

# How to remove the gross flows from general merchandise trade statistics

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14.108. ITMS 2010 makes an important point for compilers, which is highlighted in other international recommendations, namely: it is recommended that in all cases, goods for processing and goods resulting from such processing, are to be included in the merchandise exports and imports of the countries at their full (gross) value. Compilers of balance of payments and statistics on international trade in services are required to estimate the manufacturing services on inputs owned by others and it is recommended that countries provide this estimate in their metadata on international merchandise trade statistics, preferably together, if available, with the value of imports and exports of goods for processing and goods resulting from such processing where no change of ownership takes place.

14.109. ITMS 2010 also provides guidance on the measurement of goods for processing in paragraphs 1.19-1.21 and 4.15(e). ITMS 2010 states that goods for processing may be brought into a country under special customs procedures, such as inward processing or processing of goods for home use as well as be declared for home use. Goods resulting from processing might be returned to the sending country, sold in the country of processing or sent to a third country. The choice of the customs procedure may vary from country to country and from trader to trader, depending on many factors, such as the level of customs duties, taxation, other fees and charges and the expected clearance time. In view of the decreasing of customs duties and relaxing of other administrative requirements, the emerging practice is to declare such goods for importation for home use and, subsequently, for outright exportation as this gives traders more freedom.

14.110. The information gained from NoT codes and CPCs is also an important source for necessary corrections to merchandise trade statistics with regards to merchanting and processing.

14.111. It is possible to approximate manufacturing services – especially for reporters not captured in International Trade in Services surveys – by calculating the difference between goods sent and returned after processing (identified in the foreign trade data e.g. from CPCs). However, as noted above, compilers should be aware that this practice may result in either large fluctuations, or indeed incorrect valuations. For these reasons, customs codes (i.e. NoT Codes and CPCs) should not ideally be used as the sole source for approximating manufacturing services on inputs owned by others. For example, some countries have reported that when both customs codes and survey data are available, important deviations are observed between the results obtained using the customs data, and those of surveys (due to number of reasons including timing and valuation differences and missing enterprises).

14.112. A further problem is the quality of data reported under processing NoT codes. As processing will often change commodity codes, matching consignments becomes more difficult. Valuation may also be difficult, due to transfer pricing between affiliated enterprises which may not reflect a fair market value.

14.113. Countries without access to customs codes will need to rely on surveys (including the International Trade in Services Survey) and in some cases direct contact with multinational enterprises (the Central Statistics Office of Ireland for example takes this approach).

14.114. Some international transactions present special difficulties for the valuation of the categories of goods involved due to the complexity of the transaction or the peculiarity of the goods. In other cases, transactions may not require goods valuation by the parties involved and are not accompanied by the movement of currency or credit. However, all categories of goods should be valued on the basis of the WTO Agreement on Customs Valuation and IMTS 2010 recommendations, and if the transaction value of goods for processing entering or leaving the compiling country without change of ownership is not available, the trade compilers should apply the appropriate methods contained in the WTO Agreement on Customs Valuation in order to derive the statistical value (annex D of the ITMS 2010). Goods for processing should always be valued at their full (gross) value.

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