Measurement of Inward and Outward Processing of Goods

Presentation by

Eurostat
Measurement of inward and outward processing of goods

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Measurement of Processing

European Commission - Eurostat

Two approaches:

- Customs Procedure
- Nature of Transaction
1. Inward processing
   - Suspension /drawback system

2. Outward processing

3. Special procedures
   - Processing under Customs Control
   - End use

Statistical recording of processing according to Customs procedures

Inward and outward processing records are available:

- for trade with Non-Member countries (trade collected from Customs declarations).
- for processing activities concerning non zero rated trade
Development of Customs processing of the EU

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<table>
<thead>
<tr>
<th>Year</th>
<th>Inward Processing Import</th>
<th>Inward Processing Export</th>
<th>Outward Processing Import</th>
<th>Outward Processing Export</th>
</tr>
</thead>
<tbody>
<tr>
<td>1997</td>
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<td>4.0%</td>
<td>6.0%</td>
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<tr>
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<tr>
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<td>4.0%</td>
<td>6.0%</td>
</tr>
</tbody>
</table>

Value added on inward processing

Customs processing concentrated on some HS chapters

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Inward processing:
- 24 (tobacco)
- 88 (aircraft)
- 89 (ships)

Outward processing:
- 88 (aircraft)
- 87 (cars)
- 62 (textiles not crocheted)

90% of all inward and outward processing activities take place within 18 HS chapters
The main processing partners of the EU

<table>
<thead>
<tr>
<th></th>
<th>Inward Processing</th>
<th></th>
<th>Outward Processing</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Import</td>
<td>Export</td>
<td>Export</td>
<td>Inward</td>
</tr>
<tr>
<td>USA</td>
<td>36.4%</td>
<td>49.3%</td>
<td>USA</td>
<td>39.3%</td>
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<tr>
<td>USA</td>
<td>9.1%</td>
<td>5.6%</td>
<td>Japan</td>
<td>4.1%</td>
</tr>
<tr>
<td>Switzerland</td>
<td>5.3%</td>
<td>5.9%</td>
<td>Switzerland</td>
<td>5.6%</td>
</tr>
<tr>
<td>China</td>
<td>4.1%</td>
<td>4.4%</td>
<td>China</td>
<td>2.8%</td>
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<td>3.5%</td>
<td>Ukraine</td>
<td>5.2%</td>
</tr>
<tr>
<td>Russia</td>
<td>6.1%</td>
<td>7.9%</td>
<td>South Africa</td>
<td>3.3%</td>
</tr>
</tbody>
</table>

Statistical recording of processing according to the Nature of Transaction

- Codes serve to determine the different characteristics
  - purchase/sale, work under contract, etc.
- For Balance of Payments and National Accounts purposes
- For the identification of trade excluded from statistics, but recorded on the Customs declaration (e.g. repair).
### Nature of transaction codes linked to processing

<table>
<thead>
<tr>
<th>Code</th>
<th>Nature of Transaction</th>
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</thead>
<tbody>
<tr>
<td>4</td>
<td>Operations with a view to processing under contract</td>
</tr>
<tr>
<td>5</td>
<td>Operations following processing under contract</td>
</tr>
</tbody>
</table>

#### Inward Processing
- **Import**: Operations with a view to processing under contract (Code 4)
- **Export**: Operations following processing under contract (Code 5)

#### Outward Processing
- **Export**: Operations with a view to processing under contract (Code 4)
- **Import**: Operations following processing under contract (Code 5)

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### Coverage of processing through the Nature of Transaction

A processing covers operations (transformation, construction, assembly enhancement, renovation, modification, conversion) with the objective of producing a new or a really improved item. This does not necessarily involve a change in the product classification.

- Only processing under contract is collected (no own processing). I.e., there is no transfer of ownership (now or in the future) of the goods.
- Not all Member States collect the nature of transaction for trade with non-member countries.

Inward processing accounts for about 4% of the total trade and outward processing for about 2% when measured by means of Nature of transaction.
Conclusion

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Neither the Customs procedure nor the Nature of Transaction are perfect instruments to measure movements of goods due to processing.

- Limited coverage
- Quality constraints