Chapter 1

International Merchandise Trade Statistics and the Comtrade

Masanaga KUMAKURA

1. Introduction

International merchandise trade statistics is an important branch of official national statistics that records the movement of goods between a particular country or customs territory and the rest of the world. To enhance the consistency and comparability of the international merchandise trade statistics of individual countries and customs territories, the United Nations (UN) provides a series of relevant concepts and recommendations in *International Merchandise Trade Statistics: Concepts and Definitions*. This document was first published in 1970 and subsequently revised in 1981 and 1997. In February 2010, the third revised version, *International Merchandise Trade Statistics: Concepts and Definitions 2010* (henceforth abbreviated as IMTS 2010), was adopted by the United Nations Statistics Commission (UNSC).

IMTS 2010 is qualitatively different from its predecessors, spelling out as it does best practices in the compilation and the dissemination of international merchandise trade statistics much more clearly and extensively. Although some of its recommendations are regarded as long-term goals rather than immediate requirements, the publication of IMTS 2010 is likely to exert significant and lasting impact on the manner in which international merchandise trade statistics are compiled by individual countries. This in turn will affect both the nature and scope of statistics disseminated by the UN Statistics Division (UNSD) through its *UN Commodity Trade Statistics* (Comtrade), an internet-based global trade database that is used increasingly widely by trade analysts and practitioners. This chapter reviews the main features of IMTS 2010 and discusses how it will affect international merchandise statistics disseminated through UN Comtrade.

2. Major features of IMTS 2010

An important backdrop for the publication of IMTS 2010 is increasing globalization of commercial activities around the world. The ongoing expansion of international production sharing and the associated *intra-product* trade is altering the nature of goods that cross national borders, whereas technological progress is rendering the traditional distinction between physical goods and services increasingly anachronistic. These developments in turn change the user needs for merchandise trade statistics, particularly toward more detailed and timely data and a closer integration of business and trade statistics.

To keep its content up to date and consistent with related official statistics (e.g. Balance of Payments), IMTS 2010 not only discusses substantially wider issues than its predecessors, but also provides

guidelines in two distinct categories: in addition to a set of *recommended* standards that should be observed by all UN member countries, it sets forth a number of *encouraged* standards, which are desirable but may take time to adopt. Accordingly, although most countries will find at least some elements of IMTS 2010 difficult to incorporate into their statistical system, they are now presented with a clear view as to what constitute best practices.

Some of the IMTS 2010 guidelines are of particular relevance to trade economists. For example, IMTS 2010 establishes several new data fields (variables) as part of a standard set of merchandise trade statistics, such as the mode of transport and import values recorded on the free-on-board (FOB) basis. IMTS 2010 also strengthens its previous recommendations on the recording of trade quantities (volumes), which are not observed closely at present and are causing difficulties to both the UNSD and Comtrade users. It is also noteworthy that IMTS 2010 reaffirms the relevance of the *Standard International Trade Classification* (SITC), the UN's venerable commodity classification for international merchandise trade statistics. Although IMTS 2010 continues to recommend the *Harmonized Commodity Description and Coding System* (HS) as the basic commodity classification for compiling official trade statistics, it stresses that the SITC is conceptually more consistent than the HS and can be useful for certain analytical purposes.

3. How IMTS 2010 changes Comtrade

At the time of writing, the UNSD is preparing *A Compilers Manual* for IMTS 2010 and adapting Comtrade to its new and revised standards. The UNSD plans to complete a major upgrading to the existing Comtrade system by 2013, such as inclusion of detailed metadata, high-frequency data series and new variables. According to the UNSD's regular *International Statistics Newsletter*, national statistical authorities are requested to start submitting monthly data on an expanded set of variables and related metadata in 2011. Although the result of a 2010 questionnaire survey suggests that no more than a third of UN member countries will be able to meet this request, the majority of countries do intend to start reporting requisite data with only one or two years' delay. Therefore, Comtrade users should be able to access enhanced datasets and metadata for a large number of countries in 2013 or 2014.

The UNSD plans to incorporate into the Comtrade database the following four new data fields: (i) second partner country/area; (ii) second value of imports; (iii) mode of transport; and (iv) customs transactions code. Among these, data field (i) refers to trade partner countries defined as *countries of consignment*, that is, proximate countries to and from which a particular good is delivered. In both IMTS 2010 and its predecessors, the first (i.e., primary) partner countries/areas are defined in terms of *origin* (in the case of imports) and *last known destination* (in the case of exports). For goods that travel through multiple countries/customs areas before reaching their final destination, information on consignment countries will be useful for tracing their route and fixing discrepancies between the statistics of exporter and importer countries.

Data field (ii) refers to import values measured on the FOB basis. An established rule in international merchandise trade statistics is that exports should be recorded on this basis whereas imports are to be evaluated on the cost, insurance and freight (CIF) basis. Although IMTS 2010 reaffirms this principle, it also calls on national authorities to collect data on FOB-based import values. Not only will this

information be useful for assessing transaction costs for cross-border merchandise trade, but it can also be employed as a direct input to the Balance of Payment statistics.

Data filed (iii) concerns the means of transport by which goods are delivered from the exporting to the importing countries, such as by air, sea, or land (railway or road). Trade data that is disaggregated in terms of the mode of transportation is of interest to both national authorities in charge of transportation policy and academic economists wishing to evaluate recent theories of international trade and economic geography empirically.

Lastly, data field (iv) refers to the code of the customs procedure applied to individual transactions. At present, a number of countries maintain more than one customs regime, so as to promote particular types of imports and exports and/or to assist firms' warehousing activities. While data field (i) will help Comtrade users to ascertain the route by which individual goods are delivered *across* national borders, data field (iv) will provide information on how such goods are processed and transported *within* each country before being shipped abroad. Both types of information will be valuable inputs to, for example, international logistics service providers for whom efficient door-to-door delivery services are increasingly becoming the norm.

4. Conclusion

In comparison to its predecessors, IMTS 2010 is considerably more ambitious and includes a number of new and revised standards. The UNSD urges national statistical offices to adapt their statistics to IMTS 2010 as soon as possible, although it will take time for the majority of UN member countries to start publishing statistics in the desired forms. Economists will also start benefitting from IMTS 2010 in the form of, for example, expanded datasets and richer metadata that will be made available through Comtrade.

An important issue highlighted in IMTS 2010, but which will not feature in the upgraded Comtrade, is the integration of trade statistics with business statistics. As noted above, a major motivating force behind IMTS 2010 is the increasing globalization of corporate activity, such as the emergence of "global value chains" through which products are shipped through multiple countries and subjected to a variety of manufacturing operations before reaching their final destination. The four data fields discussed above also aim to shed some light on this important phenomenon. While merchandise trade statistics are primarily compiled from customs records, a number of countries are making efforts to develop a system for collecting both trade and other statistics directly from individual enterprises and establishments. In the long run, such a system would exert further influence on the manner in which each country compiles international trade statistics and hence also on the nature and scope of data disseminated by the UN.