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INTERNATIONAL TRANSPORT AND TRADE STATISTICS

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Abstract

Because of the ever-increasing liberalisation of global trade, it becomes more and more difficult to keep track of all existing international good flows. In this paper, a difference will be made between trade flows of Dutch origin, and several transit flows. The following types of transit flows can be distinguished:

- Re-exports: the exporting of previously imported goods. When the goods were imported, they became property of a Dutch resident. That means that they were cleared by customs, or were traded in the Netherlands.
- Quasi-transit: the exporting of previously imported goods. However they were never the property of a Dutch resident. The goods were cleared by customs, or were traded in the Netherlands.
- Transit through a customs warehouse: customs goods, which are stored in a Dutch customs warehouse and leave the country as customs goods.
- Transit through the Netherlands: goods which are on their way to their final destination pass through the Netherlands, but are neither stored, nor traded nor are they cleared in the Netherlands.
- Transito: goods bought by a Dutch resident, that are resold outside the Netherlands. The goods however do not come to the Netherlands.

Key words: International Trade, good flows, re-exports, quasi-transit

1. Introduction

The Netherlands have always been a trading nation. Throughout many centuries, the Dutch turned out to be very skilled in trading with foreign partners. For a good insight in the Dutch economy and in the impact of developments in foreign countries on the economy, knowledge of foreign trade is indispensable.

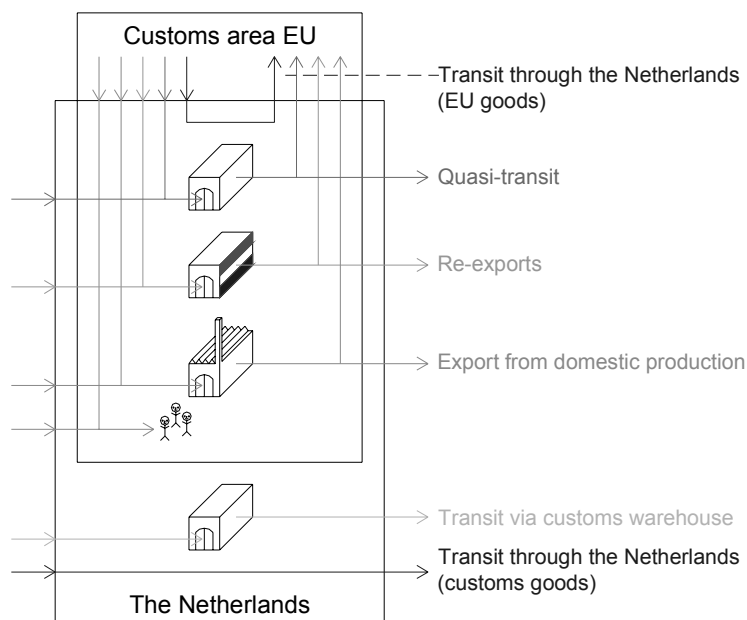
The ever-increasing liberalisation of global trade has gone hand in hand with the number of ways to trade with foreign countries. This resulted in a great number of trade flows to and from the Netherlands. What exactly distinguishes one trade flow from another is not always clear. In this paper, conceptual clearness is given by describing all the existing cross-border good flows and the differences between them. An indication of whether or not a trade flow belongs to the concept of international trade in goods is also given in this paper. In addition, a link with international trade in services will be made.

We start with an enumeration of all good flows crossing the border. Then, distinguishing characteristics of all flows are given, including examples of a certain flow. Subsequently we will focus on the differences between them, followed by an indication of the place where the flows are measured. At last, the impact of the various flows on the economy is discussed.

2. International trade in goods: the various flows

The international trade in goods statistic measures the amount of trade in goods with foreign countries. Nevertheless, it does not include all cross-border good flows. Figure 1 gives an overview of all good flows which physically cross the border:

Figure 1: Good flows physically crossing the border.



A brief description of the good flows displayed in figure 1:

- **Exports from domestic production and re-exports:** Goods which are or have been brought in free circulation of the European Union, from that the ownership rights pass to or from Dutch

residents, or goods that are processed to a substantial degree in the Netherlands. In 2004, the value of total Dutch imports was approximately 228 billion euro and the value of the exports was 258 billion euro. The exports can be divided in exports from domestic production and re-exports:

- Exports from domestic production consist of: either goods produced in the Netherlands, or goods that have been significantly processed.
- Re-exports are imported goods leaving the Netherlands in a largely unprocessed state. Example: A Dutch trader buys goods in the United States, stores them in his own warehouse searching for a buyer, and then sells them to a German.

The same division can be made at the import side.

- **Quasi-transit:** Goods that were imported into the Netherlands, but leave the country in an (almost) unprocessed state. No transfer of ownership to a Dutch resident takes place. Next to this ownership criterion, at least one administrative procedure has to take place in the Netherlands:
 - Either: the goods have to be cleared at their arrival in the Netherlands (in case of goods from outside the European Union);
 - Or: when the goods are exported an export document has to be made out (in case of the goods leaving the European Union);
 - Or: the goods are stored in the Netherlands for at least 24 hours. In this case, the owner has to register for the VAT administration.

If one of these administrative procedures apply, the commodity flow qualifies as quasi-transit trade. If not, the good flow is called ‘real’ transit. Nevertheless, in practice the distinction is often not made and the entire flow is simply called ‘transit’, although this is not true because of the administrative procedures. Therefore, it is better to speak of “quasi-transit”. Those administrative procedures make it possible to register this flow. Sometimes quasi-transit is also referred to as “Rotterdam effect”.

An example of quasi-transit: a foreign multinational with production sites in Asia distributes its goods via the Netherlands. Because of that, the enterprise concluded a contract with a Dutch logistics company. Its goods, with final destination European Union, are cleared in the Netherlands. The goods however continue to be the property of the headquarters of the multinational, which is located outside the Netherlands. When the goods are delivered to Germany it is a form of quasi-transit.

On a yearly basis, the size of this flow is about 30 billion euro.

- **Customs warehouse:** Customs goods that are stored in a customs warehouse (a storage place for goods not yet cleared) for a certain time after arrival in the Netherlands. The goods can be directly exported after leaving the customs warehouse (i.e.: transit via a customs warehouse), or they can be cleared in the Netherlands. In the latter case, it is an import, which can be followed by re-exports or quasi-transit. This depends on the final destination and the ownership status. In practice, not much is known with respect to the value or volume of this flow.
- **Transit through the Netherlands:** Goods that enter the Netherlands and directly go to foreign countries. They are not traded here, but they only pass the Dutch territory on the way to their final destination. This flow is sometimes called “transport transit”. In the meantime, the goods are not stored in the Netherlands, but may be transhipped (for example in the harbour of

Rotterdam). These goods can be customs goods for the duration of their stay in the Netherlands, or were already in the free circulation of the European Union before arriving in the Netherlands. A difference can be made between transit with or without transshipment. Goods arriving in Rotterdam by a sea ship and continuing their journey to Germany by inland navigation are an example of transit. In addition, the lorry on its way from Hamburg to Antwerp passing through the Netherlands is transit.

- **Transito trade:** (also called triangle trade; not in figure 1): a Dutch resident buys goods in a foreign country and sells them directly to a non-Dutch resident. The goods go directly from the original supplier to the final customer, without coming to the Netherlands first. The bills and the payment however go via the Netherlands. The role of the Dutch resident is limited by mediation and the financial transactions.

2.1 *Differences between the trade flows*

The difference between re-exports, quasi-transit, transit via customs warehouse and transit through the Netherlands is mainly caused by different administrative procedures.

Difference between re-exports and quasi-transit

The difference between re-exports and quasi-transit is caused by the ownership criterion. In case of re-exports a Dutch resident becomes the owner of the goods, in case of quasi-transit not. For the national accounts department of our office - in line with international agreements - only the trade by national residents is relevant (national concept); for the European Union (Eurostat) also quasi-transit is relevant (community concept). As such, the trade figures published by Eurostat always include quasi-transit.

In practice, the conceptual gap between re-exports and quasi-transit is often very narrow. A relatively small difference as a change in ownership can lead to another classification, while physically the trade flow has not changed. Especially in case of foreign multinationals with a distribution centre in the Netherlands and their headquarters outside the Netherlands, the difference becomes very theoretical. Very often an enterprise has difficulties with answering the question of who is the owner of the goods.

Difference between re-exports / quasi-transit and transit through the Netherlands

The difference between re-exports / quasi-transit on the one hand and transit through the Netherlands on the other is determined by: clearing or not clearing, storing or not storing, c.q. trading or not trading of the goods (change of ownership). If the goods are cleared by customs or if they are stored for at least 24 hours, then they are classified as re-exports or quasi-transit. Otherwise the flow is called transit through the Netherlands. If a change of ownership takes place during their transport, it will be a delivery in the Netherlands. In that case they are classified as re-export or quasi-transit, depending on whether a Dutch resident was involved or not.

Difference between re-exports / quasi-transit and transit via a customs warehouse

The distinctive property of transit via a customs warehouse is, contrary to re-exports and quasi-transit, that the goods are not cleared yet and that the goods are stored in the Netherlands. For storing customs goods, a licence from customs is necessary. Because of the fact that the goods are customs goods, this trade flow does not enter the international trade concept. If the goods are not stored in the Netherlands, no licence of customs is necessary and the goods would be in transit through the Netherlands.

A well-known situation is when goods originating from non-European Union countries are stored in a customs warehouse waiting for a buyer. If that buyer is outside the European Union, the goods will be delivered directly without clearing first. Then it would be transit via a customs warehouse, which is left out of consideration by the international trade in goods. If the goods go to a member state of the European Union, the goods are often cleared in the Netherlands, after which they are delivered. In this situation, it is not transit via customs warehouse because the goods are cleared when they cross the border again. Depending on the ownership, the good flow constitutes an import which is either re-exported or it leaves the country through quasi-transit. The reason of this way of doing is that it is easier from the logistic point of view. Besides that, the Dutch customs and tax service used to be relatively flexible and efficient. If the country of destination is the Netherlands, it will be of course only an import.

2.2 *Extract*

It is clear that the administrative handling of goods entering and leaving the Netherlands can be managed in many ways. All mentioned flows have as a common characteristic that the goods enter and leave the Netherlands. If, and if so, where and how they are included in the figures of the international trade in goods depends on the followed administrative procedure.

Table 1: All different good flows through the Netherlands, including their main characteristics.

	Customs status	Storage or transhipment	Ownership	Belongs to international trade in goods
Re-export (1)	customs status is changing	N.A.	property of a Dutch resident	Yes
Re-export (2)	free circulation	storage in the Netherlands	property of a Dutch resident	Yes
Quasi-transit (1)	customs status is changing	N.A.	property of a non-Dutch resident	Only for EU (community concept)
Quasi-transit (2)	free circulation	storage in the Netherlands	property of a non-Dutch resident	Only for EU (community concept)
Customs warehouse	customs goods	storage in the Netherlands	N.A.	No
Transit through the Netherlands with transhipment	customs status is not changing	no storage other than waiting for transhipment	ownership doesn't change	No
Transit through the Netherlands without transhipment	customs status is not changing	no storage or transhipment in the Netherlands	ownership doesn't change	No
Transito trade	N.A.	goods do not cross the Dutch borders	property of a Dutch resident	No

3. Where are the good flows measured?

At Statistics Netherlands, the cross-border good flows are measured in the following statistics:

1. Transport and traffic statistics (gross mass).
2. The international trade in goods statistic (value, volume and net mass).
3. International trade in services statistics (value).

The (department of) transport statistics tries to measure all transport flows in the Netherlands, including the cross-border flows. That information is vital for being able to say anything about important social themes such as environment effects and traffic congestion. Customs procedures and ownership play no role in this, so they are not registered.

Transport through the Netherlands without transshipment is only observed to a very limited extent in practice. At the moment, this flow is not registered by Statistics Netherlands. In the future, this deplorable situation might be ameliorated by exchanging data with other statistical institutes. The transit trade flow does not come through the Netherlands and is therefore not included in the transport and traffic statistics.

The international trade in goods statistic measures the imports, the exports (totals as well as breakdowns into re-exports and export from domestic production) and quasi transit. The exports of goods that are processed significantly in the Netherlands are always measured in the international trade in goods statistic, no matter the ownership or the customs procedure.

The international trade in services statistic measures the transport through a customs warehouse and the transit trade. In terms of the international trade in services concept, both are considered transit trade. The measured value of the transit trade is the difference between the purchase and the selling value of the goods. So the margin is registered and not the absolute value. When the goods are sold for a lower price than the purchase price, a negative value is registered.

The international trade in services statistic also includes services like transportation services, insurance, industrial services, etc. These services apply to almost all good flows through the Netherlands.

4. Importance of the flows for the economy

One of the main goals of the international trade in goods statistic is to get an insight into the outward flow of in the Netherlands significantly processed goods. The economic impact of goods coming through the Netherlands and leaving again in an unprocessed state is less clear. Therefore the relevance of the observation in the international trade in goods statistics is less obvious. In this final chapter, we will try to get some more insight in this.

There are three ways to make a profit from a transit flow:

- By trading. Someone buys goods and sells them for a higher price (without processing). The price difference (margin) is the value added.
- By doing some minor processing to the goods like packing, labelling, blending, decorating etc. and things like factoring, order administration, managing the administrative procedures as customs procedures. These activities are captured in the terms “Value Added Logistics” (VAL)

and “Value Added Services” (VAS). In addition, storage in a distribution centre belongs to this. The point is that the margin is earned by supplementary services.

- By (transport) handling. Amongst this are transport and transshipment.

VAL, VAS and transport handling have to do with the services in itself and not so much with the (value of the) involved goods. That is why the benefits achieved with VAL, VAS and transport handling are measured in the international trade in services statistic.

The main exception is trading customs goods, i.e. goods that are not cleared yet. This is always considered as a service. The reason for this exception dates from earlier times. Until twenty to thirty years ago, the owner of a customs warehouse only dealt with non-resident clients. He offered a storage service and from this he made his profit. The rule that international trade in goods applies only to goods in free circulation of the European Union dates back to this practice. Around 1980 the rise of the Dutch distributors who also have a customs warehouse, started. From this time, not only the storage service brought in the money, but also the trading margin. However, the international rules have never been adapted to this situation because this phenomenon existed almost only in the Netherlands.

The activity of trading goods that are not passing the Dutch border (transito trade) is also considered a service. As mentioned in the previous chapter there is no difference between transito trade and transit through a customs warehouse for the international trade in services statistic. The argument is that not yet cleared goods are not in the Netherlands from the point of view of customs.

Table 2: Ways for a Dutch resident to earn from certain good flows.

	Customs procedures or customs status	Trade margin	Storage and/or VAL	Transport or transshipment
Re-exports (1)	Procedures	Yes	Sometimes	Sometimes
Re-exports (2)	Free circulation	Yes	Yes	Sometimes
Quasi-transit (1)	Procedures	No	Sometimes	Sometimes
Quasi-transit (2)	Free circulation	No	Yes	Sometimes
Customs warehouse	Customs goods	Yes	Yes	Sometimes
Transit through the Netherlands with transshipment	N.A.	No	No	Yes
Transit through the Netherlands without transshipment	N.A.	No	No	Sometimes
Transito trade	N.A.	Yes	No	Sometimes

In the table above it is pointed out in which way a Dutch resident can earn money from the different trade flows. For the comparison with table 1, the table with all good flows and their characteristics, the transito trade is also added in table 2. In addition, the difference between in the Netherlands stored goods and cleared goods is made at re-exports and quasi-transit.

It turns out that a Dutch company can earn from every type of trade flow. However, that was what could be expected. In which way, and how much, determines the relevance for the international trade. That is also why the differences are made and why not every flow is measured in the international trade in goods statistic.

Although there are in theory differences between the relevance of trade flows, in practice it is far less obvious. Is the ownership still relevant for the trade margins? The Dutch eyeglasses through which we look at the trade figures is considered to be forced by multinationals. The multinational is not interested in which link of the chain the trade margins apply, as long as they do good for the whole company. The country itself is not important, fiscal consequences left out of consideration.

For the future, we can ask ourselves the question whether the theoretical choices of the past are still valid, considering the practice. The ultimate goal of the trade statistic was to get insight into the influence of developments in foreign countries on our own economy. An administrative change as change of ownership has a large effect on the figures, but hardly an effect on the economy. Therefore, the figures do not reflect the effect on the economy. In the future choices may have to be reconsidered to guarantee the wished relevance.