

IMF COMMITTEE ON BALANCE OF PAYMENTS STATISTICS
BALANCE OF PAYMENTS TECHNICAL EXPERT GROUP (BOPTTEG)

ISSUES PAPER (BOPTTEG) # 14A

RE-EXPORTS AND GOODS IN TRANSIT

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1. **Background:** The United Nations International Merchandise Trade Statistics: Concepts and Definitions (IMTS) Paragraph 78 (e) and (f) describes re-exports as foreign goods in the same state as previously imported. The goods may be exported from the free circulation area, premises for inward processing or industrial free zones. They may also be exported from premises for customs warehouses or commercial free zones. Reimports are described similarly in Paragraph 75 (e) and (f). Paragraph 45 defines goods in transit as goods entering and leaving a country with the exclusive purpose of entering a third country.

Current international standards for the treatment of the issue

2. IMTS Paragraphs 76 and 79 state that re-exports and reimports should be included in the merchandise trade export and import figures. It is also recommended that the figures are shown separately for analytical purposes. To do this it recognises that supplementary information may be needed to distinguish the re-exports and reimports from goods for processing. This information would be needed to determine the origin of the re-exports or reimports, ie to establish that the goods have not acquired domestic or foreign origin through processing. An economic interpretation of re-exports and reimports is not explained, and no reasons for including re-exports and reimports (for example, in terms of change of ownership, economic events) are given.

3. IMTS Paragraph 44 makes a distinction between re-exports and temporary goods, defining temporary goods as brought into a country or dispatched from it with a reasonable expectation of subsequent withdrawal or return within a limited time. Temporary goods are excluded from international merchandise trade statistics.

4. IMTS Paragraph 45 excludes goods in transit from merchandise trade statistics, since they do not add to or subtract from the stock of material resources of the country through which they pass.

5. SNA93 Paragraph 14.91 (a) and (d) specify goods in transit and temporary goods in a list of examples of exclusions from exports and imports. There is no mention of re-exports or reimports, but Paragraph 14.88 states that the treatment of exports and imports in the System is generally identical with that in BPM. SNA refers to BPM for further elaboration.

6. BPM5 Paragraph 209 excludes direct transit trade and temporary goods, adding that temporary goods are not for sale. There is no explicit mention of re-exports and reimports of goods. The assumption by default is that such goods are included indistinguishably.

Concerns/shortcomings of the current treatment

7. Distinctions are made in the manuals between goods for processing and goods for re-exports, reimports or transit trade. In the latter case the goods remain unchanged, although there may or may not be change of ownership. In the former case there is no change of ownership but the

goods do change. However goods for minor processing, for example re-packaging, could be considered similar to re-exports when the economic activity is similar. SNA 93 and BPM5 exclude such minor processing from the goods category and record the processing as a service activity.

8. Multinational companies move goods between different countries within the group for various purposes - processing (raw materials or semi-finished products), storage, distribution, delivery. Other traders make use of the facilities in different countries as part of their trading operations. The motivations behind re-exporting will vary, but in practice it is likely that the distinctions between re-export/reimports and transit trade are becoming less clear, making it harder and less meaningful to distinguish between them. In either case the goods remain in the same state, so there is an argument for treating them in the same way (exclude from goods), and record any net earnings in services.

Possible alternative treatments

9. There are three alternatives:

- i. continue current treatment: exclude transit trade, include re-exports and reimports indistinguishably in the goods figures
- ii. continue current treatment and show re-exports and reimports as "of which" categories of exports and imports
- iii. exclude re-exports from both exports and imports, and exclude reimports from imports and exports: include any net earnings in services

Questions/Points of discussion

10. Can the interpretation of all re-exports be considered the same? If not can re-exports be defined by two groups - similar to transit trade and not similar. If information on each group could be collected, the breakdown in (ii) above might then be for the "not similar" type only.

11. The main concerns about changing the current treatment are data availability. Information on re-exports and reimports might be very difficult and expensive to collect at a time when Customs authorities around the world are trying to reduce the burden of data collection. It would not be practicable to collect information on those imports that are subsequently re-exported.

12. The exclusion of transit trade from the goods figures seems reasonable and achievable. Can the ways in which this is done be extended to exclude some or all re-exports as well? This might be feasible if some re-exports are defined in a similar way to goods in transit.

13. There is a link to the Goods for Processing issue. If the recommendation on that issue is to record the value as a service, is it consistent to continue treating all re-exports as goods?

Supplementary Info

14. Legislation has a major impact on this issue in Europe where it would not be possible to exclude re-export trade from the merchandise trade statistics. However the treatment of re-exports may be clearer in new European trade statistics legislation due to be implemented in 2005.

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