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MEASUREMENT OF PROCESSING ACTIVITIES IN EUROPEAN COMMUNITY TRADE STATISTICS

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MEASUREMENT OF PROCESSING ACTIVITIES IN EUROPEAN COMMUNITY TRADE STATISTICS

1. CUSTOMS PROCEDURES LINKED TO PROCESSING

Trade movements between non-member countries and the European Union due to inward and outward processing are released under specific Customs procedures with the aim to implement specific trade policies (i.e. facilitation of cross-border processing activities for European trade operators by means of suspension or reduction of import duties).

Inward Processing

Under the customs procedure of “Inward processing”, Community manufacturers can be authorised, if certain economic conditions are met, to import goods with a view to processing them (usually on their premises), and to re-exporting the obtained compensating products. There are two variants: under the suspension system the payment of customs duties is suspended until discharge of the procedure while under the drawback system duties are repaid on re-export.

IP is in general possible for nearly all products (restrictions exist for a limited number of agricultural goods); processing activities can range from repair to complete transformation. A change of origin is irrelevant for the procedure and valuation is based on the customs value of the imported good; on exports, valuation is done on a gross basis.

Imports for IP and re-exports after IP can be identified through a specific statistical procedure; however a direct linkage of goods before and after processing is not possible. Goods imported under the suspension system or the obtained compensating products can be released into free circulation. Goods under contract processing and processing on its own behalf (own processing) can be released into the IP procedure.

Outward Processing

Under the customs procedure of “Outward processing”, Community companies can be authorised to temporarily export Community goods with a view to having them processed abroad and to re-importing the compensating products. On clearance for free circulation, customs duty is due only for the value added abroad.

OP is in principle possible for all products; processing activities can range from repair to complete transformation and a change of origin is irrelevant for the procedure. The valuation should be based on the (gross) value of the goods. However, as on imports the customs value is in general based only on the 'value added' due to processing and not on the gross value of the goods the statistical value might not be adjusted correctly. The OP procedure can refer also to goods for contract processing and for processing of goods on its own behalf (own processing).

Other Special procedures

Processing under Customs Control: Under the customs procedure of “Processing under Customs Control”, Community manufacturers can be authorised, to process imported non-Community goods into goods which are subject to a lower duty rate before they are put into free circulation (e.g. PVC materials subject to a duty rate of 8.3 % may be processed into film screens with a duty rate of 2.7%). The import duty advantage obtained should contribute to creating or maintaining processing activities in the Community.

End Use: For a number of clearly defined products (use pursuant to the wording of the goods nomenclature e.g. bumpers for the production of motor vehicles, CN code 87081010), the EU customs tariff allows, for economic considerations, goods to benefit, at request of the importer, from favourable tariff treatment (even zero rate) on account of the goods' end-use, e.g. use by processing industry. If goods are to benefit from these provisions, they are released into free circulation but stay under Customs supervision until they are assigned to the prescribed end-use.

1.1. Statistical recording of processing according to Customs procedures

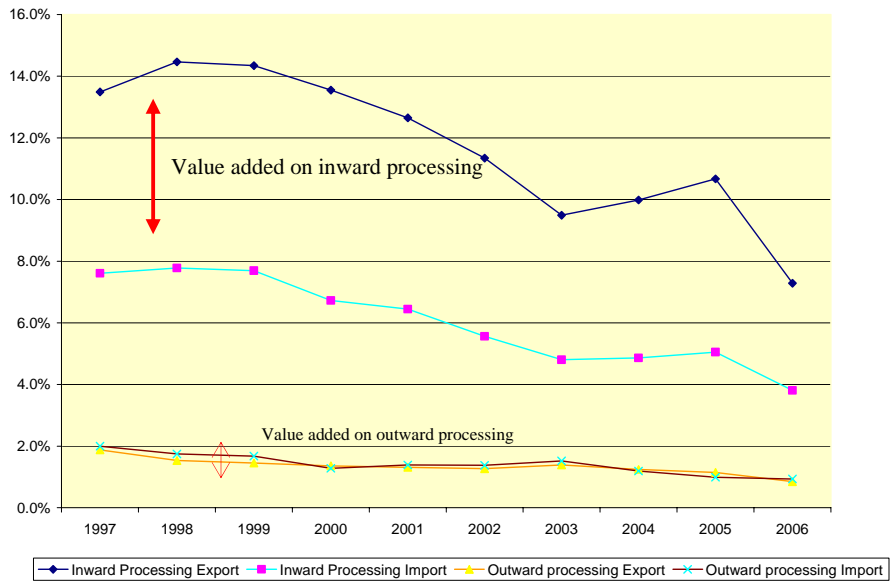
Community trade statistics with non-member countries transform some Customs procedures into statistical procedures which allow identifying goods placed under Customs inward processing according to the suspension and drawback system and goods placed under the Customs outward processing procedure. Imports of goods for processing under Customs control are not classified within trade statistics. These movements are included in the global import data on trade released for free circulation. The same is valid for imports under the special scheme of 'End Use'. However, goods under the end use procedure are connected to specific commodity codes and therefore analysis of the related trade is possible.

The coverage of inward and outward processing through Customs procedure has the following limitations:

- Available only for trade with non-Member countries (trade collected from Customs declarations).
- Available only for processing activities with economic impact (non zero rated trade)

Therefore the interpretation of data based on Customs procedures has to be done with extreme caution!

Development of Customs processing of the EU



- Trade recorded on Customs processing is concentrated on some HS chapters:
 - Inward processing accounts for about one third of the chapter's total trade for the chapters 24 (tobacco), 88 (aircraft), and 89 (ships)
 - The most used chapters for import in the EU after outward processing are HS 88 (aircraft), 87(cars), and 62 (textiles not crocheted). About 5% of each chapter's total trade is recorded under the outward processing procedure.
 - 90% of all inward and outward processing activities take place with 18 HS chapters
- According to Customs processing the main partners of the EU are:

	Inward Processing	
	Import	Export
USA	36.4%	40.3%
Japan	9.1%	5.6%
Switzerland	5.3%	5.0%
China	4.1%	4.4%
Canada	3.3%	3.5%
Russia	6.1%	3.7%

	Outward Processing	
	Export	Inward
USA	39.3%	46.1%
Japan	4.1%	5.4%
Switzerland	5.6%	3.1%
China	2.8%	2.9%
Ukraine	5.2%	4.5%
South Africa	3.3%	2.9%

2. STATISTICAL RECORDING OF PROCESSING ACORDING TO THE NATURE OF TRANSACTION

The nature of transaction codes serve to determine the different characteristics (purchase/sale, work under contract, etc.) which are deemed to be useful in

distinguishing one transaction from another, either for Balance of Payments and National Accounts purposes or for the identification of information which is excluded from Community trade statistics, but recorded on the Customs declaration (e.g. repair).

For trade with non-member countries the data element is collected from a box on the Customs declaration. Customs legislation dedicates a two-digit code for defining the nature of transaction according to statistical needs, but it is optional for the Member States to request this data element from the declarants. At present 22 Member States collect the information on the Nature of transaction.

For trade with other Member States (Intrastat) the nature of transaction is collected by all Member States.

Nature of transaction codes linked to processing are:

			Code
Inward Processing	Import	Operations with a view to processing under contract	4
	Export	Operations following processing under contract	5
Outward Processing	Export	Operations with a view to processing under contract	4
	Import	Operations following processing under contract	5

The coverage of inward and outward processing through the Nature of transaction is as follows:

- Processing covers operations (transformation, construction, assembly enhancement, renovation, modification, conversion) with the objective of producing a new or a really improved item. This does not necessarily involve a change in the product classification.
- Only processing under contract is collected (no own processing), i.e. there is no transfer of ownership (now or in the future) of the goods.
- Not all Member States collect the nature of transaction for trade with non member countries.

Therefore the interpretation of data based on nature of transaction codes has to be done carefully too!

Inward processing accounts for about 4 % of the total trade and outward processing for about 2 % when measured by means of Nature of transaction.