jamaica and a general discussion.

<u>Session 7, part 1 - Data dissemination</u> (Review of existing recommendations; Use of new technologies): The introduction by UNSD was followed by country presentations of Bolivia, El Salvador and a general discussion.

<u>Session 7, part 2 - Supplementary topics</u> (External trade indices; Relationship and differences to national accounts and balance of payments statistics; Recommendation on seasonally adjusted data; Other): The introduction by UNSD was followed by country presentations of Chile, Colombia, Uruguay and a general discussion.

<u>Closing session:</u> The round table discussion concerning the identification of the important issues for countries of the ECLAC region was followed by the introduction and discussion of the preliminary findings and conclusions of the meeting. The meeting concluded with closing remarks by UNSD, UN/ECLAC and DANE.

III. Findings and conclusions

1.   Overall participants agreed with the conclusions from the worldwide consultation presented by UNSD. Participants stressed in particular the need that the revised recommendations:

Coverage

2.   indicate clearly that IMTS records the physical movements of goods across borders, which can be either physical goods or good stored on physical media;[1]

3.   define clearly the concept of 'temporary admission' which has to be differentiated from other 'temporary' cross border movement of goods and to provide examples and to clarify specific cases (petroleum, storage, goods at ports);[2]

4.   stress the importance that standard customs procedures (i.e. 'temporary admission', 'in transit') are correctly applied at customs and that the definition and coding (identification keys, customs modalities) of these customs procedures satisfy the needs of IMTS compilers;

5.   clarify the conceptual and practical application of the principle of change of ownership for IMTS;

6.   take into account that information on the change of ownership and the relationship between the buyer and seller is in general not available on the customs declaration;

7.   list and describe the different examples of goods for processing, including transformation, assembly, elaboration and re-manufacturing, which are included in international merchandise trade statistics. These operations need to be differentiated from operations such as packaging and the repair of goods which do not constitute exports and imports;[3]

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[1] As defined in 2008SNA, para 6.15 and 6.22.

[2] Draft proposal to the second virtual meeting of the EG-IMTS: "*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. The halts not inherent to the transportation are [insert]. The transportation may involve *simple handling operations* and *temporary storage*. Examples of such operations are reloading from one means of transport to another, breaking bulk and packaging [more examples?]. Countries are encouraged to establish the lists of simple handling operations reflecting their specific circumstances; however, such lists should not include operations which change the country of origin of the goods. Temporary storage is the storage for logistical reasons for a limited period of time."

[3] It is suggested to provide a reference to the Manual on Statistics of International Trade in Services.

8. differentiate clearly the operational and the financial leasing[4] of machines, equipment, ships and aircraft; the international transactions of goods under financial leasing need to be included in international merchandise trade statistics (also the balance of payments statistics records financial leasing as a goods transaction). Foreign ships and aircraft under operational leasing remain foreign means of transport to which the provision of supplies has to be recorded as exports;

9. indicate clearly that the flag or registration of a ship/ aircraft does not necessarily coincide with the country in which the economic owner of the ship is resident which is creating difficulties in the partner attribution in both cases mentioned in the previous paragraph 8;

10. provide guidance on the compilation of exports and imports of ships and aircraft;

11. provide clarification of the term and statistical treatment of "goods acquired by travelers for their own use" used by IMTS, Rev.2 as opposed to the term "personal effects" used by customs to determine exclusion from customs recording;

12. provide guidance on the treatment of used goods (such as vehicles) and goods which are not subject to the standard customs registration (for example due to specific national legislation concerning these goods), in particular concerning the time of recording.[5]

Trade System

13. take note that the data collection for free zones has specific problems such as the missing or incomplete registration of trade, different or different application of customs procedures, different data quality, different sources for the same information etc. which makes the reconciliation and integration of this data into the dataset received from customs difficult or impossible; also guidance should be given on the preparation of statistics for such special zones;

Commodity classification and quantity measurement

14. address the issue of the lack of standardization in the application of quantity units at customs;

Mode of transport

15. to clarify the recording of mode of transport in general and in particular in the case of the use of the special trade system;

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[4] IMTS uses the definition of financial and operational leasing as contained in the SNA/BPM; it is acknowledged that making the distinction between financial and operational leasing can be difficult in practice.
[5] For example in the case of petroleum can the time of shipment be used instead of the time of the lodgement of the customs declaration?

16.   include pipelines, electricity cables etc. as a separate category in the classification of mode of transport;[6]

17.   subsume self-propelled goods and goods delivered by courier/ postal service under the other mode of transport categories;

Valuation

18.   recommend to compile imports on the detailed level on a CIF and on a FOB type basis and provide best practices on how imports FOB on the detailed commodity level can be compiled by using appropriate methods (i.e. Brazil);

19.   cover the valuation of goods delivered via transmission lines (gas, electricity, water) as the invoiced price often includes delivery charges (which are charges for a service);

Partner country

20.   do not recommend the additional compilation of country of consignment for exports as this information is not considered a priority and cannot be compiled easily;

21.   clarify the terms and definitions used, i.e. in a glossary;

22.   provide examples which explain the attribution of the country of destination (country of consignment) and last known destination (country to which goods are ultimately delivered), also from the mirror perspective, clarifying in particular whether (under what conditions) a country through which goods are 'simply being transported' could be considered as country of destination (country of consignment);[7]

23.   stress the importance to verify in suspicious cases the country of origin by going back to the customs documentation and to conduct reconciliation studies; also explain how to include any required corrections in the regularly published data;

24.   clarify the concept of country of origin and provide guidelines and examples of its application;

Data sources

25.   stress and reinforce that the preferred source for IMTS are customs declarations and the complementary nature of data from other sources;

26.   cover the issue of data collection when no customs declarations are available (i.e in free zones), including the quality of the collected data; indicate that incentives for businesses can be a means for improved data collection in territories outside the customs territory;

27.   provide guidelines and best practices on how to reconcile and integrate data based on customs declarations with data from other sources;

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[6] Mexico is suggesting that the recommendation should allow countries certain flexibility in the recording of mode of transport.

[7] Can there be commercial transaction or other operations which change the legal status of goods during transport? – does it matter whether the initial buyer is resident in the country through which goods are transported?

Institutional arrangements

28.	stress the importance of adequate institutional arrangements for the implementation of an efficient and effective quality assurance program;

29.	indicate that the access to the data is a crucial part in the institutional arrangements between the compiling agency and data suppliers;

30.	indicate clearly that customs should in general not apply confidentiality to the dataset provided to statistics compilers and that confidentiality should be only applied at the stage when data is provided to outside users;

31.	indicate the importance of having formalized institutional arrangements between the institutions involved in IMTS compilation;

32.	stress the importance of having working groups of the institutions and agencies involved in the compilation of IMTS in order to resolve all issues in a coordinated way;

33.	stress the importance that the institutional arrangements give only one institution the right to publish and disseminate the results of IMTS in order to rule out the possibility that conflicting results are published by different institutions which undermines the credibility of the published data;

34.	stress the importance to agree not to disseminate different data in case more than one institution has the right for data dissemination or to clearly explain any differences in the published data in the explanatory notes;

Data quality and metadata

35.	take note that quality assurance must start at data entry by the trader/ broker and requires appropriate institutional arrangements and the interest of the institutions involved in data compilation;

36.	treat the issue of data quality as cutting across all other issues;

37.	provide best practices of data quality assurance (i.e. example Brazil);

38.	stress the importance to provide comprehensive metadata;

39.	provide a minimum list of metadata items which should be provided;

Data dissemination

40.	address the issue of how to present the available data for zones outside the statistical territory;

41.	provide more detailed guidance on the application of confidentiality;

42.	provide some guidance and examples/ best practices of how to apply country coding systems and country groups by using for example international standard codes;

43.	provide some guidance and examples/ best practices on the dissemination of merchandise trade statistics via the internet and a net interface;

Supplementary topics (External trade indices, seasonal adjustment, relationship to BOP/NA)

44.   provide more detailed information on the methodology and strategies of how to compile external trade indices;

45.   provide more guidance on the actual calculation of external trade indices, taking into account different national circumstances and objectives; provide best practices;

46.   provide guidance and best practices for the seasonal adjustment of trade data;

47.   It is understood that IMTS, Rev.3 would reflect only briefly on some of these issues while more detailed and practical guidance/ examples would be provided in the updated IMTS Compilers Manual.

48.   Concerning the revision process and the revised recommendations countries requested:

   a. that the revised recommendations of IMTS, Rev. 3 and the IMTS Compilers Manual will become available in Spanish very soon after their finalization;

   b. to release the updated IMTS Compilers Manual soon after IMTS, Rev.3;

   c. that the revised recommendations are practical and reflect the needs of developing countries;

   d. that the revised recommendations use clear language, elaborate exactly what is meant and provide for this purpose concrete examples;

   e. that the revised recommendations contain a glossary of terms to facilitate a uniform application of the recommendation;

   f. that the revised recommendations should provide clear recommendations for action and not possibilities for action.

49.   In order to support the implementation of the international recommendations countries

   a. suggested that the United Nations provides strong advocacy (support on political level) for the implementation of the recommendations;

   b. stressed the importance to exchange experiences and to assist each other;

   c. suggested to establish a virtual forum for ongoing discussions, clarifications, exchange of experiences etc.

50.   Countries took note that the number of participants in the EG-IMTS and its virtual meeting is also limited for the reason to ensure equal representation of different regions and that the participation of all countries in the revision process takes place primarily through the worldwide consultation process but also through workshops like this and via the countries of the region which are members of the EG-IMTS. In order to further increase transparency UNSD will post not only the reports of the EG-IMTS meetings but also its draft proposals provided to these meetings.