

**REPORT ON THE MEETING OF THE TASK FORCE ON
INTERNATIONAL MERCHANDISE TRADE STATISTICS
Vienna, 26-27 March 2008**

The meeting was hosted by UNIDO. The opening session was co-organised with the Task Force on Statistics of International Trade in Services (TFSITS), and the meeting was formally opened by Mr. Yoshiteru URAMOTO, Managing Director and Deputy to the Director General of UNIDO. After the opening ceremony, both Task Forces split to initiate their respective work and prepare the joint session, programmed back-to-back on 28 March.

1. Adoption of the Provisional Agenda

The agenda was approved after reviewing some last minute submissions on revisions of IMTS (IMF note related to items 5.a and 5.b) , and incorporating a few additional items for information (UNSD's presentation on SDMX in item 4.a; WCO communication on HS07 implementation as new item 5.c). The Provisional Agenda is at Annex 1 and a list of participants at Annex 2.

2. Review of decisions of other international meetings with regard to merchandise trade

a. United Nations Statistical Commission (UNSC)

UNSD and WTO presented an oral report on the thirty-ninth session (26 to 29 February 2008) of the United Nations Statistical Commission (UNSC). This year, the UNSC's agenda included a series of items of direct relevance to the work of the Task Force:

International merchandise trade statistics: The United Nations Statistics Division (UNSD) presented the programme to revise the existing recommendations for international merchandise trade statistics (IMTS, Rev.2). This work is supported by an Expert Group composed of national and international experts. The revised conceptual framework to be recommended should be harmonized to the extent possible with revised recommendations for statistics of international trade in services, the balance of payments and the system of national accounts. The Commission recommended that due consideration be given to the concern of minimizing the cost of data collection and compilation. The initiative was endorsed by the UNSC and the Statistical Office of the European Community (EUROSTAT), the United Nations Conference on Trade and Development (UNCTAD), the World Trade Organization (WTO) and the World Customs Organization (WCO) expressed their commitment to actively participate in the revision process.

Terms of Reference of the Task Force on International Merchandise Trade Statistics. The Commission took note of the report of the Task Force. This report presented the new terms of reference and *modus operandi*, in particular with respect to the cross-cutting issues to be analyzed jointly with TFSITS. As a matter of fact, the report of the TFSITS was also presented to the Commission, which took note of the initiative of increased coordination between the two Task Forces.

National accounts: The Commission reviewed the report of the Inter-Secretariat Working Group on National Accounts (ISWGNA) on the submission of Volume 1 of the updated System of National Accounts (1993 SNA Rev.1). The time to evaluate Volume 1 was insufficient due to delays in its finalization and distribution. An additional period – until 30 April 2008 -- was introduced for completing its review. Volume 2 of the updated System of National Accounts, which includes matters related to external sector transactions will only be presented for adoption to the fortieth session of the Commission (2009).

Integrated economic statistics. In a closely related agenda item on integrated statistical frameworks, the Commission affirmed the role of the System of National Accounts as the integrating framework in economic statistics and recognized the importance of increasing the coherence of basic economic statistics for economic and macroeconomic analysis. Commenting on the information, the Task Force members highlighted the importance of these aspects in view of adapting trade statistics to changes in the forthcoming SNA and Balance of Payments manuals.

Common open standards for the exchange and sharing of data and metadata (SDMX).

The UNSC recognized and supported SDMX as the preferred standard for the exchange and sharing of data and metadata, requesting that further work be done on this initiative and encouraged implementations by national and international statistical organizations.

b. Inter-agency Committee for Coordination of Statistical Activities.

The Task Force members were informed of the relevant outcomes of the tenth meeting of the Committee for the Coordination of Statistical Activities (CCSA), held in Madrid, at the United Nations World Tourism Organization, from 10 - 11 September 2007, and the eleventh meeting in New York, at the United Nations, on 25 February 2008.

The items of direct relevance were related to data dissemination and quality. In Madrid, the CCSA revised (i) the modalities of data sharing between international organizations, including SDMX as the inter-agency standard for exchange and sharing of data and metadata; and (ii) discussed the implementation of quality assurance frameworks in international organization, in particular, to what extent data provided by one partner agency can be re-used by another agency.

The CCSA reviewed also its functions and its terms of reference. To reflect the large diversity of international agencies participating in the CCSA and the need for a conceptual framework and a governance system that is agreeable to all members, the Committee decided in Madrid that the two co-chairs for the next two-year term would be Paul Cheung, Director of the United Nations Statistics Division and Pieters Everaers, Director of Statistical Cooperation of Eurostat. In New York, the Committee discussed the CCSA's draft revised terms of reference prepared by the two co-chairs and the UNSD Secretariat. A formal revision of the new TORs will take place at the September 2008 Session.

c. The Millennium Development Goals.

As coordinator of the inter-agency group monitoring the trade-related indicators under MDG8, WTO informed of the changes in the numbering of indicators. Indicator 38 (percentage of duty free exports) becomes 8.6, and indicator 39 (average tariff paid on agricultural products, textile and clothing) becomes 8.7 The updated indicators were provided to UNSD in March and the related website maintained by ITC, UNCTAD and WTO has been updated.

The Task Force participants were also informed of the creation in November 2007 of a new task force whose objectives were to identify concrete goals for trade related commitments, and the related discussion that took place during the UNSC on the proper political/technical levels that should identify and validate these new commitments.

d. OECD International Trade Statistics

OECD informed the Task Force participants on the outcome of the meeting organised in September by its Trade and Globalisation Statistics Section. A joint Working Party on Goods and Services was created to look at cross-cutting issues under the globalisation umbrella.

A series of technical advances were presented, such as the integration of databases and the creation of a " Globalisation Cube". With a view to promote an integrated approach to economic statistics from the globalisation perspective, the discussion mentioned some coordination issues and complementary aspects between compilation (the perspective favoured by trade statistics) and analytical objectives (the national accounts approach).

e. EUROSTAT Trade Statistics

EUROSTAT presented recent developments of Intrastat. In line with the Lisbon Agenda to reduce reporting burden, the possibility of recording only single flows was analysed in 2007. The main conclusion after analysis on data quality and reporting burden as well as consultation of stakeholders was that single flow is not a feasible short term solution. A new proposal had been tabled to keep tracking of both intra-EU imports and exports by reducing the burden through adopting a sampling approach that would cover 97% of exports and 95% of imports.

The statistical implications of the simplification of custom procedures were reviewed, in particular the possibility of a single declaration procedure where one firm may process all custom declarations in one particular Member State, regardless of the physical entry of the good to the EU or

exit from the EU. While this may reduce the so-called "Rotterdam Effect", there will also be a need for additional data and better communication between various custom and national administrations to allocate statistical information to the Member State of final destination or actual export.

During the discussion, participants noted the importance of keeping track of bilateral trade flows at intra-EU level in order to compute a series of sectoral statistics (i.e., national balances, I-O matrices). Exchange of customs data to complement the centralised custom clearance may in fact help to trace movements and reduce the possibility of suspicious operations. In addition, EUROSTAT informed that the Task Force request to keep on recording net mass had been taken into consideration; a Task Force has been set up in order to find a solution.

3. Technical assistance

Participants reported on their technical cooperation projects. In particular, ESCWA presented its project on IMTS, completed activities and plans for 2008.

The discussion focused on design aspects of TA programmes, in particular the mechanisms to identify and evaluate the needs for follow-up. These aspects are particularly relevant to identify mutual responsibility of the various international and national partners and foster project sustainability. Albeit no clear solution was identified, the Task Force mentioned that maintaining active regional networks and fostering peer to peer quality reviews between project participants was a way of promoting accountability and sustainability.

4. Databases on international trade

a. Database developments in organizations

UNSD presented an update on improvements of dissemination (metadata) and the limited but increasing availability of data according to HS07 (20 countries). The participants mentioned their intense use of COMTRADE and welcomed the OECD-UNSD cooperation, albeit they were informed of some duplication as UNSD is not using the data processed by OECD. OECD re-iterated the need to move quickly towards a more satisfying situation if this co-operation, which has been quite resource-intensive, is to be maintained

Because some of the organizations use earlier SITC versions for compiling historical time series, they expressed the wish that Comtrade keeps on providing all correspondences. Suggestions for improvement included the publication of metadata on methodologies used to estimate missing quantity data.

As far as the strategy for data dissemination is concerned, UNSD recorded that SDMX had been endorsed by CCSA and by the UNSC. Using SDMX would allow for a low cost and standardized medium of transfer for large data sets. UNSD proposed to coordinate the preparation of the required SDMX vocabulary. Participants welcomed the initiative and noted the importance of SDMX as a structuring and standardizing tool for the preparation and dissemination of metadata, enhancing the overall quality of international statistical system. UNSD will prepare and send a proposal to the Task Force.

FAO informed meeting participants of its trade data collection and processing activities in 2007. The geographical distribution of reporting countries shows that progress needs to be done in Africa and Oceania. Among the most important issues concerning data quality, missing or wrongly quoted quantities were the most common next to the problem of reconciling reported trade data with mirror partner declarations. During the discussion, participants requested clarifications on the on-going changes in FAOSTAT.

ECLAC informed about the recent developments in CEPALSTAT, a recent database portal including social, trade, economic and environmental indicators, available through Internet to the general public. ESCWA updated the Task Force participants on the current status and future development of its trade database module, which was established in 2006 and made available last year to the general public. UNIDO presented also its activities and a common project with OECD. OECD informed of the organisational response on data base issues related to globalisation (the "globalisation cube") including trade indicators, activity of multinationals and foreign direct investment statistics. The presentation included an update on the various OECD's Working Parties associated to globalisation analysis and statistics.

An information paper submitted by UNCTAD was presented by the Chair, describing their activities in the area of international merchandise trade statistics, either of continuing nature or in the context of the forthcoming UNCTAD XII conference. The initiative to review discrepancies on merchandise trade statistics released in different databases (IFS, DOT and COMTRADE) was highlighted for its convergence with the Common Data Set initiative (see next agenda item). ITC made a presentation of its market analysis tools, which are now available free-of-charge to all users from developing countries, thanks to the financial support of the World Bank. Participants welcomed the initiative, and noticed that ITC was presenting short-term (monthly) indicators. Questions focused on the methods used to reconcile monthly/quarterly/annual data, as well as the need to coordinate data collection activities with other organizations. ITC mentioned that the main purpose of the database was for business analysis, so that timeliness was the key factor in collecting and disseminating short term data.

b. Common Data Set

WTO informed on the status of the 1995-2006 data production cycle, and the comparison between officially reported and reconciled statistics by data providers. More than 91% of reported data were accepted in reconciliation. Some discrepancies were in fact due to well identified causes such as the incorporation of new members in the EUROSTAT data set, and the use of FOB reporting in the case of OECD. Only 3.5% of differences between reported and reconciled data were greater than 10%, and for 1.2% no conciliation was achieved.

A letter was sent by WTO as coordinating agency to national statistical offices in March 2008, to draw their attention to the CDS and request their feedback on identified discrepancies between reported and reconciled data. WTO will inform the Task Force of the results of this mailing at the next meeting.

Participants mentioned the need for all Task Force members to actively disseminate the CDS by installing a link on their websites, and requested WTO to provide a choice of (very) brief standard descriptions to be used by all participants as an introductory text for the link in their respective website. Participants suggested also improving the friendliness of the user interface, for example using active cursor to deploy metadata, and reduce the number of "clicks" needed to access data. WTO will contact Task Force members for further suggestions on new functionalities.

c. Trade Indicators

OECD made a presentation on a new feature of its Trade Indicators Program, using interactive charts. These "radar" charts allow visualising multi-country and multi-variable data and trends over time through dynamic graphing showing country developments against another country or OECD average. This is a contribution to the efforts of the statistical community to broaden its dissemination to the less specialised public.

The Chair presented a new World Bank portal "World Trade Indicators" with 126 indicators focusing on trade policy and trade outcomes.

d. Trade and Business Statistics

OECD presented a common initiative with EUROSTAT of linking trade statistics to business statistics in order to derive the value of trade and the number of enterprises by activity sector, size or geographical nomenclature. OECD stressed the good result obtained in getting Non-EU OECD countries involved and the elaboration of standard tables allowing cross-country analysis. EUROSTAT informed about the results of the third pilot study on merchandise trade by enterprise characteristics and presented some of the methodological issues linked with the distinction between intra and extra trade activities. The participants noted and appreciated the usefulness and potential of linking trade statistics to business statistics, for both statistical and analytical purposes. The issue of statistical confidentiality and how it was dealt with was also discussed.

5. Concepts, definitions and methodology

a. Revision of IMTS, Revision 2

UNSD introduced the item, presenting the rationale for a new revision and the various steps involved. The revision process is built on a two-tiered approach coordinated by UNSD. The first pillar consists of an Expert Group on International Merchandise Trade Statistics including national experts from developed and developing countries and from the Task Force. The second pillar consists of two rounds of worldwide consultations.

The Expert Group met in December 2007, to provide an assessment of the existing recommendations and to advise on where to update existing recommendations, or develop new ones. A set of guiding principles to follow during the revision were identified, in particular, that the revision's scope should include all different stages of data production such as concepts and definitions, sources, compilation strategies, institutional arrangements, quality, metadata, dissemination and analysis.. A list of issues was identified for a worldwide consultation with national compilers during May to June 2008. Based on these results, UNSD will prepare which will be discussed with the Expert Group using virtual conferencing in November 2008. After a second worldwide consultation on the first draft version during April-May 2009 the Expert Group will then meet probably in September/October 2009 to finalise its work. The recommendations will be submitted to the 2010 UNSC.

The Task Force then discussed the list of identified issues. It was highlighted that if users' needs were a guiding principle, the representation of users during the consultation process should be ensured. In this respect, it was noted that some of the Task Force participants were representative of users (trade negotiators, sectoral specialists, custom officers) and that the Expert Group was open to all Task Force participants.

An in-depth analysis of 17 individual issues identified by the Experts for a worldwide consultation followed:

- Issue 1: Coverage
- Issue 2: Use of change of ownership between residents and non-residents
- Issue 3: Packaged software
- Issue 4: Goods for processing
- Issue 5: Transactions between parent and affiliated branches
- Issue 6: Downloadable or otherwise electronically delivered computer software and audiovisual products
- Issue 7: Asymmetric inclusions and exclusions
- Issue 8: Adding mode of transport
- Issue 9: Adding Imports on FOB-type basis
- Issue 10: Strengthening country of consignment for imports
- Issue 11: Optional or recommended country of consignment for exports
- Issue 12: Use of non-customs source and data compilation strategies
- Issue 13: Maintaining institutional arrangements
- Issue 14: Recommendations on quality of international merchandise trade statistics
- Issue 15: Providing additional recommendations on the compilation and dissemination of metadata of international merchandise trade statistics
- Issue 16: Compilation of external trade indices
- Issue 17: Compilation of seasonally adjusted data

While not modifying the number of issues included in the list, the Task Force discussed the existing list of issues and suggested a number of changes to the text. One concern was to whom the questionnaire will be addressed and who finally responds. Yes/No options were considered in some cases too restricted and some items needed further clarification: for example, processing for inward and outward processing, intra-firm trade and its dimensions, transport and mixed-mode. References to existing methodological material should be included wherever possible, for example, on seasonal adjustments.

b. Trade Index Numbers and the Unit Value Approach

Based on last year's decisions of the Task Force, the IMF included a chapter in the Export and Import Price Index (XMPI) Manual which describes the complementary use of both prices and unit

values and their respective limitations. Further refinements and the inclusion of the resident vs. non-resident perspective resulted in a production delay of the manual which is now expected for end 2008.

The draft chapter was reviewed by the Task Force participants. The discussion then moved to concerns expressed in a note from the IMF on the inclusion and wording of Issue 16 in the worldwide survey of national compilers and producers on the above mentioned revision of IMTS (item 5.a).

Participants reaffirmed that there is no contradiction between the two approaches, and that price surveys are the best solution in computing indexes. However, it was also highlighted that this approach is neither always feasible nor cost-effective at the level of disaggregation usually considered in trade statistics (i.e., at 6 digit of the HS classification, nomenclature or at more detailed national tariff line level). The practical complementarities between the two approaches were evidenced by the use of trade statistics in weighting the results of the price surveys. The participants decided to maintain the question of issue 16 and recommended to revise it to include a reference to the XMPI manual.

c. Application of the 2007 HS Changes

WCO presented a detailed note on the situation and prospect of the Harmonized System. The latest revision of HS was one of the most extensive one, and took force in January 2007. A year later a total of 133 countries and the EC have signed the HS2007. Some 102 out of the 133 parties have updated their nomenclature to align them with the HS2007 categories and a substantial number of administrations who are not contracting parties are still using HS2002. In addition, there were still pending problems in correlating HS02 with HS07, as unresolved classification disputes in HS02 (in particular in ITC products) impeded reaching a consensus on the HS07 classification shifts.

Discussion centred on (i) the impact of unresolved issues and the need of clarifying text to overcome potential legal problems; (ii) the difficulties created by the use of non standard quantity units, especially for non *ad valorem* tariffication purpose.

d. Identification of cross-cutting issues for discussion with TFSITS

The Task Force participants discussed some of the main cross-cutting issues between merchandise and service trade statistics that were created by the revision of 1993 SNA, and the new Balance of Payments Manual (BPM6). Participants were particularly concerned about the increasing gap that will appear between the balance of payments trade in goods and merchandise trade statistics because of the strict application of change of ownership principle in BPM6 and the 1993 SNA Rev.1.

Participants noted that modern business practices in production and commercialisation processes increasingly involve trans-border transactions without a corresponding change of ownership. Tracking international trade in goods only on the basis of change in ownership would lead to a considerable loss of valuable information, especially for developing countries where processing goods for exports is a key component of the industrialization strategy. Such a practice would also limit the relevance and usefulness of trade statistics for a number of sectoral analyses in industry and transport, as well as in national accounts (input-out matrices). The participants also noted that registering the net value as services would result in a loss a loss of information because the nomenclature used to register the movement of goods is much more detailed than the one used for services.

On this basis, the participants maintained their recommendation of registering trade statistics on the basis of physical movement of goods, and expressed their concern that if this information is no more required for BOP purposes, its compilation may be discontinued due to resource constraints.

Other aspects discussed comprised trade in digitised products, the distinction between perpetual and temporary licensing agreements in distinguishing goods or services breakdowns, software bundled into a single product (e.g., operating system and computer applications pre-installed in personal computers), and goods for recycling .

Participants noted also that the list of potential cross-cutting issues should include also e-commerce and goods for recycling, as these activities were increasingly globalised, involving complex operations in goods and services.

6. Other business

a. time and place of next meeting

The participants took note of the proposal of ESCWA and other options, but decided to postpone the decision as it would depend of the results of the Joint Session to be organised the next day (28 March) with the Task Force on Statistics of International Trade in Services.

Annex 1: Provisional agenda

TASK FORCE ON INTERNATIONAL MERCHANDISE TRADE STATISTICS

Vienna, 26-27 March 2008

9.30 a.m., room C0713/15

1. **Adoption of the Provisional Agenda**
2. **Review of decisions of other international meetings with regard to merchandise trade**
(Statistical Commission, Inter-agency Committee for Coordination of Statistical Activities, the Millennium Development Goals, OECD International Trade Statistics Experts meeting and the OECD Working Party on Trade Statistics, etc.)
3. **Technical assistance**
4. **Databases on international trade**
 - (a) Database developments in organizations
 - (b) Common Data Set
 - (c) Trade Indicators
 - (d) Trade and Business Statistics
5. **Concepts, definitions and methodology**
 - (a) Revision of IMTS, Revision 2
 - Review of draft text for worldwide consultation
 - Identification of cross-cutting issues for discussion with TFSITS
 - (b) Trade Index Numbers and the Unit Value Approach
(Review of the Manual on Export and Import Price Indices)
6. **Other business**
 - (a) time and place of next meeting

Annex 2 List of participants

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