

Recommendations for International Merchandise Trade Statistics: IMTS 2010 and its implementation

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1. Introduction

Relevance and uses of IMTS

- Development of national, regional and international trade policy, including trade negotiations, monitoring trade agreements and settling trade disputes;
- Establishing general economic policy, including policies on sustainable development, fiscal, monetary, structural and sectoral matters as well as addressing issues of environmental and health concerns;
- Market analysis to find supply sources or foreign markets and, in combination with structural business statistics, to determine economic characteristics of traders; Establishing supply balances to monitor commodity markets;
- Infrastructure planning (harbours, airports, roads etc.);
- Compilation of transport statistics;
- Compilation of the import component of the various price indexes (e.g. cost-of-living indexes);
- Input into and forecasting in the framework of the system of national accounts and balance of payments statistics.

Why IMTS 2010 was necessary and what is new it?

A new revision on IMTS was necessary to take into account changes in new commercial practices, revised international conventions and new recommendations of the UN Statistical Commission for other areas of statistics

Contains updated recommendations on scope, valuation, partner country and dissemination to create a better basis for

an integrated approach to trade statistics and business statistics

addressing the new challenges the official statistics is facing in the context of globalization

New chapters and new recommendations to cover not only basic concepts and definitions but data compilation and data quality to assist national statistical systems in effective organization of their work

IMTS 2010 preparation process

- The provisional draft of IMTS 2010 had been prepared by the Trade Statistics Branch of the United Nations Statistics Division in cooperation with:
 - the Expert Group on International Merchandise Trade Statistics (EG-IMTS) (composed of country and agency experts). Participating countries included the USA, Germany, UK, Italy, Ukraine, China, South Africa, Mexico etc.
 - the Inter-agency Task Force on International Merchandise Trade Statistics (TF-IMTS).
 - Two stages of a worldwide consultation with countries (**in 2008** - on scope of the new recommendations; **in 2009** - on full text of provisional draft)
- The final draft incorporated inputs from national statistical offices and international organizations and was submitted to the United Nations Statistical Commission at the end of 2009 which adopted IMTS 2010 **in February 2010**.

Recommendations and encouragements

For the purposes of IMTS 2010 the term “recommended” refers to a **standard** with which countries should comply with as much as possible.

The term “encouraged” indicates a **desirable practice** which is not part of the standard.

With respect to issues which might be relevant to compilers and users of international merchandise trade statistics, but which are not explicitly covered in the IMTS 2010, countries are encouraged to develop their own treatments and clearly document them in their metadata.

International merchandise trade statistics and Statistics on International Trade in Services

The international merchandise trade statistics is a specialized **multipurpose** domain of official statistics concerned with the provision of data on the **physical movements of goods between countries and areas**. To provide recommendations for statistics of international trade in **services** the UN Statistical Commission adopted *Manual on Statistics of International Trade in Services (MSITS 2010)*.

IMTS 2010 and MSITS 2010 complement each other, share a number of common concepts and approaches to data compilation, but also have certain conceptual difference, which should be understood by compilers and data users in order to use data effectively.

2. Overview of IMTS 2010

Chapter I: Scope and time of recording

The IMTS scope is defined by a **general guideline** (IMTS 2010, paragraph 1.2) according to which international merchandise trade statistics record all goods which **add to or subtract from the stock of material resources of a country** by entering (imports) or leaving (exports) its economic territory.

Goods should be

- in included showing their value and quantity
- under the appropriate headings of the commodity classification
- with identification of the partner country, and
- mode of transport.

There are flows of goods which comply with the general and the specific guidelines on the scope but are below the applicable customs or statistical thresholds for direct recording. **Countries are encouraged** to estimate and include if they are economically significant as determined by the statistical authorities of the compiling country.

Application of criterion of change of ownership

The criterion of change of ownership is to be used to determine whether certain goods should be recorded only if the general guideline is not applicable or not sufficient.

- Ownership is defined in accordance with 2008SNA and BPM6 as change of economic ownership (**same as in MSITS 2010**).
- Can apply for example ships and aircraft, satellites and their launchers, mobile equipment that changes ownership while outside the residence of its original owner as transactions in these goods might not be properly, if at all, be captured in the recording of cross border movements of goods.

Selected basic concepts

- **Goods.** IMTS 2010 adopts 2008 SNA definition of goods as physical, produced objects for which a demand exists, over which ownership rights can be established and whose ownership can be transferred from one institutional unit to another by engaging in transactions on markets, plus certain types of so called knowledge-capturing products stored on physical media which can cross borders physically.
- **Material resources of a country.** For the IMTS 2010 purposes the material resources of a country are those located on its economic territory whether owned by residents or by non-residents.
- **Economic territory.** IMTS 2010 adopts the BPM6 definition of economic territory as the area (not necessarily contiguous) under the effective economic control of a single government.
- **Time of recording.** As a general guideline it is recommended that goods be recorded at the time when they enter or leave the economic territory of a country.

Specific guidelines on scope

With respect to certain categories of goods the specific guidelines clarify whether those goods are:

- **included** in international merchandise trade statistics;
- **excluded** from international merchandise trade statistics;
- **excluded** from international merchandise trade statistics **but be separately recorded** to assist in the derivation of the totals of international merchandise trade for balance of payments and national accounts purposes or for other statistical needs.

Goods to be included in IMTS – three special cases

Media, whether or not recorded are included *at full transaction value* except for media used for carrying customized software or software written for a specific client or originals of any nature which should, in principle (if identifiable), be excluded.

Goods for processing with or without change of ownership are goods sent abroad or brought into a country under a specific arrangement between the involved parties and for specific operations as defined by the statistical authorities of the compiling country (newly added definition). **It is recommended** that goods for processing, as well as goods resulting from the processing (compensating products in customs terminology) *are to be included at their full (gross) value*. Countries **are encouraged** to *explicitly identify (preferably by special coding)* in their trade statistics goods for processing as well as goods resulting from such processing where no change of ownership takes place (despite the problems involved)

Goods which cross borders as a result of transactions between related parties. Countries are **encouraged** to use the definition of related parties as provided in Article 15(4) of the WTO Valuation Agreement. These goods should be included following all recommendations contained in this publication. Countries are further encouraged *to separately identify (code) such goods and types of the relationships* in order to be able to review their valuation and to provide information on these transactions to users.

Goods to be excluded from IMTS – selected cases

Goods treated as part of trade in services:

- Goods acquired by all categories of travellers, including non-resident workers, for their own use and carried across the border in amounts or values not exceeding those established by national law
- Newspapers and periodicals sent under direct subscription
- Goods supplied **by** and **to** enclaves of foreign governments, such as embassies, military bases etc., and international organizations located in the economic territory of a host country
- Media carrying software customized or written for a specific client or originals of any nature, where identified

Goods under merchandising. Merchandising is defined as the purchase of goods by a resident of the compiling economy from a nonresident combined with the subsequent resale of the same goods to another nonresident *without the goods being present or crossing the border of the compiling country.*
(Note: included in goods part of balance of payments by BPM6)

Goods to be excluded but recorded separately – several cases

Goods for repair or maintenance

Waste and scrap (having no commercial value)

Goods entering or leaving the economic territory of a country illegally.

This includes, for example, smuggling, trade in stolen vehicles and shipments of narcotic substances, the use or possession of which is illegal in one or both of the compiling countries.

Chapter II - Trade system

Trade data compilation system adopted by a country is referred to as trade system - two main types of trade systems - **general and special trade system**, depending on the definition of a statistical territory of a country

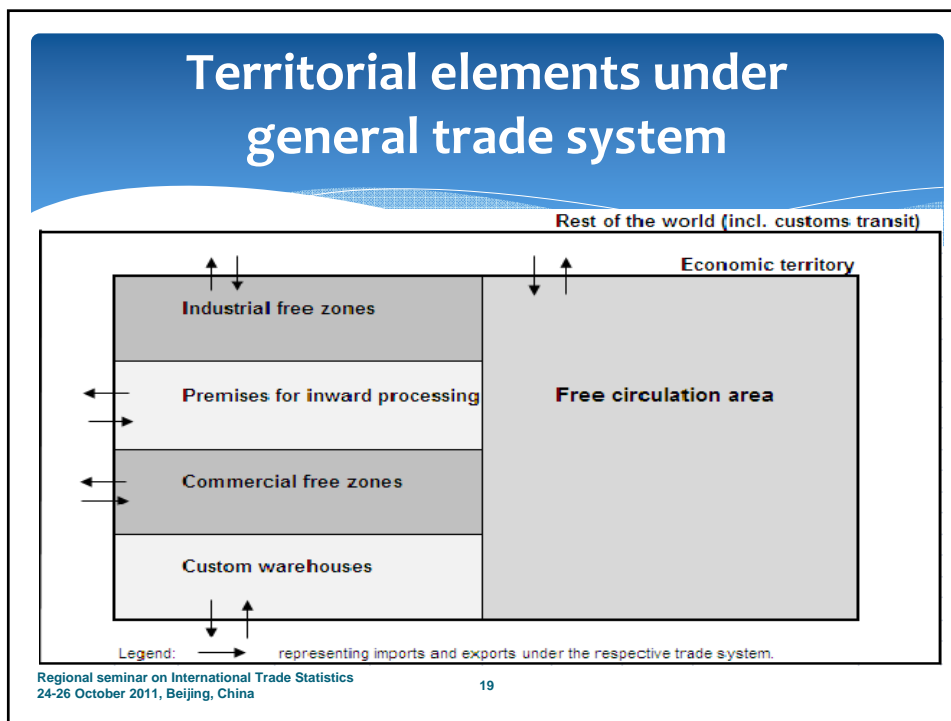
Statistical territory of a country is the territory with respect to which trade data are being compiled.

A country is using general trade system of trade flows recording if statistical territory coincides with its economic territory - **is recommended**

A country is using special trade system of trade flows recording if statistical territory does not include some parts of its economic territory (e.g., customs free zones) (**not recommended as it limits coverage of IMTS**)

Territorial elements to be included in the statistical territory under general trade system

- Islands;
- Territorial waters;
- Continental shelf;
- Offshore and outer space installations and apparatus;
- Commercial free zones;
- Industrial free zones;
- Customs warehouses;
- Premises for inward processing



Domestic and foreign goods

IMTS 2010 recommends that

Domestic goods be defined as goods originating in the economic territory of a country. In general, goods are considered as originating in the country if they have been wholly obtained in it or were substantially transformed.

Foreign goods are goods which originate from the rest of the world (this includes foreign goods which are in transit through the compiling country) or are obtained under the outward processing procedure, when such processing confers foreign origin (compensating products which changed origin).

Regional seminar on International Trade Statistics
24-26 October 2011, Beijing, China

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Trade flows in General Trade System

- **General Imports:**
 - Imports of foreign goods
 - Re-imports of domestic goods
- **Re-imports are Imports of domestic goods which were previously recorded as exports.**
- **General Exports:**
 - Exports of domestic goods
 - Re-exports of foreign goods
- **Re-exports are exports of foreign goods which were previously recorded as imports.**

Chapter III - Commodity classifications

Harmonized Commodity Description and Coding System (HS)

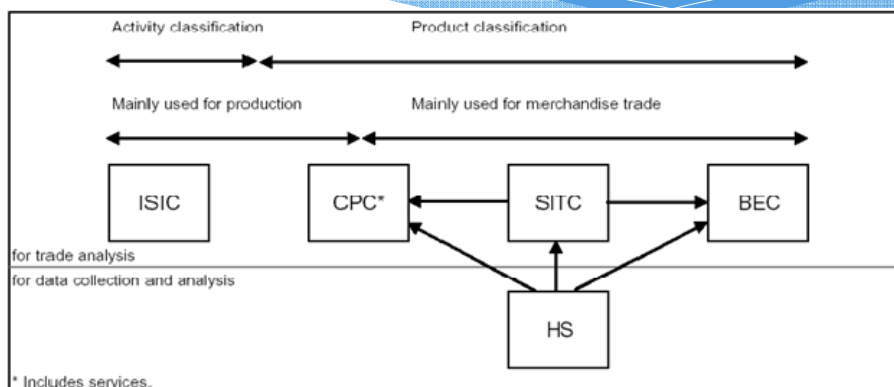
Standard International Trade Classification (SITC)

Classification by Broad Economic Categories (BEC)

Central Product Classification (CPC)

✓ International Standard Industrial Classification of All Economic Activities (ISIC) *(This is an activity classification)* Use of ISIC is important for linking trade statistics and business statistics

Relationship between classifications



Chapter IV - Valuation

It is recommended that for **all goods** covered in international merchandise trade statistics, whether sold, exchanged or provided without payment, a **statistical value is recorded** following the specific rules.

It is recommended that countries adopt the WTO Agreement on Customs Valuation as the basis for valuation of their international merchandise trade for statistical purposes (whether a country is a WTO member or not). This recommendation for determining the statistical value applies to both imports and exports.

It is recommended that the **customs value**, when established in compliance with the WTO Agreement on Customs Valuation, should form the basis for the statistical value.

The WTO Agreement on Customs Valuation adopts the **transaction value** (the price actually paid or payable for goods including some adjustments) as the customs value of imported goods, provided that certain conditions for a fair, uniform and neutral valuation are met. (see Annex D of IMTS 2010)

Statistical value of exported and imported goods

To promote the comparability of international merchandise trade statistics and taking into account the commercial and data reporting practices of the majority of countries and analytical needs, **it is recommended that:**

- (a) *The statistical value of exported goods* be an FOB-type value;
- (b) *The statistical value of imported goods* be a CIF-type value; however, **countries are encouraged** to compile FOB-type value of imported goods as supplementary information;

Countries which compile only CIF-type values of imports **are encouraged** to compile separately data for freight and insurance, at the most detailed commodity and partner level possible.

This might entail a significant additional burden and should be undertaken based on the national situation and needs.

However, **countries are encouraged** to explore additional methods which can facilitate the compilation of FOB-type values of imports (examples will be provided in the updated IMTS Compilers Manual).

Currency conversion

Compilers are required to convert values into a single unit of account.

In accordance with the WTO Agreement on Customs Valuation it **is recommended** that:

- (a) use rate of exchange published by the competent authorities
- (b) use conversion rate in effect at the time of exportation or the time of importation

In cases when both buying and selling (official/market) rates are available the rate to be used is the **midpoint between the two**. If a rate is not available for the date of exportation or importation, it is recommended that the average rate for the shortest period applicable be used.

Multiple official exchange rates and Parallel or black market exchange rates. It is recommended that trade transactions be recorded using the actual rate applied.

Chapter V - Quantity measurement

IMTS 2010 recognizes quantity data as indispensable for various policy and analytical purposes and **recommends the use of the WCO standard units of quantity:**

Weight	kilograms (kg), carat (carat)
Length	metres (m)
Area	square metres (m ²)
Volume	cubic metres (m ³), litres (l)
Electrical power	1,000 kilowatt-hours (1,000 Kwh)
Number (units)	pieces/items (u), pairs (2u), dozens (12u) thousands of pieces/items (1,000u), packs (u (set/pack))

In the case of the HS subheadings where the standard unit is other than weight, a **net weight** also should be compiled and reported.

Chapter VI - Partner country

IMTS 2010 highlights the importance of trade data by partner and recommends

For Imports: country of origin; and country of consignment, as the second partner attribution (new recommendation).

For Exports: country of last known destination is recommended; recording country of consignment, as the second partner attribution is encouraged.

Rules of origin

Established by each country, generally consist of these criteria:

- “Wholly produced”
- “Substantially transformed”

IMTS2010 Recommendation:

Follow the relevant provisions of the Revised Kyoto Convention in international merchandise trade statistics for determining country of origin. See Revised Kyoto Convention, Specific Annex K/ Chapter 1

WCO/WTO work on the Harmonized rules of origin by HS headings/subheadings. **Not finished.**

Country of consignment

In import statistics

The country of consignment is the country **from which** goods were dispatched **to** the importing country, *without any commercial transactions or other operations which change the legal status of the goods taking place in any intermediate country.*

In export statistics

The country of consignment is the country **to which** goods are dispatched **from** the exporting country, *without - as far as it is known at the time of exportation - being subject to any commercial transactions or other operations which change the legal status of the goods taking place in any intermediate country.*

Recording country of consignment makes partner data symmetrical

Chapter VII - Mode of transport

This is a new chapter

- Availability of trade data by mode of transport is important for many purposes including
 - monitoring of international transport routes,
 - formulation of transportation policy,
 - assessment of the impact of trade on the environment etc.
- **It is recommended** that countries compile and disseminate international merchandise trade statistics by mode of transport at the most detailed commodity level (as a separate data dimension).
- Modes of transport (Air, Water, Land and Not elsewhere classified; further subdivided). IMTS 2010 contains a classification of modes of transport for use in trade statistics.

Mode of transport

Recommendation: The mode of transport which should be recorded is the means of transport used when goods enter or leave the economic territory of a country

Taking into account their national requirements and circumstances countries might want to compile mode of transport not only according to the means of transport when crossing the border, but, in addition, according to other criteria such as the predominant mode of transport (*or, for members of a customs union, as the means of transport when crossing the border of customs union*).

Predominant mode of transport can, for example, be defined as the mode of transport which accounts for the majority of the transportation costs or the longest part of the route by distance.

Chapter VIII - Data compilation strategies

This is a new chapter

Use of various data sources

Customs records are the main and normally preferred data source since those records reflect the physical movement of goods across borders and keeping them is a legal requirement.

It is recommended that information about the customs procedures applied to individual transactions is part of the dataset provided by customs to the agency responsible for the compilation of international merchandise trade statistics (if the responsible agency is not customs).

The full coverage of international merchandise trade flows cannot be achieved by use of customs records only, either because the relevant transactions are not or no longer subject to customs controls or customs surveillance (e.g. within customs unions or when customs authorities move to system based rather than transaction based customs control) or because the record keeping may not be adequate from the statistical point of view.

It is recommended that in such cases, customs based data be supplemented with information obtained from other sources, as necessary, to ensure full coverage of international merchandise trade statistics.

Examples of non-customs data sources are: enterprise surveys and ships and aircraft registers

Institutional arrangements

IMTS 2010 recommends

that countries consider the establishment of the institutional arrangements necessary to ensure the compilation of high quality trade statistics as a matter of high priority and periodically review their effectiveness.

Details on institutional arrangements will be provided in a separate presentation under agenda item entitled "Towards an integrated approach to trade in goods and services"

Chapter IX - Data quality and metadata

This is a new chapter

Data quality

Quality is a multidimensional concept, usually data quality is understood as “fitness for use”) Dimensions of quality are: prerequisites of quality, relevance, credibility, accuracy, timeliness, methodological soundness, coherence and accessibility

Data quality assessment frameworks. Most international organizations and many countries have developed definitions of quality, outlining the various dimensions (aspects) of quality and quality measurement, and integrated them into quality assessment frameworks (IMF, Eurostat, UN Statistical Commission is working on it)

IMTS 2010 recommends that the quality reports of international merchandise trade statistics should be completed or updated at **least every five years** or more frequently if significant methodological changes or changes in the data sources occur.

Metadata

The term metadata refers to information used to describe other data.

IMTS 2010 recommends that countries at least compile the following categories of metadata:

- a. description of all underlying concepts and definitions, including the trade system used, and deviations from international standards, if any;
- b. legal framework, institutional arrangements and description of data sources;
- c. description of data collection and data processing procedures;
- d. description of estimation methods;
- e. data dissemination policy including release and revision schedules;
- f. description of the all data fields/ variables (reference period, trade flow, commodity classification used, valuation, currency, quantity (net weight), weight unit used, supplementary quantity, supplementary quantity unit used, partner country (origin, last known destination, consignment) (this applies to all forms of data dissemination);
- g. explanations and footnotes concerning the data as required, i.e. informing about revisions, break in series and application of confidentiality;
- h. quality reporting.

Chapter X – Dissemination

This is an updated chapter

Statistical confidentiality. In general, statistical confidentiality is applied to protect disclosure of information about individual natural or legal persons. Trade data compilers should have clear rules on confidentiality. **IMTS 2010 recommends** that “passive” confidentiality is applied as much as possible, unless the use of “active” confidentiality is already the established, desired and accepted practice.

Data releases. Countries **are encouraged** to issue their first releases of data as follows:

- (a) monthly totals of exports and imports within 45 days after the end of the month, at least by major trading partners and basic commodity breakdown;
- (b) quarterly data within 60 days after the end of the quarter;
- (c) annual data within 90 days after the end of the year.

Data revision policy should be well designed, carefully managed and transparent and allow users to cope with revisions in a systematic manner.

Chapter XI – Supplementary topics

This is an updated chapter

A. External trade indices. **It is recommended** that all countries produce and publish volume (quantum) indices and either price or unit value indices for their total imports and exports on a monthly, quarterly and annual basis. **Countries are also encouraged** to calculate and publish such indices for commodity groups of particular importance to countries at least quarterly and annually.

B. Seasonally adjusted data. **Countries are encouraged** to compile and publish, where appropriate, seasonally adjusted monthly and quarterly international merchandise trade data on a regular basis.

C. Linking trade and business statistics. **Countries are encouraged** to integrate their trade register with their business register and to take steps towards an integrated system of economics statistics for data compilation and analysis.

Annexes

- Annex A** **Basic national accounts and balance of payments concepts and definitions**
- Annex B** **Definition of selected customs terms**
- Annex C** **Rules of origin**
- Annex D** **Rules on customs valuation as set out in the WTO Agreement on Customs Valuation**
- Annex E** **Terms of goods delivery**
- Annex F** **Conceptual differences between IMTS 2010 and BPM6 112**

3. Implementation of IMTS 2010

Critical factors for implementation

In mid 2010 UNSD conducted a survey to assess country needs in order to make IMTS 2010 implementation programme as efficient as possible.

Countries considered the following factors as critical:

- Availability of updated guidance on how to implement the recommendations
- Establishment of a more effective cooperation between various national agencies and raising awareness of the relevance of IMTS
- Mobilization of the required resources
- Technical assistance

Main elements of the UNSD IMTS 2010 implementation programme

1. Updating the IMTS Compilers Manual
2. Enhancing the UN Comtrade database and the Trade Statistics Knowledgebase
3. Technical assistance to countries
4. Future research agenda and international cooperation

Updating the IMTS Compilers Manual

Goal:

To provide further and more detailed explanation of certain recommendations and practical guidance for compilers by describing **good practices** applicable **under different circumstances**.

Preliminary schedule:

January – October 2011: virtual meetings of the EG-IMTS on draft chapters

November 2011: Meeting of the EG-IMTS on the full provisional draft

January 2012: Submission to Statistical Commission for information

Content of the updated IMTS Compilers Manual

The IMTS Compilers Manual was issued in 2004. The updated IMTS Compilers Manual is expected to cover more topics and consist of 6 parts and 28 chapters.

- | | |
|----------|--|
| Part I | Legal framework and data sources |
| Part II | Data compilation |
| Part III | Compilation of particular data items |
| Part IV | Compilation of data on trade in selected categories of goods |
| Part V | Metadata and dissemination |
| Part VI | External trade indices and seasonally adjusted data |

Enhancing the UN Comtrade database and the Trade Statistics Knowledgebase

Upgrade UN Comtrade 2010-2013:

- (i) significant enhancement of metadata
 - New Trade Statistics Knowledgebase has been established (description of methodology, FAQ, user forum etc.)
 - Metadata reference pages for 187 countries have been added
- (ii) inclusion of new data variables recommended in IMTS 2010
 - Mode of transport
 - Country of consignment as second partner country
 - FOB-type value for imports
 - Customs procedure Codes / Identifier for special transactions (intra-firm trade, goods for processing etc.)
- (iii) adding monthly and quarterly trade data
 - More than 70 countries already provided data for testing purposes

Technical assistance

Tentatively planned to hold **two workshops per year**

Deliver training to countries which need it most **by the end of 2012**

In collaboration with other international organizations

Possible development of E-Learning, Knowledgebase etc.

Future research agenda and international cooperation

Good practices in the compilation of the trade indices and various analytical indicators

Efficient ways of automated data transfer between countries and international organizations.

Finding innovative methods of linking trade and business statistics in the context of an integrated approach to economic statistics,

Trade in terms of value added and to clarify the international production chain.

**Thank you very much for your kind
attention!**

