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# Asymmetries in bilateral trade statistics

Refer to Discussion Paper by Vladimir Markhonko

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# Why harmonizing now?

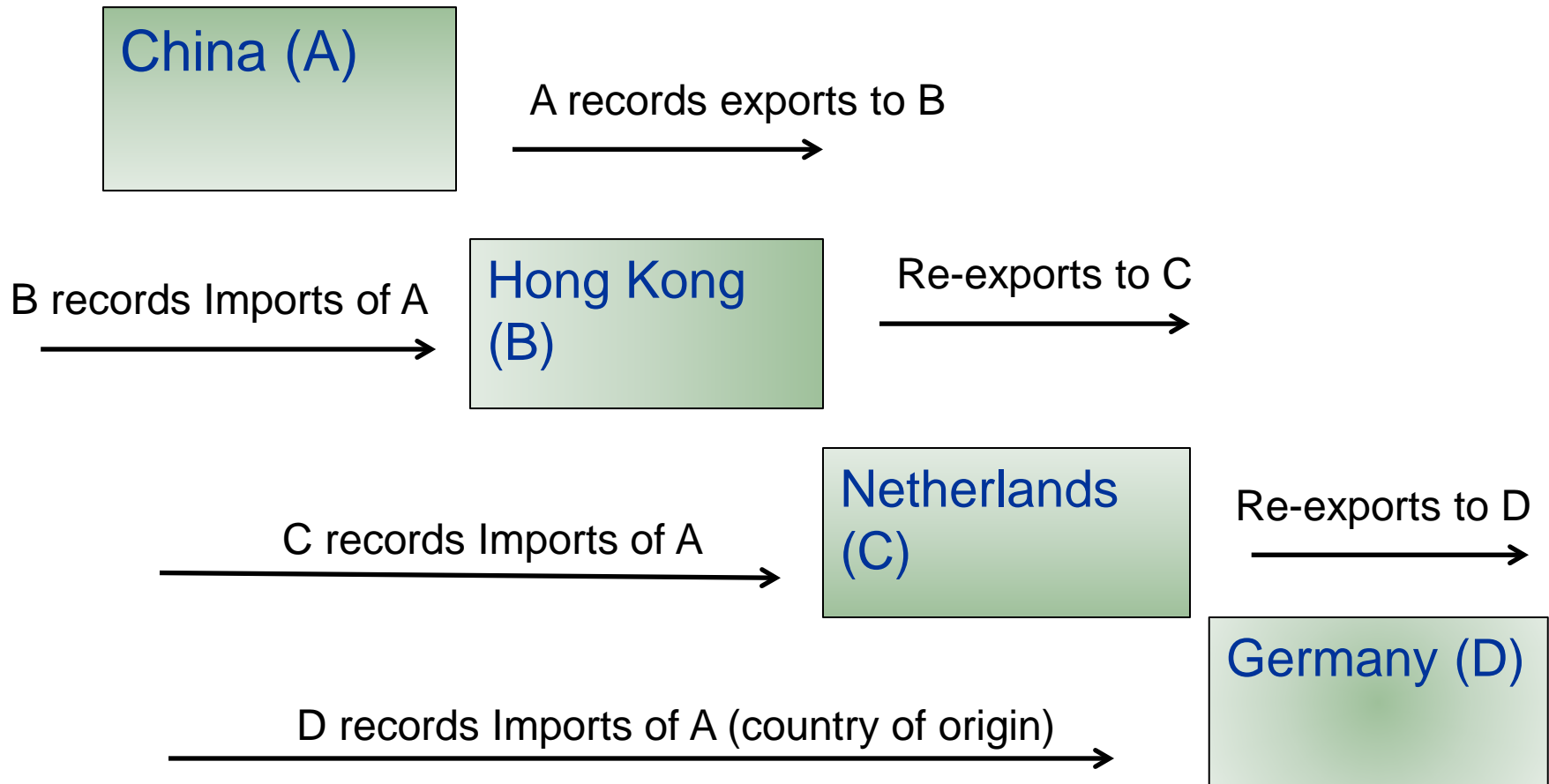
- New measures for bilateral trade requested
- Deriving Trade in Value-Added, Jobs, Use of natural resources
- Harmonized input to global Supply-Use tables
  - ✓ Acceptable input to SUTs → National ownership

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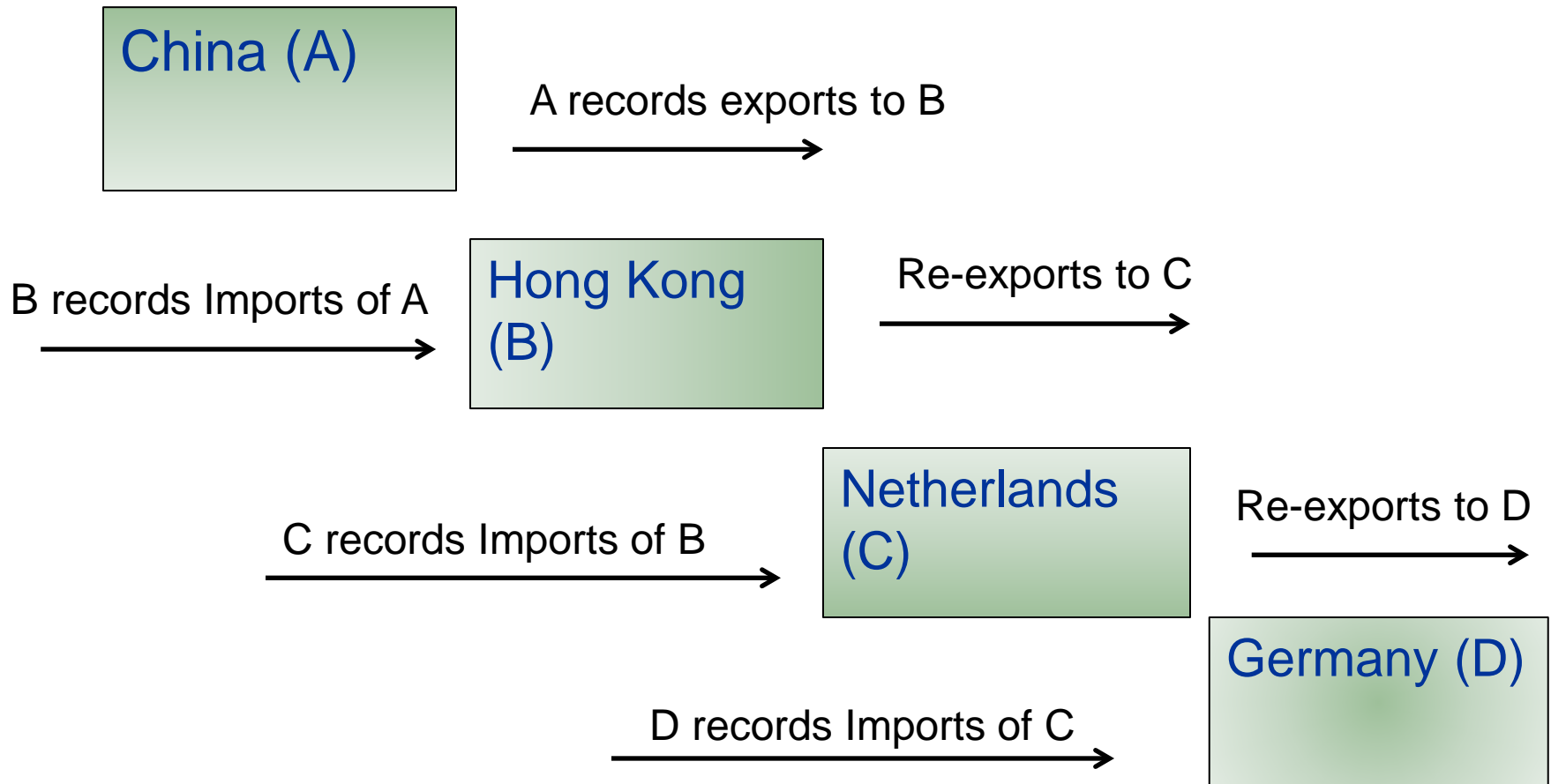
# Reason for discrepancies

- Country of Origin / Country of Destination
    - **Maybe Country of consignment**
  - Valuation CIF / FOB
    - **Imports and Exports FOB**
  - Trade System
    - **General Trade System for all**
  - Manufacturing services
    - **Mystery of disappearing intermediate inputs**
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# Country of Origin / Destination



# Country of Consignment



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# Imports CIF / FOB

Three Methods to obtain Imports FOB:

1. Recording of Cost, Insurance and Freight per transaction
2. Recording of Cost, Insurance and Freight per Shipment (and partition)
3. Sample Freight and Insurance by HS, Partner country and Mode of Transport and use to adjust CIF to FOB

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# Trade System

- ❑ A 2006 global survey showed that 50% of countries use General Trade system and 50% Special Trade system
- ❑ Difference in coverage (free zones, customs warehousing, processing zones) will lead to discrepancies in recording
- ❑ All countries encouraged to record all elements of General Trade system (even in addition to Special)

# Manufacturing Services

- ✓ Growing discrepancy in flows of merchandise trade and BOP trade in goods due to Manufacturing services
- ✓ Question: Which “trade in goods” flows should be used for input to global SUTs?
- ✓ With implementation of 2008 SNA, will USA have to add inputs used in factories in China into its national SUTs?
  - **Hong Kong has started doing this**



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# Harmonization Process (goods side)

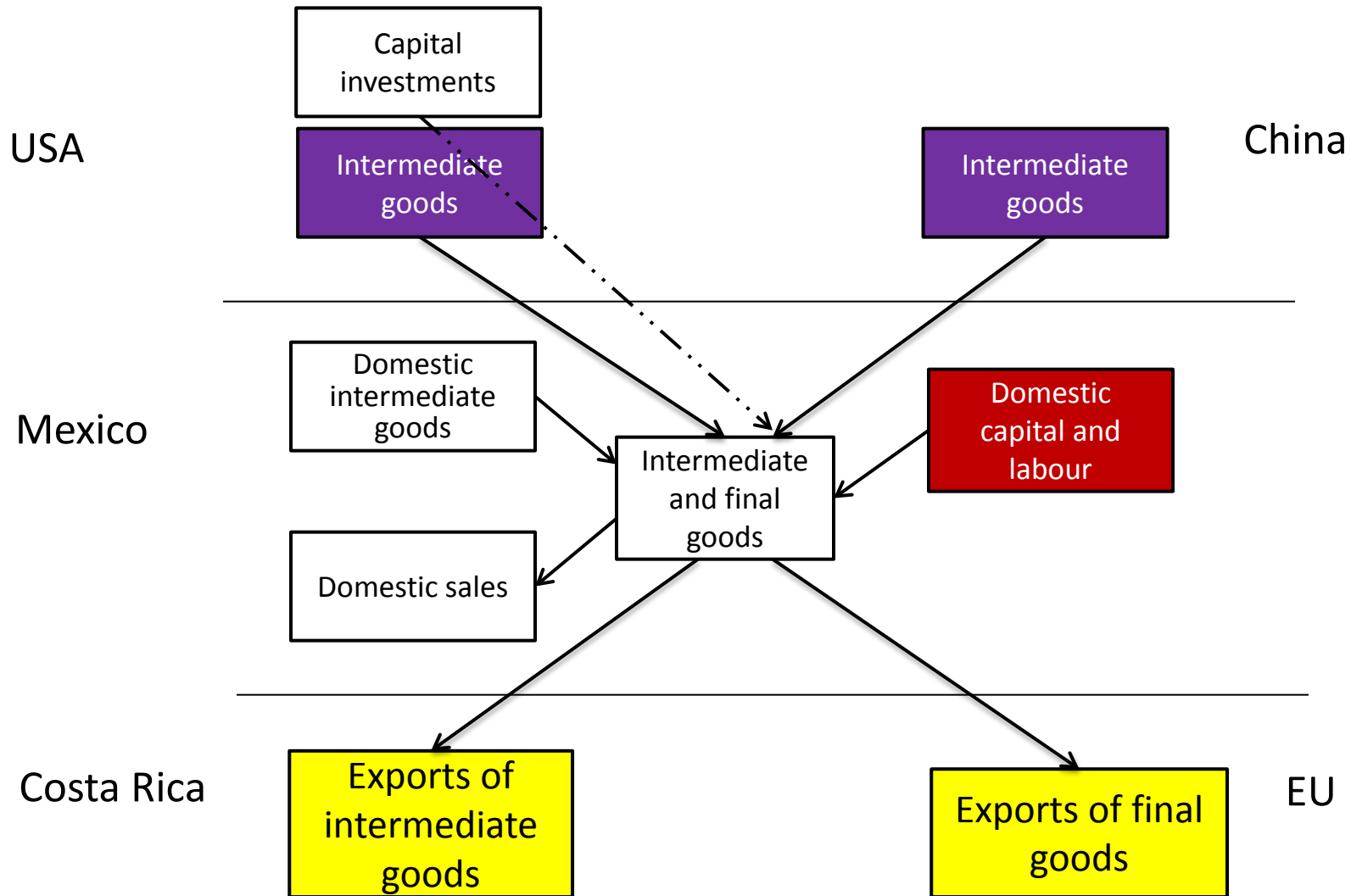
1. Reconciliation exercises – finding common ground
2. Reconciling large trade (Chatham House)
3. Use of imports (origin) as breakdown for partner exports
4. Estimation methods (USITC)
5. Customs interest in solving discrepancies

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# Harmonization Process (services side)

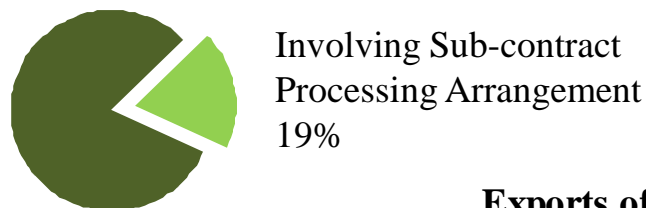
1. Reconciliation exercises – finding common ground
2. Use of exports (limited number of players) as breakdown for partner imports
3. Other methods (?)

# Manufacturing Services

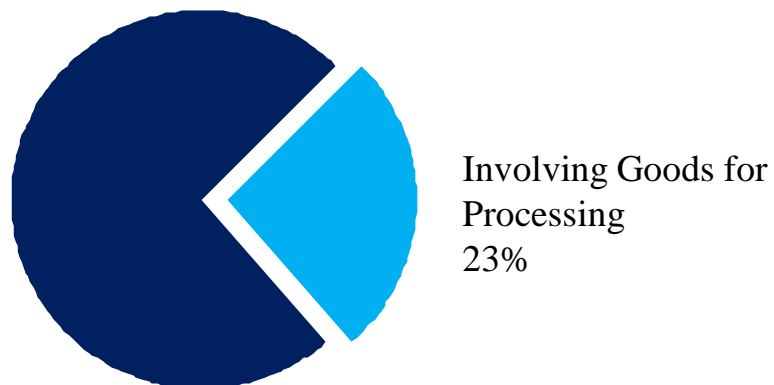


# Importance of Outward Processing (OP) for Hong Kong in 2009

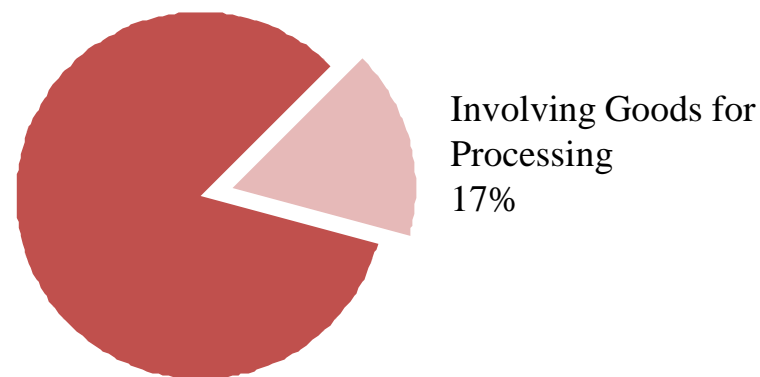
## Cost of goods sold Offshore



## Imports of Goods



## Exports of Goods



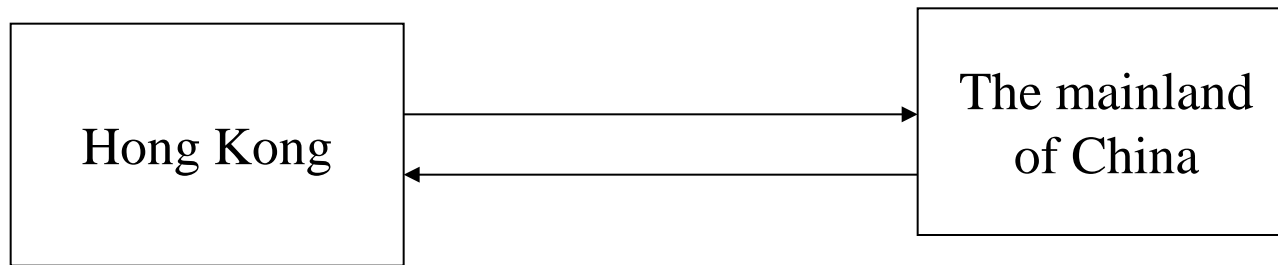
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# Manufacturing Services on Physical Inputs owned by Others

- Cover processing, assembly, labeling, packing, etc. undertaken by enterprises that do not own the goods and that are paid a fee by the owners
- Ownership of the goods does not change between the processor and the owner
- Only the fee charged by the processor is included
- Also covers the cost of materials purchased by the processor

# Typical trade flows of outward processing trade of Hong Kong (US\$)

Raw materials/semi-manufactures delivered to the mainland of China through HK (57)



Processed goods returned back into HK from the mainland of China (85)

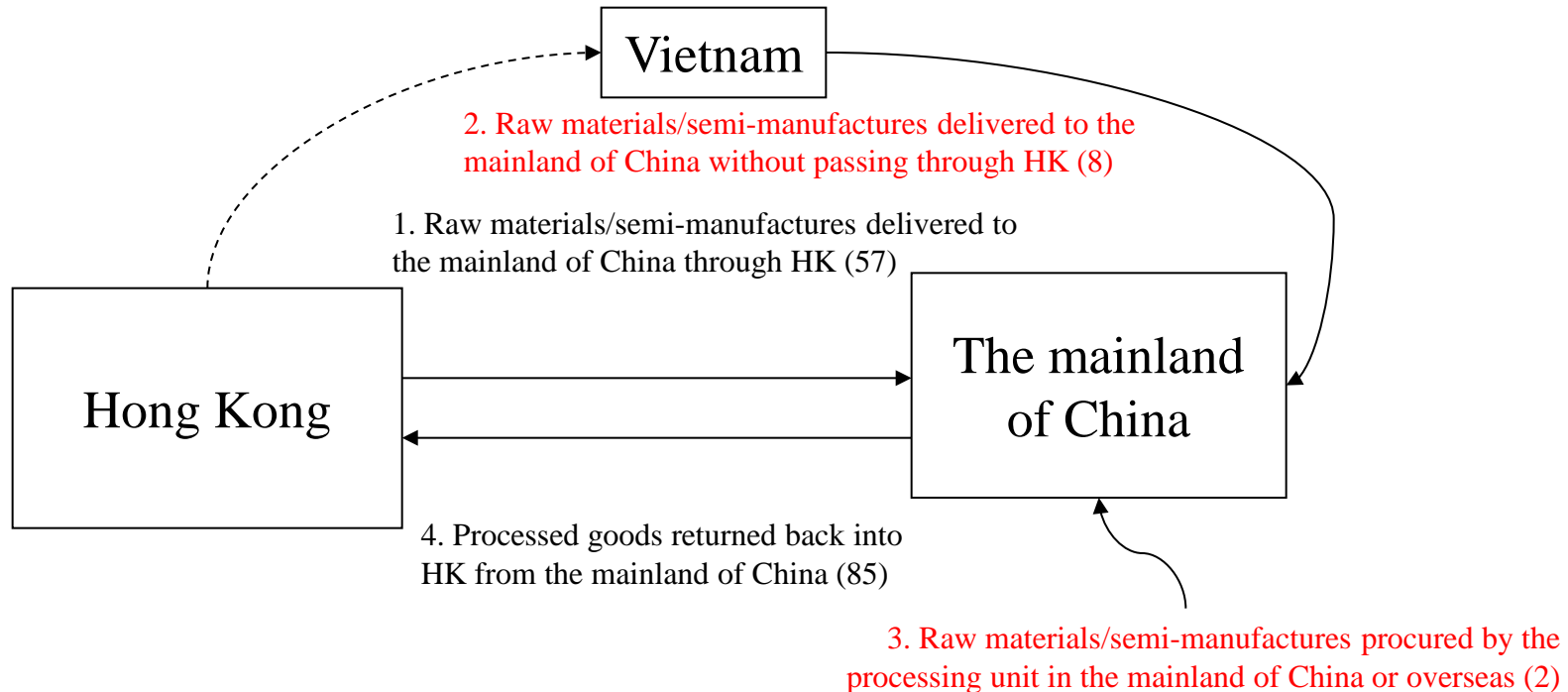
New situation:

57 → deduct exports of goods

85 → deduct imports of goods

28: all counted as imports of services?

# Typical trade flows of outward processing trade of Hong Kong (US\$)



New international standard:

57 → deducted from exports of goods

85 → deducted from imports of goods

} 28:

8 → imports of intermediate goods

Processing fee ← 2

18 } imports of services