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STATISTICS DIRECTORATE

**Working Party on International Trade in Goods and Trade in Services Statistics**

**REPORT ON THE MEETING OF THE TASK FORCE ON INTERNATIONAL MERCHANDISE  
TRADE STATISTICS**

**UNESCWA, Beirut, 23-24 March 2010**

**4-6 October 2010, OECD Headquarters, Paris**

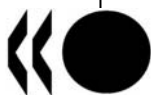
*Item 4 a) of the agenda.*

*This report was written by WTO. It is submitted to WPTGS delegates for information and comments.*

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## TASK FORCE ON INTERNATIONAL MERCHANDISE TRADE STATISTICS

*UNESCWA, UN House, Beirut, 23-24 March 2010*

### **Summary of the discussion.**

Before initiating their respective sessions, the participants of the TFIMTS and TFSITS task forces were received by Mr. Giovanni Savio, on behalf of the UN Economic Commission for Western Asia Secretariat.

#### **1. Adoption of the Provisional Agenda**

1. During the first session of the Task Force on International Merchandise Trade Statistics (TFIMTS), participant discussed and adopted the agenda. The provisional program was approved with only minor changes related to the sequence of the presentations, in order to make best use of available time.

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

2. This item was for information only. The review presented by participating agencies was the opportunity to share information on latest developments with regards to, *inter alia*, the UN Statistical Commission, the process of international consultation on trade statistics, the Inter-agency Committee for Co-ordination of Statistical Activities, OECD Working Party on International Trade in Goods and Trade in Services Statistics and the Millennium Development Goals.

#### **3. Databases on international trade**

3. This item was for information only. The participants were informed of latest improvements and plans on the international organizations' respective databases, including data collection, metadata, sharing and dissemination. The review included UNSD, UNIDO, FAO, ITC and the inter-agency Common Data Set.

4. Participants discussed the need to improve easiness of use of CDS, as well as adding additional features, such as regional groupings (pre-set or dynamic). Some participants required more information on the up-date cycle for the data (CDS is updated once a year, in October-November). It was also mentioned the need to devote a significant share of next meeting's agenda to enter more in the details of the coordination aspects between existing databases.

#### **4. Concepts, definitions, implementation issues and national practices**

5. This item was devoted to a core objective of the inter-agency Task Force, the coordination among participating agencies of their efforts to promote international standards in trade statistics and harmonize national and international practices. After several years devoted to the preparation and finalization of IMTS 2010, the discussion of this item dealt with the equally important issue of the implementation plan, as well as technical assistance and pending research issues. Among the objectives set for this agenda item, the

agencies were to focus on identifying priorities for the Task Force and discuss a series of related issues, such as (i) complementarities and coordination issues, (ii) common initiatives, mobilization of resources; (iii) organizing the process and timetable.

***(a) Concepts and definitions***

6. UNSD presented the details of the revision process, including the major changes and new recommendations in IMTS2010, and the decisions taken by the Statistical Commission. Because official translation of IMTS 2010 may take time, the possibility of preparing, at regional level, unofficial translations that could be used in the meantime was raised.

7. OECD presented the issue of HS conversion when linking time series, with a view of improving IMTS consistency. Two options were mentioned and briefly discussed: allocating data from HS-6 to HS-2 or conversion tables. WCO informed the participants on developments related to the Harmonized System, Valuation Agreement and Rules of Origin.

***(b) Implementation issues and national practices***

8. Following a report by UNSD on the outline of its implementation programme for IMTS 2010, the meeting discussed and planned possible implementation activities of TF-IMTS members. The meeting agreed that UNSD will take the lead and provide, in consultation with the other TF members, a comprehensive inventory, outline and roadmap of activities as basis for coordination and the establishment of activities. Also, the demands for implementation support should be identified. In particular, the need for a regional approach to implementation which considers national circumstances was highlighted. All TF members agreed to work collaboratively on the IMTS implementation and also to involve regional organizations.

9. The meeting agreed on the list of items for the updated IMTS Compilers Manual presented by UNSD which was viewed as comprehensive and ambitious. TF members offered their assistance and requested UNSD to provide a concrete plan and timeline for its drafting. Goods for processing was considered an important issue for the updated Compilers Manual.

10. The meeting highlighted the need for advocacy and it was suggested to draft a letter which would introduce the new recommendations and request support for their implementation. UNSD agreed to provide a draft of such a letter. This letter would be sent to statistical offices and the members or delegations of the respective organizations, *i.e.* such as the delegations at WTO and national customs offices represented at WCO. It was suggested to focus on advocacy during 2010.

11. The following further activities were mentioned in order to support the implementation of IMTS 2010:

- Promotion of and advocacy for IMTS 2010 implementation during meetings, conferences and special events, questionnaire on implementation plans (and needs), implementation monitoring, technical cooperation and capacity building programs entailing activities such as training workshops, expert visits, study visits, training courses (including e-learning) and the provision of multiple information resources such as websites, Question and Answer forum and knowledgebase.
- UN Comtrade will be updated to accommodate the new data items (starting 2011 for testing purposes); the international collection and dissemination of trade data and metadata should emphasize the compilation and provision of the new data elements.

- Also, research activities such as linking trade and business statistics, addressing imbalances in partner statistics, measuring trade by value added, addressing food security issues and automated data transfer etc. need to be seen in relation to IMTS implementation as those either highlight information needs or offer new tools for compilation.

12. The Task Force members highlighted their existing or planned activities in support of IMTS 2010 implementation:

- Eurostat: Implementation of the new legislation, development of a Compilation guide, technical assistance programs such as IPA, Medstat and various bilateral cooperation activities (i.e. China, Ukraine), possible provision of experts;
- FAO: various technical assistance activities, contribution to IMTS Compilers Manual regarding specific issues, focus on certain research issues;
- OECD: advocacy (including applying its 'soft' power), country missions, focus on certain research issues (i.e. linking business and trade statistics, SDMX);
- WCO: willing to cooperate; has its own technical assistance activities which are fully related to its work program;
- WTO: advocacy, demand-driven technical assistance.
- ITC: advocacy and participation in workshops etc.

## **5. Seminar: Globalization and Trade -- a systemic approach to trade statistics**

### ***(a) Trade statistics from a systemic view: an introduction***

13. The substantive seminar was devoted to the emerging needs in trade statistics created by the economic globalization, in order to identify future direction of work for the participating agencies. WTO pointed out that with globalization, new business models have been appearing, promoted by advances in technology and also in engineering and business management. As a result, the production of final manufactured goods is fragmented into several stages, some of them outsourced to countries far away from the home country. More and more, the old concept of "country of origin" seems losing its meaning.

14. The WTO highlighted that global manufacturing and the geographical fragmentation of the production chains call for an alternative measure of international trade flows in order to estimate the domestic content of exports, if analysts want to assign to each country of origin the value added imbedded in the traded goods. In WTO's view, national and international statistical organizations can basically choose between two options to produce the statistics needed to address these emerging analytical issues: direct measurement and indirect estimation.

### ***(b) Trade and Business Statistics: linking trade and business registers***

15. The direct approach looks the details of manufacturing and disentangles the origin and value of the inputs. This is what is done by case studies (one of the best known case studies look at the origin of parts included in an iPod imported from China, showing that the Chinese domestic content was lower than 5% of the customs value reported by trade statistics). Another characteristics of trade in manufactures is that it is usually concentrated on few large firms, often belonging to larger enterprise groups.

16. The WTO highlighted that all these aspects affect the content and direction of trade flows, making it difficult to design proper trade policy support, in particular for export promotion of small and

medium-sized firms. To have a better vision of the actors engaged in trade, it is important to be able to relate trade flows to firm characteristics, *id est*, to link trade statistics and business statistics at firm level.

17. EUROSTAT and OECD presented their activities in this respect. They underlined that linking trade to business statistics allows a finer disaggregation of trade-related activities by sector, size or geographical nomenclature (Trade by Enterprise Characteristics).

18. The participants agreed on the importance of linking trade statistics to business statistics, for both statistical and analytical purposes. Referring to the way ahead, it was recognized that the biggest methodological issues remained with business statistics, as trade statistics, based on custom records, were reasonably fit in their present form. The participants suggested to approach the Wiesbaden Group on Business Registers and identify opportunities for cooperation on these issues, and mandated EUROSTAT and OECD to do so.

***(c) Trade and National Accounts: measuring value added content of trade flows***

19. The indirect approach, as chosen by WTO, does not look at the micro-level but provides estimates at ISIC industry level. Because it results from an adaptation of existing trade and national accounts data, usually produced by official statistics, it can be extended to many countries.

20. This measure is based on the vertical specialization index (the use of imported intermediate goods in domestic production) derived from a representative model of inter-industrial exchanges provided by international input-output matrices. Through these linkages, it becomes possible to identify net flows of value added at each stage of the production of the industrial output. In addition of its possible extension of country coverage, this method has the advantage of connecting almost naturally the new "measure" of international trade to the reference statistical framework provided by the system of national accounts, allowing the possibility of deriving additional indicators (for example, the labor-content of exports).

21. As WTO explained, this indirect method presents several limitations, in particular due to the heterogeneity of firms participating in international trade. This heterogeneity cannot be taken into consideration in absence of more detailed statistics linking trade and firms' characteristics. For this reason, in the opinion of the participants, the two approaches – the use of input-output data, and trade-business registers – are not exclusive, but complementary.

22. Recognizing the specificity of firms actively engaged in trade could, in turn, help refining the capacity of national accounts to fully capture the productive aspects of international trade. One option mentioned to cope with this specificity is to build specific and detailed trade and production accounts of the export sub-sector. Linkages with other industries, employment, capital formation and additional BOP information could be established, similar to the "tourism satellite accounts".

***(d) Other initiatives***

23. The participants shared also information on several related international initiatives, in particular a project implemented jointly by FAO, UNIDO and WTO, with the objective of linking their respective data to provide a more comprehensive view of production, trade and tariff information. Nevertheless, the project is still facing the issue of linking detailed product-oriented data (SITC and HS) and very aggregated activity-based classifications (ISIC), without losing analytical relevance.

24. The World Input-Output Database project, which started in 2009, has a close relation with the indirect measurement of trade in value added. The core of the database will be a set of harmonized supply and use tables, alongside with data on international trade in goods and services, covering OECD and large emerging countries.

**6. Other business**

***(a) Issues to be presented to the Joint Session of the inter-agency Task Forces.***

25. Besides informing the other task force on the results of the substantive session on Globalization and Trade, the participants agreed to focus on a coordinated approach to the implementation aspects of the new manuals on trade in merchandise (IMTS 2010) and trade in services (MSITS 2010), in particular for the preparation of the compiler's manuals.

***(b) The decision on time and place of the next meeting was left for the Joint Meeting***

## ANNEX 1: LIST OF PARTICIPANTS

| <b>Participant</b>       | <b>Organization</b> | <b>E-mail address</b>  |
|--------------------------|---------------------|--|
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## ANNEX 2: LIST OF AVAILABLE DOCUMENTS

| <i>Item</i> | <i>Title</i>   | <i>Source</i> |
|-------------|--|---------------|
| 2           | <i>Review of decisions of other international meetings with regard to merchandise trade</i><br>Decision of the Statistical Commission at its forty-first session 23-26 February 2008 on International merchandise trade statistics (item 3c)   | UNSD          |
| 2           | <i>Review of decisions of other international meetings with regard to merchandise trade</i><br>Inter-agency Consultation on International Trade Statistics during the 41 <sup>st</sup> session of the United Nations Statistical Commission – Wednesday 24 February 2010 – Report of the meeting | UNSD          |
| 2           | Outcome of the OECD WPTGS meeting 16-18 November 2009  | OECD          |
| 3           | <i>Databases on International Trade</i><br>UN COMTRADE: status and latest developments   | UNSD          |
| 3           | Identification of quantity outliers in Trape Map   | ITC           |
| 3           | The Inter-agency Common Data Set – Progress Report – Note by WTO   | WTO           |
| 4           | a (i) IMTS 2010 - Statistical Commission decisions, revision progress, major changes and new recommendations in IMTS 2010  | UNSD          |
| 4           | a (ii) Harmonized System, Valuation Agreement and Rules of Origin World Customs Organization Activities during 2010 -2011  | WCO           |
|             | International Trade by Commodity Statistics (ITCS) database:<br>Allocating data from HS 6 digits to HS 2 digits  | OECD          |
| 4           | b <i>Implementation issues and national practices</i><br>Recording of specific goods and movements in External Trade Statistics – EU practice  | EUROSTAT      |
| 4           | b <i>Implementation issues and national practices</i><br>IMTS 2010 – Outline of UNSD's implementation programme  | UNSD          |
| 5           | Globalisation and Trade – a systematic approach to trade statistics<br>Trade statistics in the framework of business statistics  | EUROSTAT      |
| 5           | b Trade and Business Statistics: linking trade and business registers – Eurostat progress report   | EUROSTAT      |
| 5           | b Seminar on Globalization and Trade: Trade and business statistics linking – the OECD perspective   | OECD          |
| 5           | c Globalization and trade flows: what you see is not what you get!   | WTO           |
| 9           | Report on the results of the self-assessment of the external trade bulletin of the ESCWA region  | ESCWA         |



## ANNEX 3 – PROVISIONAL AGENDA

### TASK FORCE ON INTERNATIONAL MERCHANDISE TRADE STATISTICS

*UNESCWA, UN House, Beirut, 23-24 March 2010*

#### Provisional Agenda

1. **Adoption of the Provisional Agenda**
2. **Review of decisions of other international meetings with regard to merchandise trade<sup>1</sup>**  
(Statistical Commission, international consultation on trade statistics, Inter-agency Committee for Coordination of Statistical Activities, OECD Working Party on International Trade in Goods and Trade in Services Statistics and the Millennium Development Goals)
3. **Databases on international trade<sup>1</sup>**  
Latest improvements and plans on the international organizations' respective databases, including data collection, metadata, sharing and dissemination.
4. **Concepts, definitions, implementation issues and national practices**
  - (a) Concepts and definitions
    - (i) IMTS 2010 (revision process, Statistical Commission decisions, major changes and new recommendations in IMTS2010)
    - (ii) Harmonized System, Valuation Agreement and Rules of Origin
    - (iii) Improving IMTS consistency: allocating data from HS-6 to HS-2
    - (iv) Trade Indices
  - (b) Implementation issues and national practices
    - (i) Implementation plan
    - (ii) Technical assistance
    - (iii) Research issues
  - (c) Identifying priorities for the Task Force (round table)
    - (i) Complementarities and coordination issues,
    - (ii) Common initiatives, mobilization of resources
    - (iii) Organizing the process and timetable (“compilation guidance expert group”)

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<sup>1</sup> Agenda item for information only. While the Task Force should receive reports of relevant developments occurring in the international statistical system and the organizations' databases, it is planned to focus the meeting's discussion on future plans and related issues.

5. **Seminar: Globalization and Trade -- a systemic approach to trade statistics**
  - (a) Trade statistics from a systemic view: an introduction
  - (b) Trade and Business Statistics: linking trade and business registers
  - (c) Trade and National Accounts: measuring value added content of trade flows
  - (d) Trade and Value Chain Linkages: the agroindustry
  - (e) Other initiatives: World Input Output Database, etc.
  - (f) The way ahead (round table)
  
6. **Other business**
  - (a) Issues to be presented to the Joint Session of the inter-agency Task Forces
  - (b) Time and place of next meeting
  - (c) Any Other Business