International Consultation on International Trade Statistics

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Main Issues: Setting New Objectives:

In 2010, submission of IMTS Rev.3 and MSITS Rev.1 to the 41ˢᵗ Statistical Commission. What next, and where do we want to go in the next 3-5 years?
> *Towards an integrated approach to international trade statistics*
> *Towards more qualitative and analytical aspects*
> *Data collected and statistics disseminated : are users' need satisfied? What is the potential for further cooperation?*

1. From IMTS Rev.3 and MSITS Rev.1 to actual country practices.

Once the conceptual work has been done (and the Manuals have been translated), further work should concentrate on practical aspects with a view of (i) documenting the procedures attached to the norms, and (ii) providing training material for the national compilers.

Compilation guides should accompany the revisions of IMTS and MSITS manuals, in order to help national statisticians to implement the new recommendations according to best practices. Both guides should include practical examples on how to solve the most complex issues and must also cover the aspects of quality control and metadata.

Dealing with data quality issues (data validation, imputation of missing data) is an important value-added of the compilation guides. Experiences in supplementing custom data or administrative registers with other sources (e.g., business surveys) would be desirable.

Ideally, the two guides should be prepared in close cooperation and should identify systematically the cross-cutting issues between trade in merchandises and trade in services, from data collection – use of surveys as primary or secondary sources, to data consistency from the national system of economic statistics (e.g., the correspondence between industrial statistics, trade statistics and balance of payment statistics).

Highlighting correspondence and synergies with other economic statistics collected and processed by the national statistical systems (SNA, BOP, sectoral statistics on production, origin/use) would be helpful to promote a better integration of practices and results within the respective national statistical systems. It may also identify further work to be done when updating the respective classifications.

In addition, because some of the new 2008 SNA and BMP6 recommendations differ from the present norms and practices and from the forthcoming IMTS Rev.3 and MSITS Rev.1, the role of compilers guide will be crucial to preserve the stock of trade-related economic statistics and maintain the comparability of time series.

Preparation of these guides should closely involve national and regional practitioners, in particular experts from custom unions and regional trade agreements who face daily the challenges of having to reconcile different national concepts and practices.

As these guides will constitute the backbone of the worldwide training programme that will be associated with the launch of the manuals, they should not be cast in stone but develop with time to take into account new experiences. Thus, the workshops that will be organised to disseminate these recommendations should in turn be used to update a "knowledge base" related to the implementation of the recommendations. The contribution of the Task Force Website in providing this forum for exchange of experience and the role of regional organizations in updating the training material and adapting it to the regional specificities will be crucial.

2. From IMTS Rev.3 and MSITS Rev.1 to integrating trade in merchandise and trade in services

In 2007, the Inter-Agency Task Force on International Merchandise Trade Statistics and the Inter-Agency Task Force on Statistics of International Trade in Services decided to organise joint meetings to analyse cross-cutting issues. While it is expected that both task forces will retain their specificities, the trend is nevertheless towards a greater integration.

Several initiatives are on the table. For example, for the next meeting TF meeting in March, WTO will present a project for measuring the value-added content of trade in merchandise. Among the results expected from this project are an estimate of the indirect participation of the domestic services sector in the value of merchandises, through their supply of intermediate inputs to the goods- producing sectors.

Other cross-cutting topics are the integration of data sources such as firms surveys (a key source of statistics on trade in services) in collecting data, and the derivation of price indexes. On the other end of the statistical spectrum, the integration and reconciliation of statistics on trade in merchandises and services into BOP and SNA indicators will constitute a priority, once the new SNA2008 and BPM6 are in place.

3. Improving International Data Bases and our services to users

Quality of the statistical information managed by international agencies is and will remain a priority for the international statistical system. There are several dimensions in this context:

(a) How to deal with non - reported trade and intra -trade in custom union s?

There is a vast potential of complementarities among various sources of statistics, which could be explored to provide and document guidelines that national and multilateral compilers could refer to in their work. In particular, the use and limitations of mirror data, of business statistics and the complement provided by non-official sources (chambers of industry, business association, private data providers).

Part of this work can be done at inter-agency level. There are many examples of cooperation between UNSD and OECD on COMTRADE, of OECD and EUROSTAT (and more recently UNSD) on services, the contribution of specialised agencies (such as FAO) in sectoral data, the Inter-agency Common Data Set of total trade, etc.

But international agencies can only work on the basis of national statistics, and this effort for closing the information gap at national and regional level should be coordinated with the

capacity-building and training effort developed by international agencies when disseminating the new manuals (see point 1).

Relationship with non-official data providers and the incorporation of private sources into international statistics is a subject matter in itself, which needs careful considerations and might be analysed in the context of the CCSA.

(b) Harmonizing trade statistics and documenting gaps.

There are many international sources dealing with trade statistics, some at aggregated macroeconomic level (e.g. BOP or SNA), some at sectoral level (e.g., national use-supply balance for products or sectors produced by FAO and UNIDO), some at disaggregated product-partners details (COMTRADE).

Each one of these international statistical frameworks deals with specific objectives and it is unrealistic to hope that they will converge towards unified standard (for example, BOP data include estimates for unreported trade; it would be almost impossible to disaggregate this unreported item by product line or country of origin). The dissonance between these different and complementary approaches will increase with the new 2008SNA and BPM6, which will break the link between national accounts estimates (SNA and BOP) on one hand, and trade and sectoral production statistics on the other hand through the strict application of change of ownership principle.

A first step would be to identify existing differences, check them and document them. A second step should be to suggest the best estimate. This is currently done at aggregated level by the Common Data Set, but could be extended to more disaggregated flows, including bilaterals.[1] Various international agencies are already reconciliation of different sources of trade statistics, for example comparing mirror statistics or adjusting unreported trade. However, the estimates remain largely internal, and are kept for analytical purposes.

(c) Unit Values

This point for further inter-agency cooperation is closely related with item (b). Because changes in average unit value may be due to price, composition and quantity changes, using unit values as proxies for trade prices is a challenge for the profession, especially when dealing with data that are not available at 8 or 10-digits product line level. Almost all agencies that have to compute UV indexes, have to go through a lengthy process of cleaning the data for outliers, checking for the heterogeneity of the underlying samples and trying to identify changes in product composition.[2] Results are then checked for consistency, e.g., using import and export price indexes when available, or comparing with partners' data. The

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[1] The CDS is a joint effort by Eurostat, OECD, UNSD, UNCTAD and WTO to reconcile their time series on merchandise trade statistics, using international standards as a benchmark. Reconciliations consist of scrutinising significant differences between the agencies' data to determine the best value, according to international standards. In many instances, this results in finding agreement on substitution values and estimates. See http://imts.wto.org/common_dataset_e.htm

[2] For an example of the various steps needed to clean the raw data before using UVs to calculate *ad valorem* equivalents, see page 190 of World Tariff Profiles 2006
http://www.wto.org/english/tratop_e/tariffs_e/tariff_profiles_2006_e/tariff_profiles_2006_e.pdf
See also "A Strategy for Price and Quantity Measurement in External Trade", United Nations , 1981.

results of this painstaking work are usually kept for internal use, and not shared between organizations (and may be not even within each organization). Probably in many cases, analysts do not go through this difficult and thankless exercise, and simply divide values and quantity estimates.

Not sharing estimates results in duplication of effort and inefficiency. Specialised organizations, for example, are probably in a better position to judge the quality and likelihood of UV estimates relevant to their respective fields of activity - IMF and UNSD to verify whether those individual UV indexes are consistent with the aggregated BOP and SNA deflators.

With the publication of the new Export and Import Price Index Manual prepared by the Inter-secretariat Working Group on Price Indices (IWGPS) coordinated by the IMF, there is an opportunity to compare the various approaches, share experiences and look at the possibility of converging towards a "recommended" common UV data set that could be shared among agencies.

A closely related topic is the use of non-market valuation for those transactions that take place between two related establishments, as part of an intra-firm or an out-sourcing/off-shoring operation. As these transactions are rapidly increasing as a result of globalization and the vertical integration of production processes, resolving these issues will remain prominent in the statisticians' list of priorities.

Revising the competing approaches and recommendations issued by income tax authorities, custom administrations and NSOs in order to establish best practices in relation to "transfer pricing" valuations used in intra-firm transactions is one of the issues at hand. Another issue is the proper disaggregation of the total value of out-sourcing export transactions between the value of the intermediate products imported (raw materials or semi-finished manufactures used for processing), the inputs purchased in the domestic market and the net value-added (processing fees). These issues have a close relationship with the conciliation of trade statistics with the new 2008SNA and BPM6, and the preparation of the IMTS Rev.3 and MSITS Rev.1 compiler 's manuals.

(c) Designing an integrated information system to meet users' needs: Bridging the gap between trade statistics and trade policy data.

For international statisticians, creating public value-added is not so different than in private businesses. In the end, the ultimate proof of the quality of our services to the international community is customer satisfaction. In my opinion, there is probably a serious gap in this respect.

Trade statistics are often considered by official statisticians as a disaggregated extension of national accounts or balance of payments statistics. But many users of trade data are more interested in microeconomics, and the usual question they have is: how much does it cost me to ship x tons of my product to country A; what are the tariffs I will face and how much would my competitors from country C have to pay and what is their market share? And requests for this type of information are not restricted to private business; indeed, most governments would be interested in the same type of information when devising their trade policy or negotiating trade agreements.

Unfortunately, there are few publicly available official data bases that respond to this demand by integrating the relevant trade flows and trade policy information, WITS and MACMAP being among the exceptions. [3] The gap is often filled by private data providers. This is due to many factors, but one of them is probably the artificial distinction which exists between statisticians dealing with flows and those dealing with policy data.

There is a great potential in the future to bring more coherence and interrelation among the various sources of information, and to offer users a comprehensive trade statistics framework that would cover the various "views" that are today scattered among many unrelated data bases. Ideally, this information system would cover the traditional fields of trade and trade policy statistics (tariffs and flows), but also information related to transaction costs that are so far only implicitly available in the trade statistics (e.g., the freight and insurance components of the CIF data).

Other important users of trade statistics are governmental and international analysts interested in the role of trade in economic development, or in estimating investment needs to facilitate trade. Presently, the relevant statistics are scattered across various unrelated sources, some of them relying on a compilation of ad-hoc surveys (for example, on the quality of trade infrastructure or the cost of doing business in particular countries). Offering high quality statistical services to these users means offering a consistent picture from production to final use, including trade. This is another example of the potential cross-fertilization between trade statistics and business surveys. In this line of thought, the profession could gain in learning more from the needs of sectoral specialists. Further extensions would combine trade data base with related economic indicators such as employment or environment, as the demand for contextual data is increasing in line with "Trade Plus" initiatives.

The wish list may be long, but in practical terms, we need to foster better inter-connectivity between the various international data bases. SDMX is one example of initiative to promote exchange of data, but ultimately, the international statistical community should provide users with the possibility of "surfing" through inter-related data bases and mine the relevant data according to their personal needs. This point on integrating our data sets through compatible database designs leads to the next point on coordinating our dissemination policies.

(d) How to better coordinate data compilation and dissemination?

There are several examples of inter-agency cooperation for compiling and disseminating trade statistics. Several regional organizations from both developed and developing regions actively participate in the recompilation of trade data for COMTRADE; ITC, UNCTAD and WTO cooperate to develop a common data base on tariffs (CAMAD) and the World Bank has been collaborating with ITC and UNCTAD to revamp WITS. There are other examples of cooperation on specific initiatives (e.g., a common FAO-UNIDO-WTO project to integrate trade and production data for agricultural and agro-industry products).

These examples are proof of goodwill of international organizations to cooperate and develop joint-ventures. Nevertheless, a lot remains to be done to extend joint processing initiatives (such as the OECD-UNSD cooperation on COMTRADE) to other fields (for example, the

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[3] WTO plans to release soon a public version of the IAF.

FDI and FATS data, collected by UNCTAD, OECD and EUROSTAT, and the reconciliation of short-term statistics) or the consolidation of trade and production data in supply-use tables covering goods and services.

There is a key role to play here for the Committee for the Coordination of Statistical Activities (CCSA). A first step in this direction will be the definition of terms of reference on "modalities of data sharing among international organizations". Further steps would include appropriate data base designs and system development that would allow inter-agency data mining. But institutional governance issues may limit the potential for further cooperation, and statements from CCSA or even the UNSC are not always sufficient to unlock them. When necessary or desirable, the community of international statisticians should engage more actively the High Level Committee on Programmes of the United Nations Chief Executives Board on Coordination (CEB) where actual decision making concerning inter-agency coordination takes place, or at least is initiated.