IMTS Concepts and Definitions

Scope, Valuation, Time of Recording

Trade System & Movement of Goods

CPC and Trade System; Inclusion of Free Zones

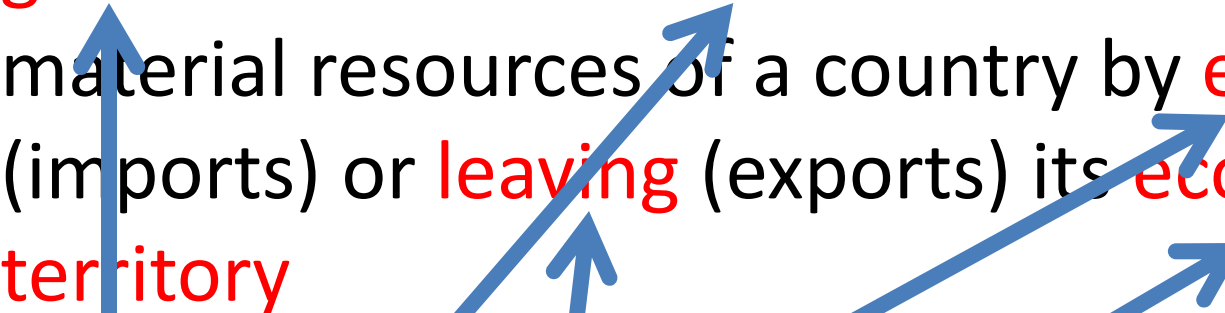**Markie Muryawan**
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1. Scope, Valuation, Time of Recording

Scope

Definition of the scope of international merchandise trade statistics as recording of goods which add to or subtract from the stock of material resources of a country by entering (imports) or leaving (exports) its economic territory

What, How, When, Where

But with clarification …

- Estimation of trade below customs and statistical thresholds, if significant (shuttle trade, travellers)

- Change of ownership for some goods (even without entering/leaving economic territory)

Inclusion / Exclusion

- IMTS 2010 describes in details all goods recommended for inclusion and exclusion [Chapter I]
  - We can discuss these in more details, if required

- If there is a doubt, we go back to the statement of "scope"
  - Example: Do we record goods for short term exhibition? How about software?
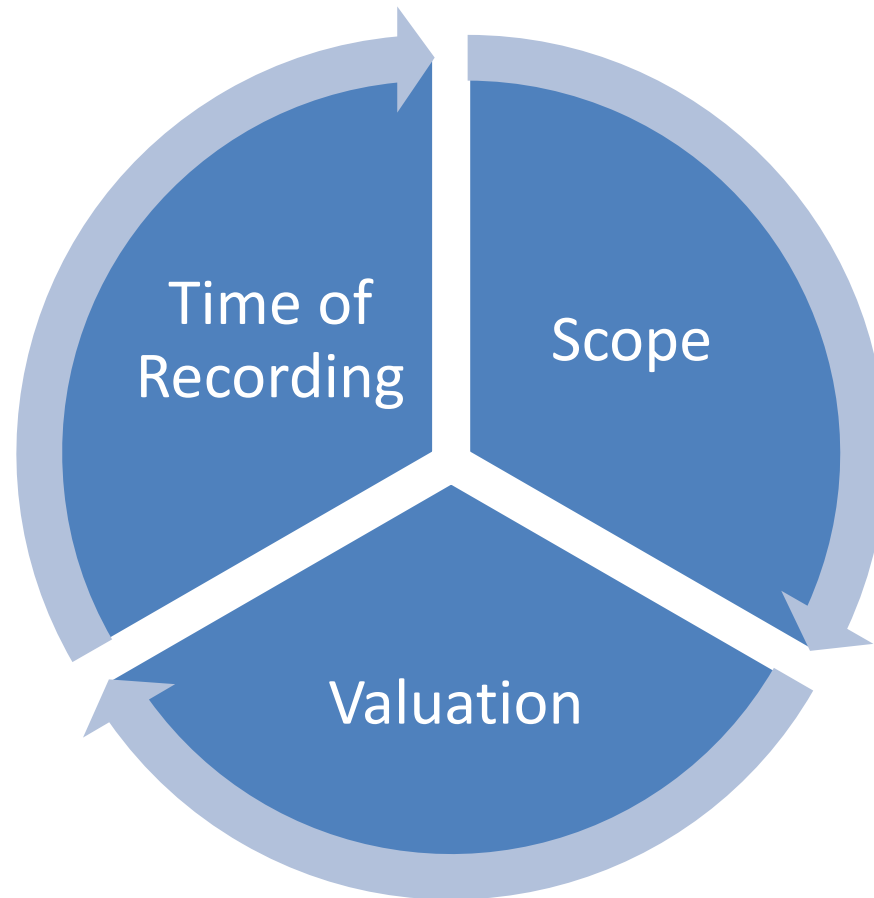
Valuation

- IMTS 2010 recommends recording of Imports on the FOB basis (in addition to CIF)

- Selected special cases:
  - Goods bundled with services
  - Electricity, gas, oil and water
  - Banknotes and securities and coins not in circulation
  - Returned goods

Time of recording

- … entering (imports) or leaving (exports) its economic "or statistical" territory …

- It depends on the trade system (in special trade system, the time of recording is when the goods crossing border of customs warehousing and free circulation area)

- Many choices. As an example for imports: date of arrival, -- of registration, -- of assessment, -- payment of duties, -- of release, etc.

Recap

2. Trade System & Movement of Goods

Let's go back to scope

Definition of the scope of international merchandise trade statistics as recording of goods which add to or subtract from the stock of material resources of a country by entering (imports) or leaving (exports) its economic territory

What, How, When, Where

Trade System = Territory

- General Trade System: statistical territories = all economic territories

- Special Trade System: statistical territories = parts of economic territories

Trade compilers should define and document their S.T.A.T.I.S.T.I.C.A.L territory

Compilation Challenges

- Customs may not cover all economic territories (i.e., trade from/to free zone)
  - Need to go after non-customs sources
  - And document everything in metadata

ST/ESA/STAT/SER.M/30/Rev.3

Department of Economic and Social Affairs • Statistics Division

Studies in Methods   Series M, No. 30, Rev. 3

Statistical Territories of the World for use in International Merchandise Trade Statistics

Let's go back to scope (again)

Definition of the scope of international merchandise trade statistics as recording of goods which add to or subtract from the stock of material resources of a country by entering (imports) or leaving (exports) its economic territory

What, How, When, **Where + Direction**
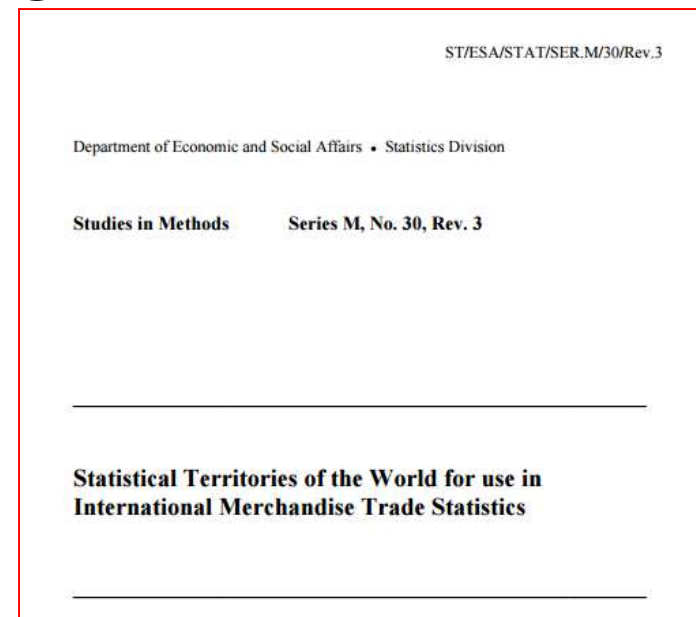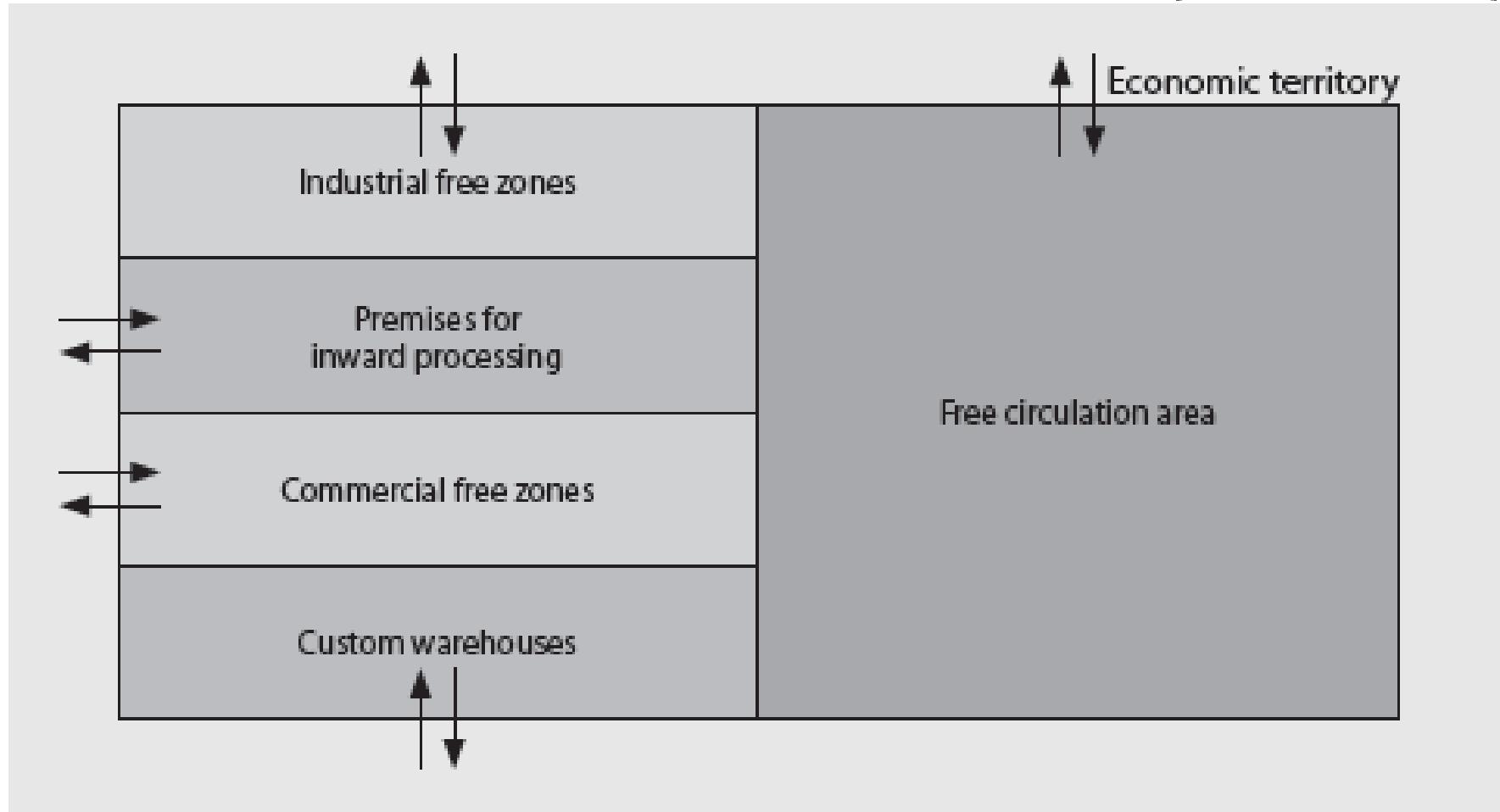
General Exports - Imports

Rest of the world (incl. customs transit)

Economic territory

Industrial free zones

Premises for inward processing

Commercial free zones

Custom warehouses

Free circulation area
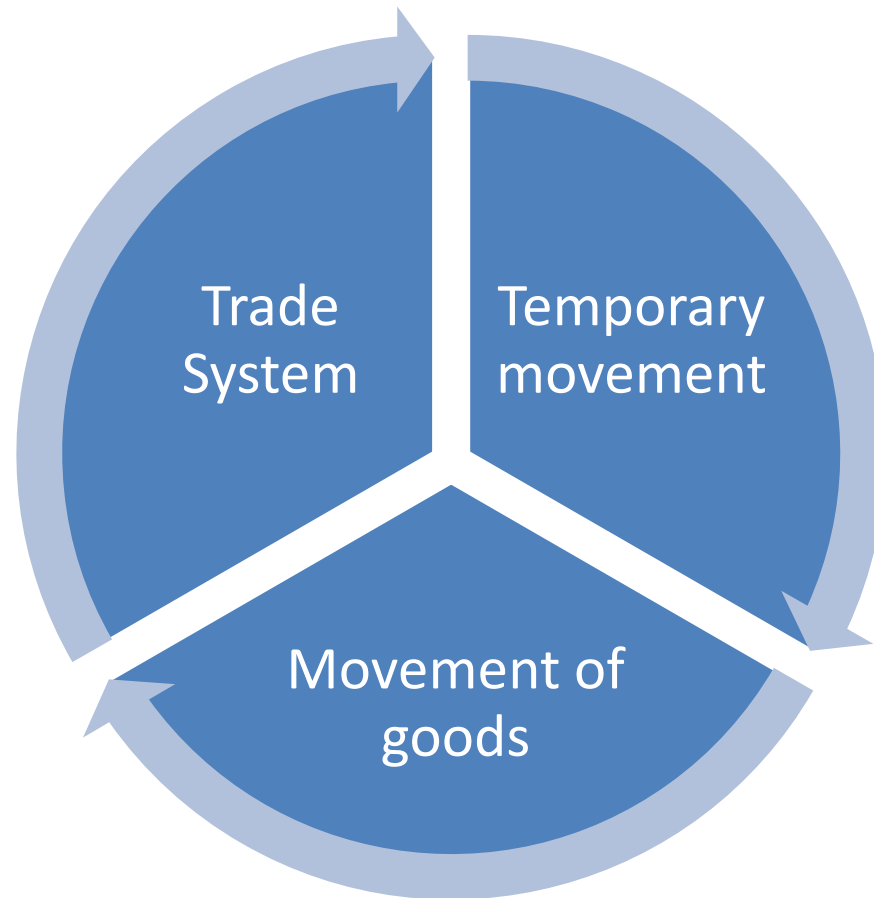
Representing imports and exports under the respective trade system.

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Temporary movement

- is to be excluded …, but some cases can be complex
  - Customs warehouse as storage?
  - Leasing?
  - Commercial samples?
  - Goods for processing?
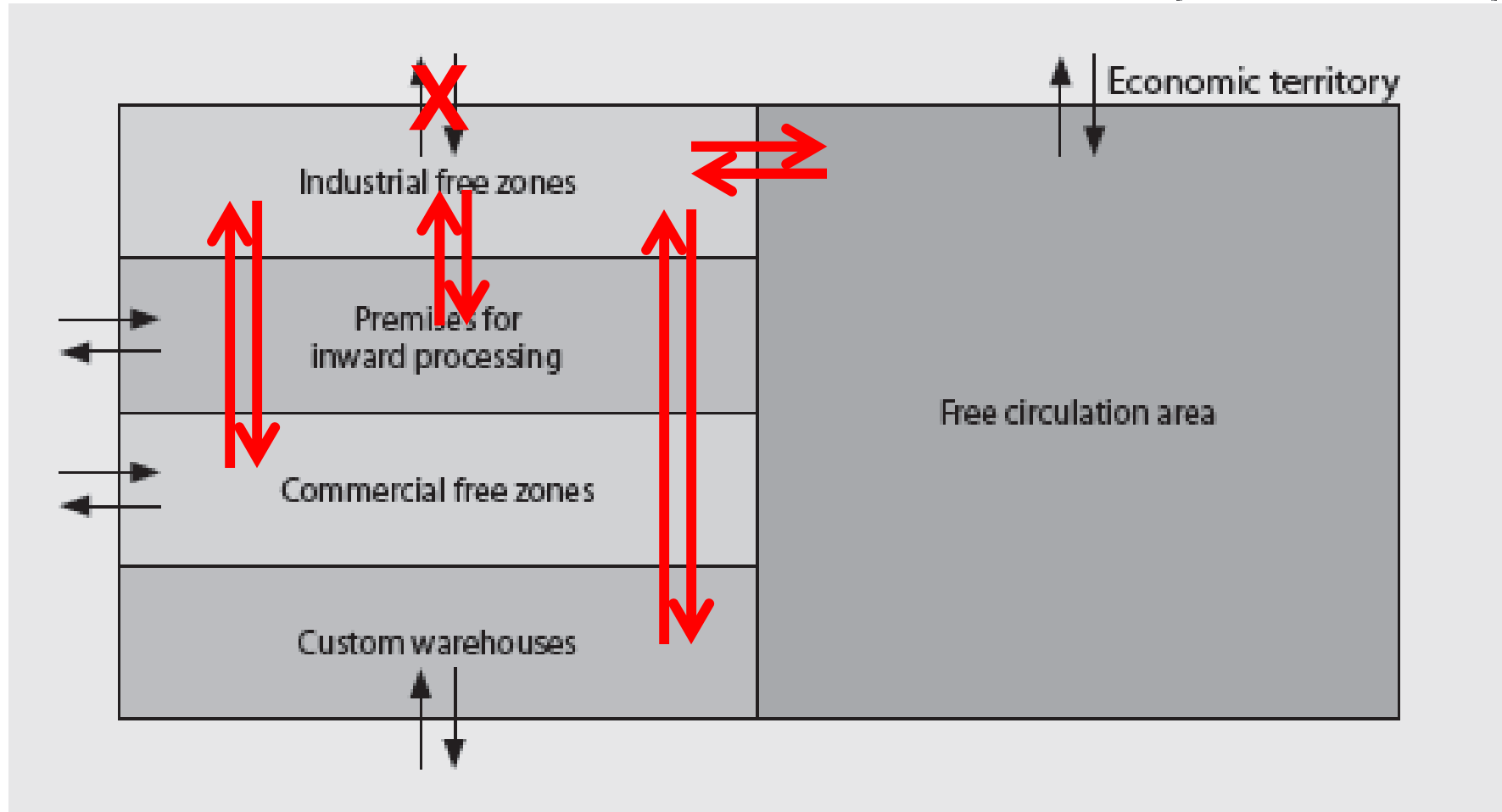 - Goods for repair/maintenance?

Recap

3. CPC and Trade System; Inclusion of Free Zones

General and Special Trade System

Rest of the world (incl. customs transit)

Economic territory

Industrial free zones

Premises for inward processing

Commercial free zones

Custom warehouses

Free circulation area

→ Representing imports and exports under the respective trade system.

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CPC: Customs Procedure Codes

- Used by Customs to describe flow of trade and nature of transaction

- It is used also to categorize special transaction on specific goods, trading partners, etc.

- It is mostly driven by the need to manage application customs duties
  - i.e., inward processing procedure relives partly of fully customs duties

CPC can be messy

- If not properly managed, CPC could grow into dozens or even hundreds codes, duplicating information about partner country, commodity classification, or others

4052	440	Entry for home use after TI for inward processing	AGRICULTURAL INPUTS	I
4051	440	Entry for home use after TI for hired services	AGRICULTURAL INPUTS	I
4000	440	Direct entry for home use	AGRICULTURAL INPUTS	I
4071	440	Entry for home use after customs warehousing procedure	AGRICULTURAL INPUTS	I
4080	440	entry for home use after customs transit	AGRICULTURAL INPUTS	I
4052	441	Entry for home use after TI for inward processing	FOODS STUFFS	I
4051	441	Entry for home use after TI for hired services	FOODS STUFFS	I
4000	441	Direct entry for home use	FOODS STUFFS	I
4071	441	Entry for home use after customs warehousing procedure	FOODS STUFFS	I
4080	441	entry for home use after customs transit	FOODS STUFFS	I
4052	442	Entry for home use after TI for inward processing	PRESCRIPTION DRUGS AND MEDICINES	I
4051	442	Entry for home use after TI for hired services	PRESCRIPTION DRUGS AND MEDICINES	I
4000	442	Direct entry for home use	PRESCRIPTION DRUGS AND MEDICINES	I
4071	442	Entry for home use after customs warehousing procedure	PRESCRIPTION DRUGS AND MEDICINES	I
4080	442	entry for home use after customs transit	PRESCRIPTION DRUGS AND MEDICINES	I

But, CPC contains wealth of data

- Especially about the flow among territories (ref: presentation of movement of goods)

- And nature of transaction, useful for compilers of balance of payments and for measuring globalization (ref: presentation about economic globalization

- Also for trade policy related statistics such as measuring the use of preferential duties after Free Trade Agreement

Attempt to Harmonize CPC at Global Level for Statistical Use

- Main classification based on RKC's Customs Procedure Codes
  - "The revised Kyoto Convention (RKC) was adopted in June 1999. The provisions contained in the RKC aim at the facilitation of trade but at the same time make customs records a highly standardized and reliable data source for trade statistics across countries." IMTS 2010 CM Para. 2.6
- Memorandum Items, consists of combination of (all or part of) CPCs

		Trade Flow				
		General Exports		General Imports		Excluded Flow
RKC Customs Procedure Codes		Domestic goods	Foreign goods	Domestic goods	Foreign goods	
	1	Clearance for home use				X	
	2	Reimportation in the same state			X		
	3	Outright exportation	X	X			
	4	Customs warehouses			X	X	
	5	Free zone	X	X	X	X	
	6	Inward processing	X	X	X	X	
	7	Outward processing	X	X	X	X	
	8	Drawback	X	X			
	9	Processing of goods for home use			X	X	
	10	Carriage of goods coastwise*	X	X	X	X	·
	11	Customs offences*	X	X	X	X	·
	12	Travellers*	X	X	X	X	·
	13	Postal traffic	X	X	X	X	
	14	Stores	X	X	X	X	
	15	Relief consignments*	X	X	X	X	·
	16	Customs transit					X
	17	Transshipment					X
	18	Temporary admission					X
	19	Means of transport for commercial use					X
	20	CPC N.E.S.	X	X	X	X	
		MEMO: Trade between related parties	X	X	X	X	
		MEMO: Goods for processing w/o change of ownersh	X	X	X	X	

*Not all transactions are included in IMTS, see IMTS 2010 para. 8.5

Note about re-exports/re-imports

- Strict separation between trade in domestic and foreign goods → support analytical purposes (measuring globalization)

- Therefore general exports consist:
  - Exports of domestic goods
  - Exports of foreign goods (re-exports)

- And general imports:
  - Imports of foreign goods
  - Imports of domestic goods (re-imports)

Mapping National CPC to Global CPC and Trade Flow

- As mentioned earlier, Customs CPC contains many information

- This information must be untangled into Global CPC and extended trade flow (and in some case to determine special/general trade system)

- See example of such mapping for Mongolian CPC (right table)

DESCRIPTION	National CPC	Standard CPC	Flow
Export of goods from free circul:	100	3	Exports of domestic goods
Shift procedure from export tem	120	3	Exports of domestic goods
Shift procedure from placed as	133	3	Excluded from IMTS
Shift procedure from placed as	141	3	Exports of domestic goods
Export of domestic goods from	201	7	Exports of domestic goods
Export of domestic goods from	202	7	Exports of domestic goods
Export of foreign goods previous	302	6	Re-exports
Export of foreign goods previous	304	6	Re-exports
Export of goods from Custom b	310	3	Exports of domestic goods
Return the goods that is a fully	330	8	Exports of domestic goods
Return the goods which is unde	350	5	Exports of domestic goods
Import of foreign goods for hom	400	1	Imports of foreign goods
Import of foreign goods for hom	401	1	Imports of foreign goods
Import of foreign goods for hom	402	1	Imports of foreign goods
Import of foreign goods for hom	403	1	Imports of foreign goods
Import of printed banknotes and	404	1	Excluded from IMTS
Import of petroleum products th	411	1	Imports of foreign goods
Import of petroleum products th	413	1	Imports of foreign goods
Import of petroleum products th	415	1	Imports of foreign goods

Therefore, ….

- Trade compilers should obtain raw data broken down by CPC from Customs, then map them accordingly [WHY?]

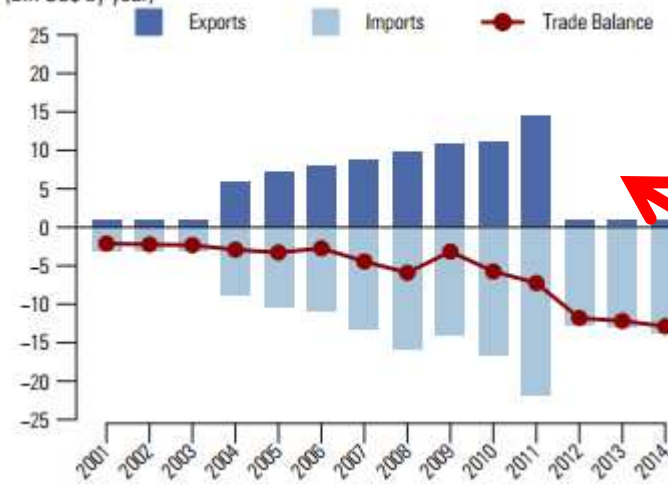|				
3071	000	Re-export after customs warehousing procedure	Common regime	R
3052	000	Re-export after customs inward processing procedure	Common regime	R
2200	000	Temporary Export for return in an unaltered state	Common regime	E
2100	000	Temporary Export for processing	Common regime	E
1022	000	Permanent Export after TE for return in an unaltered state	Common regime	E
1021	000	Permanent Export after TE for processing or repair	Common regime	E
1000	000	Direct permanent export	Common regime	E
5282	000	Temporary import after manual Procedures	Common regime	I
5271	000	temporary import for inward processing after warehousing	Common regime	I
4082	000	Entry for home use after a manual procedure	Common regime	I

CPC

Main Trade Flow

Sample of analytical table
taken from Mongolia 2013 trade data

(values in US$)	General Exports		General Imports		Trade Balance	Excluded Flow
CPC_Description	Domestic goods	Foreign goods	Foreign goods	Domestic goods		
1 Clearance for home use			5,940,678,955		-5,940,678,955	15,283,610
2 Reimportation in the same state				492,650	-492,650	
3 Outright exportation	4,244,555,114				4,244,555,114	325,468
4 Customs warehouses			340,223,502		-340,223,502	
5 Free zone	4,659,787		45,249,695		-40,589,908	
6 Inward processing		5,152,641	1,644,858		3,507,783	
7 Outward processing	3,302,041			159,418	3,142,623	
8 Drawback	11,060,796				11,060,796	
18 Temporary admission					0	14,081,085
20 CPC N.E.S.					0	8,036
TOTAL CPCs	4,263,577,737	5,152,641	6,327,797,009	652,068	-2,059,718,699	29,698,199

Finally … Free Zones

- Why? Free zones, especially Export Processing Zones can have significant exports/imports activities, thus it's important for economic analysis

Graph 1: Total merchandise trade, by value
(Bln US$ by year)

No free zones data

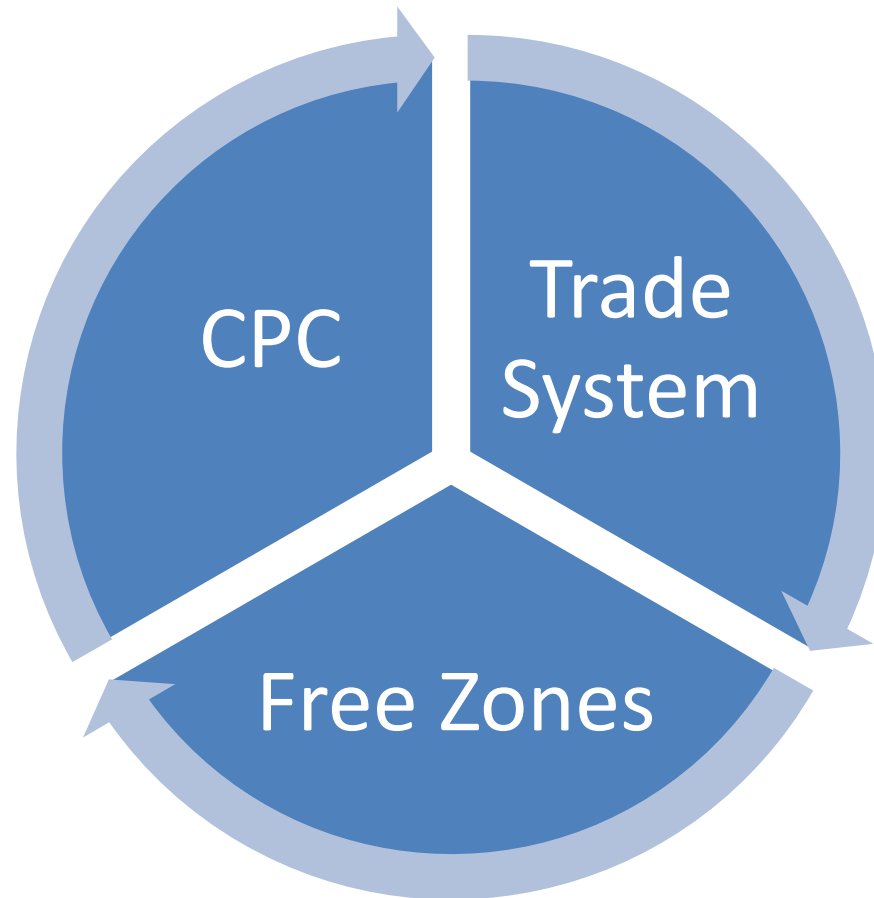# Compiling free zones

- Use customs records (probably through specific CPC codes)

- Additional data sources
  – Administrative data from free zone operators
  – enterprise surveys (*more reporting burden*)

- If non-customs sources are used, then the needs to merge or reconcile the information

Issues encountered when merging data from different sources

- Different data elements or level of detail
- Different commodity classification
- Conceptual differences i.e., partner attribution
- Different timeline in data reporting
- Risk of double counting

Recap

Thank you

Please send your comments to
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