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

### A SHARED VISION FOR THE FUTURE: INTERNATIONAL TRADE INFORMATION SYSTEMS IN 2020

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*Item 11.8 of the Agenda. This document is for discussion on the directions and challenges described in the document.*

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**INTERNATIONAL TRADE INFORMATION SYSTEMS IN 2020:  
A VISION FOR THE FUTURE**

*by UNSD, Eurostat, WTO and OECD*

**I. How the world has changed: history of international trade in goods and services statistics in a nutshell.**

1. International merchandise trade statistics (IMTS) is a statistical domain that has been prominently on the agenda of the international statistical community since the end of the 19th century. Its methodological foundations and approaches to data compilation were actively discussed in the 1920s, together with other basic economic statistics including balance of payment statistics. During the 20th century IMTS gained a standing as a separate statistical field indispensable for trade policy making, market research and analysis of structure and dynamics of the global economy. Many countries compiled and disseminated detailed trade statistics and the United Nations published its first Trade Statistics Yearbook in 1947 only two years after its inception, continuing previous efforts undertaken under the League of Nations.

2. IMTS is based on a conceptual framework related but in some basic respects distinct from the concepts and definitions underlying the System of National Accounts and the Balance of Payments. It is widely recognized as a well-established and a very mature statistical field and, therefore, might seem to require less attention and investment in the future. However, as the world became economically more and more inter-related and globalization impacted on trade, the position of IMTS in the context of other economic statistics needs to be revisited. Within this context of globalization driven by trade, the dynamics of emerging economies as economic superpowers involved a major shift in global production, consumption and investment. Trade statistics are recording and informing in detail about this most important economic changes in international transactions.

3. Whereas IMTS methodology and compilation is very well established, statistics of international trade in services (SITS) is a relatively new statistical field. Up to 2002, trade in services have been recorded only through the services components in the current account of the balance of payments (BOP) statistics. The establishment of SITS as a statistical domain in its own right only started with the drafting of the Manual on Statistics of International Trade in Services (MSITS) in the late nineties, and which was agreed as an international standard in 2002. The structure of MSITS was determined by the data needs of the trade negotiators in relation to the General Agreement on Trade in Services (GATS). This meant that SITS was built on three different, but overlapping statistical aspects, namely (i) the BOP-type resident/non-resident trade in services, (ii) the activities of foreign affiliates and (iii) the modes of supply of services, which distinguishes cross-border trade, consumption abroad, commercial presence and the movement of natural persons. Over the last decade the conceptual framework has been further worked out, but questions remain as to how SITS should further develop and integrate with existing trade and business statistics programs.

## II. Requirements for trade information and the new international recommendations

4. There is a strong demand by policy makers, trade analysts, economists, and researchers for more comprehensive and integrated data on international trade and globalization in order to better understand its impact on growth, economic development, employment and the economic interdependence of countries in terms of production, consumption and investment. Information on international trade provided by statisticians should live up to these demands. A closer integration between trade statistics and the productive and financial sides of national accounts and balance of payments could also foster the analytical value of these data in exploring the dynamic relationships between trade and development. However, statisticians also require the right tools, resources, institutional arrangements and political support to fulfil this task.

5. The new international recommendations for international merchandise trade statistics (IMTS 2010) adopted by the United Nations Statistical Commission at its 41<sup>st</sup> session in 2010, contain many important new elements and encouragements that aim at providing more information on trade transactions. IMTS 2010 includes the linking of trade and business statistics, the better utilization of customs procedure codes, the separate recording of special transactions, the recording of mode of transport, the recording of a second partner country for imports and exports, and the compilation of imports on FOB basis in addition to imports CIF. All of those elements can lead to a better understanding of globalization and international trade practices.

6. The revised recommendations for SITS contained in the Manual on Statistics of International Trade in Services 2010 (MSITS 2010) are very close to the recommendations of 2002, requesting some further breakdown of services and some partner detail in the residents/non-residents trade in services; demanding more detail for inward foreign affiliates statistics than for outward FATS; and devoting a full chapter on modes of supply, especially to clarify mode 4: movement of natural persons. The most significant change in MSITS comes from the request for additional detail for some services categories in the form of the extended balance of payments service (EBOPS) classification.

7. The issue of “goods for processing” or “global manufacturing” is raising the question, which country is producing the goods and how trade statistics can be improved to better account for and inform about this phenomenon and its impact on employment and development. Going further, should we introduce the concept of “trading in tasks”?; Should we look at the value-added of trade in addition to the gross value?; Can we statistically express the import-content of exports?; Can we properly describe and measure the global value chain of the production processes?

## III. A Vision for International Trade Statistics in 2020

8. The nature and relevance of international trade statistics in the year 2020 and beyond will depend on the speed at which countries will be able to further develop these statistics in accordance with the new recommendations and to what extent national statistical systems will transform across countries. The following goals could be envisaged for 2020 – in ten years from now:

### 1) *Institutional arrangements:*

- Institutionalized and close cooperation between all national agencies involved in the compilation of statistics of international trade in goods and services including multinational enterprise statistics;
- Units responsible for international trade in goods and trade in services will be functioning on the basis of an integrated national programme of international trade statistics so that their work plans are aligned within and across relevant institutions;

- Binding working arrangements in a dedicated team structure ought to be established by the appropriate national authorities to deal with international transactions and global business statistics in an integrated approach, covering not only international trade in goods and services but also the international aspects of business statistics;

## **2) *Statistical data production:***

### *Goods:*

- All transaction records (from customs or other sources) will contain an identification number of the importing or exporting enterprise that enables its linkage with the national statistical business register;
- Information on mode of transport, customs procedure codes, special transactions, second partner country and on cost, insurance and freight for imports is routinely provided as part of the customs data available to statistics;
- Additional information needs for data on trade in goods will be satisfied, either via linking data to business registers and to other administrative sources or where necessary, via integrated enterprise surveys in a warehouse approach.

### *Services:*

- Resident-non resident trade in services remains highly harmonised with the needs of Balance of Payment (BOP) statistics, but at the same time should constitute a separate statistical domain which will provide more detailed information to the users.
- Trade in services data should be available in more detail, possibly on the basis of the Central Product Classification (CPC). The data should be linked to business statistics and will therefore be predominantly collected via enterprise surveys or suitable administrative sources, etc.
- Integrated approach of Goods and Services:
- Data collection frameworks covering goods and services will be coordinated and organized in such a way that information can be regularly and systematically obtained for purposes of trade, production and price statistics, which satisfies data needs of policy makers and researchers and could respond to information needs of the national accounts and the balance of payments ;
- Data collection frameworks will also cover less rational areas of information such as the organization of business functions or producer confidence;
- Foreign Affiliate Statistics will be part of the regular business/ multinational enterprise statistics;
- Micro-data on trade in goods and services linked with other business information will be available in data warehouses to users. Access will be governed by the respective confidentiality rules of authorities.

## **3) *Data dissemination and analysis:***

- Joint dissemination of statistics on trade in services and trade in goods on a quarterly and, where possible, monthly basis;
- International trade statistics will be available by enterprise characteristics, such as economic activity sector, employment, enterprise size and demography as well as geographical location of

the enterprise, but also by other indicators such as business confidence or sourcing of business functions;

- International trade in goods and services will be published by CPC product, ISIC activity and partner country;
- International services transactions will be allocated over the GATS modes of supply starting with the simplified procedures set out in MSITS.
- Studies on the impact of trade on value added and employment will have a much better information basis, i.e. through linking trade and business statistics and integrating the relevant macroeconomic, social and sectoral information in specialised satellite accounts;
- Information on intra-firm trade and goods for processing without change of ownership will become available for national accounts and balance of payment statistics;
- Mode of transport information provided by trade statistics will significantly improve transportation statistics and allow a better assessment of the environmental impact and energy consumption of international trade;
- International trade information systems that provide a firm basis for analysis of a country's involvement in globalization and its impact on the national economy, environment and society have been established;

#### **IV. Challenges**

9. The following main challenges can be identified:

- Tendency to preserve the status quo which is characterized by separate compilation efforts of the different institutions active in the area of international trade statistics;
- Resources will not allow developing, implementing or upgrading the required business registers, surveys etc.
- The generation of enterprise microdata from trade statistics and its combination with information from existing business statistics requires solving issues of confidentiality and the protection of the highly sensitive business data.