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Reconciliation of the 1994 Merchandise Trade Statistics of the European Union and Japan

Eurostat, the Statistical Office of the European Communities announces today the results of a study on discrepancies in the statistics on trade between the European Union (EU) and Japan. This was the first reconciliation study of annual trade data undertaken by Eurostat and the Customs and Tariff Bureau of the Japanese Ministry of Finance.

For 1994, statistics on EU imports from Japan differ by 0.5% from their counterparts (statistics on Japanese exports to the EU); statistics on EU exports to Japan differ from their counterparts (statistics on Japanese imports from the EU) by 11.1%. In order to help users gain a clearer understanding of the data, Eurostat, together with the Customs and Tariff Bureau, identified the main reasons for the discrepancies and estimated their effects on the respective data for exports and imports. On aggregate, assessed by international standards, the data for both sides seem to be fairly coherent. The main reasons for the discrepancies are the usual differences in the treatment of freight and insurance charges and trade movements via third economies.

Each partner concentrated on its import flows: in the case of Eurostat, EU import data were compared to Japanese export data (westbound trade), while in the case of the Customs and Tariff Bureau, Japanese imports were compared to the corresponding EU exports (eastbound trade).

The results for the year 1994 are presented below. These results do not represent a revision of the official statistics published by the above-mentioned organisations. The reconciled totals represent an estimate of the bilateral flows after putting the conceptual and methodological approaches on a comparable basis. Users of the reconciled data should be aware that the values presented are not consistent with either nation's normal concepts and definitions, but simply conform to a set of standards agreed upon for use in the reconciliation study.

The study was launched in 1995 and completed in the middle of 1997 when the results were agreed upon by the two organisations concerned.

The study started with the analysis and comparison of the methodologies and collection procedures for foreign trade statistics of both partners in order to identify and evaluate possible reasons for the discrepancies between the EU and Japanese data.

The next step consisted in the preparation of a questionnaire with the aim of extracting detailed information on methodological particularities and specific data not included in the regular data supply from EU Members to Eurostat. This questionnaire was sent to all EU countries together with tables showing a preliminary analysis of the Member States' main discrepancies vis-à-vis Japan at a global level and by product.

Finally, as not all the Member States answered the questionnaire or sent additional quantitative information, direct contacts were established. Eventually, the information received from Member States provided the basis for the quantitative adjustments. However, as not all the EU members were able to provide the requested information, adjustments had occasionally to be based on estimates. Assumptions had to be made, and in some cases data not supplied by some Member States had to be extrapolated from data provided by other Member States.

In 1994, the European Union consisted of 12 Member States: Belgium, Denmark, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain and the United Kingdom. Austria, Finland and Sweden who joined the EU in 1995 are not included in this study.

The exchange rate used in this exercise was: 1000 YEN = 8.249 ECU. This corresponds to the average of the trade weighted monthly exchange rates for the year under review.

The Customs and Tariff Bureau of the Japanese Ministry of Finance will also publish the results of this reconciliation study for 1994.

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For further information please contact: F.Schönborn
Eurostat, L-2920 Luxembourg, tel. 4301-33881

Fax: 4301-34762

e-mail: frank.schonborn@eurostat.cec.be

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**RECONCILIATION OF MERCHANDISE TRADE STATISTICS
OF THE EUROPEAN UNION AND JAPAN FOR 1994**

Values in million ECU

	Trade from Japan to the EU "Westbound Trade"		Trade from the EU to Japan "Eastbound Trade"	
	EU imports	Japanese exports	Japanese imports	EU exports
<i>Published totals</i>	48,821	48,590	29,893	26,583
<u>Adjustments</u>				
Re-exports of foreign merchandise		-890		
Insurance and freight charges	-1,559		-1,597	
Returned goods	-36		-436	
* Coverage				
Indirect imports				
- Works of art, collectors pieces and antiques				76
- Others		1,675		1,521
Low value shipments	141	138	42	
Transshipments		-2,989		
* Trade Definition				
Adjustments for specific products				
- Gold				312
- Gold coins			19	
- Aircraft	-45			70
Statistical Territory		1	4	
* Other adjustments		797		-637
<i>Reconciled totals</i>	47,322	47,322	27,925	27,925

EXPLANATORY NOTES

WESTBOUND TRADE

Published totals

These figures are the official data for reported import and export totals for trade in goods between the European Union and Japan, as published by the respective statistical organisations.

EU imports are valued on a CIF basis, i.e. insurance and freight charges are included; Japanese exports are valued FOB (free on board) and therefore exclude international freight and insurance charges.

For EU imports, the special trade system only covers flows put into free circulation, i.e. goods in transit and entries into Customs warehouses are excluded (the latter being partly transhipped to non-EU countries). On the contrary, Japanese exports, according to the general trade system, comprise all shipments to the EU. Adjustments were therefore made both for Japanese re-exports and transshipments through EU warehouses.

Adjustments

Re-exports of foreign merchandise

These are goods shipped from Japan but which are not of Japanese origin. As the EU allocates these imports to the corresponding country of origin, these values were deducted from the Japanese exports.

Insurance and freight charges

These costs are not included in the Japanese FOB export values. Since insurance and freight represent a value for services (not necessarily provided by the exporting country) and not for goods, for reconciliation purposes these charges have been removed from the EU import values. Unfortunately, none of the EU statistical institutions systematically calculates the CIF/FOB margins on a product basis. Only a few aggregate figures by country are available at the EU central banks (e.g. Germany, the United Kingdom).

The ratios were calculated on the basis of the United States CIF/FOB charges for their imports from Japan. These charges were kindly provided by the US Bureau of the Census. The results of this calculation were cross-checked with the aggregate results provided by some EU central banks. The two sets of figures were very close to each other, supporting the basic assumption that the CIF/FOB margins by product chapters for US imports from Japan are likely to be good proxies for EU imports from Japan.

Returned goods

These are goods exported by the EU and subsequently returned to the supplier, and the amount is conventionally shown under a special import code. These transactions are included in the Japanese re-exports of foreign merchandise which are excluded from Japanese exports (by the abovementioned adjustment), and the corresponding values have therefore been deducted from the EU imports.

Indirect imports

These are goods of Japanese origin which were imported indirectly through one or more intermediary economies into the EU. Whereas, in principle, it can be assumed that in the EU these transactions are recorded as imports from Japan (using the country of origin principle), it may also be assumed that in Japanese statistics these flows are usually recorded as exports to the intermediary economy and not to the EU. The amounts of these flows, i.e. imports of Japanese origin not shipped from Japan, were requested from Member States. However, only Belgium, Denmark, France, Germany, Italy, the Netherlands, The UK and Spain were able to identify such transactions and their data were used for estimating the "missing" values.

Low value trade

Japan has a minimum threshold of 200,000 YEN (ca. 1,650 ECU) for individual export transactions. Most EU Member States also have minimum statistical thresholds which vary between Members. For EU imports below the statistical thresholds, estimates were provided by some Member States, while for Japanese exports the amount was estimated by the Customs and Tariff Bureau.

Transshipments

This adjustment represents goods of Japanese origin shipped through EU warehouses to non-EU countries. These shipments are not included in EU import statistics, but are usually recorded in the counterpart export figures as shipments to the EU. It is particularly difficult to measure the value of these flows as there are no harmonised statistics for warehouse traffic in the EU. Most Member countries only keep track of the quantities instead of the values, and the geographical breakdown of this information is not always sufficiently detailed. Nevertheless, the Netherlands, Belgium and Germany, the EU countries most involved in warehouse trade, provided sufficient information for an estimate of the EU total.

Specific products

Aircraft

This adjustment concerns two aircraft temporarily imported for repair in France, for a statistical value of 45 Million ECU. These transactions were not included in the Japanese statistics.

Statistical Territory (Azores and Monaco)

The Japanese definition for the EU does not include trade with Monaco and the Azores which is, on the other hand, included in the statistics of France and Portugal respectively. The corresponding values for Japanese exports to these territories are therefore added to their exports as an adjustment.

Other adjustments

This item includes all remaining differences not fully accounted for in the above mentioned adjustments including additional re-exports, valuation differences, transshipments and indirect imports, differences in the timing of exports and the corresponding import shipments.

EASTBOUND TRADE

Published Totals

These figures are the official data for reported import and export totals for trade in goods between the EU and Japan as published by the respective statistical organisations.

EU exports are valued FOB (free on board), while Japanese imports are valued on a CIF basis (i.e. insurance and freight charges are included). In addition, EU trade data are compiled under the special trade system while Japan applies the general trade system.

Adjustments

Freight and insurance

Japan's imports are valued on a CIF basis. EU exports are valued FOB and therefore exclude international freight and insurance charges. The adjustment is the estimated insurance and freight costs which are included in Japan's import values and are based on Japan's sample survey on its imports from the EU. As the survey compared customs values in import declarations with invoiced values on a FOB base, the adjustment includes a small amount in addition to the freight and insurance charges.

Returned goods of Japan origin

This is the value, as recorded in Japan's import statistics, of goods of Japanese origin imported from the EU. This is excluded from the EU's statistics and is therefore deducted from Japanese imports.

Imports of goods of EU origin from third economies

In Japan's import statistics, the exporting economies are determined by the country of origin principle, whereas in the EU's export statistics the economies of final destination are taken as importing economies. Therefore, EU origin goods exported to third countries and then shipped to Japan, are recorded as imports from the EU in Japan's import statistics, while they are not recorded as exports to Japan in the EU's statistics. The corresponding adjustment is based on Japan's sample survey on its imports of goods of EU origin.

(i) Works of art, collectors' pieces and antiques

In principle, imports of works of art, etc. are always attributed in Japan to the country in which they were originally created. However, in reality, the major part of European works of art have been held in non-EU economies for a comparatively long time before being imported from Japan. These imports into Japan are consequently not matched by corresponding EU exports during the same period, i.e. 1994.

(ii) Other indirect imports

Japan also imports a whole range of other EU goods on a largely indirect basis. They include, for example, meat, alcoholic beverages, articles of leather and precious stones and metals. The third economies via which they are shipped are mainly the United States, Hong Kong, Singapore and South Korea. As these kinds of goods were imported into Japan after

being kept in the third economies for a comparatively short time, they are likely to have been recorded in the 1994 EU statistics as exports to countries other than Japan.

Low-value shipments

This is the estimated value of Japan's import shipments valued at less than 200,000 Japanese YEN (1,650 ECU) and more than 800 ECU for most EU countries (0 ECU for Greece and Spain). This adjustment is also based on Japan's sample survey on its imports from the EU. This is excluded from Japan's imports statistics, but included in EU's statistics.

Specific products

(i) Gold

This adjustment represents the value of gold transactions which are included in Japan's import statistics, but not in the EU's exports. According to UK sources (the Member State mainly involved in the gold trade) these transactions were recorded as monetary gold and therefore not included in the trade statistics. On the contrary, in the Japanese trade statistics these transactions are recorded as non-monetary gold.

In fact, the UK adopts a different definition of monetary gold (as a derogation from the international methodology) in order to avoid distortion in its trade in goods account by the substantial transactions of the London Bullion Market.

The corresponding adjustment was calculated by multiplying the difference between the quantities of gold recorded in the EU's export statistics and in Japan's imports statistics by the average unit price of the EU's gold exports. This value was added to the EU exports.

(ii) Gold coins

This adjustment represents Japan's reported imports of bullion-type gold coins from the EU, which it excludes from its trade data. The EU includes all non-monetary coins in its export data. Bullion-type coins are defined as coins with a transaction value differing from the face value.

(iii) Aircraft

This adjustment concerns one aircraft for a value of 70 Million ECU, which was exported from France in December 1993, whereas the corresponding import was included in the Japanese statistics for 1994.

Statistical territory (Azores and Monaco)

This adjustment represents Japan's published value for imports from the Azores and Monaco. The EU's statistics include exports from these areas, while Japan does not include these transactions in its data for trade with the EU.

Other adjustments

This represents the difference between the published value of EU exports, plus all other adjustments, and Japan's published import value for the same year. The reasons for this discrepancy may include valuation differences resulting from currency conversion, differences in the timing of exports and the corresponding imports, and under- or over-estimation of the above-mentioned adjustments.