

Reconciliation of the 1989 Merchandise Trade Statistics of the European Community, the United States and Canada

1. The bilateral comparison of external trade data frequently highlights discrepancies between the results published by the exporting country and the equivalent figures in the importing country.

These discrepancies can introduce an element of doubt into the interpretation of the data and can, of course, result from various errors. More often than not, however, they are caused by methodological and conceptual differences between the trading partners and by the very variety of the flows of goods traded.

2. A tripartite Working Party was set up in order to analyse and overcome, albeit on a trial basis, such discrepancies between the European Community and the United States on the one hand, and between the Community and Canada on the other. It brings together representatives from Eurostat, the US Bureau of the Census and Statistics Canada.
3. The results for the year 1989 produced by this tripartite group are presented below.

In the case of the European Community (Table I), once the standard adjustments have been carried out, most of the discrepancies are due to differences in interpreting origin, the treatment of aircraft, transshipments and indirect imports. The heading "other" in Table I mainly covers discrepancies where current trade practices (warehouse traffic, etc.) entail such quantity differences in the basic records that value variations are induced at the reconciliation level. Most of the North American discrepancies (Table II) are explained by indirect imports and re-exports between the United States and Canada.

1989 was chosen as the test year because it was the first year in which the nomenclature of the Harmonized System was applied simultaneously by the three trading partners.

These results do not constitute a revision of the official statistics published by the above-mentioned three organizations.

TABLE I

**Reconciliation of 1989 Merchandise Trade Statistics
of the European Community, the United States and Canada**
In millions of European Currency Units (ECU)
Detail may not sum to totals due to rounding

EC Imports from North America	North American Exports to EC					
	<u>USA</u>	<u>Canada</u>	<u>Total</u>	<u>USA</u>	<u>Canada</u>	<u>Total</u>
Published Totals	83 659	9 811	93 470	78 373	9 117	87 490
- Adjustments:						
. Reexports of foreign merchandise				- 3 683	- 281	- 3 964
. Insurance and freight costs	- 3 879	- 504	- 4 383			
. Coverage						
Differences in country of origin attribution				1 141		1 141
Indirect Imports				565	84	649
Low Value Shipments	426		426		47	47
Transshipments				- 1 077	- 393	- 1 470
. Valuation				- 145	- 39	- 184
. Trade Definition						
Aircraft				2 351		2 351
- Other				2 681	772	3 453
Reconciled Totals	80 206	9 307	89 513	80 206	9 307	89 513

Explanatory Notes (table I):

Published totals: These are the official import and export totals for trade between the European Community (EC), Canada and the United States (U.S.) as published by each partner.

EC imports are valued on a cif (cost, insurance and freight) basis using the special trade system, as compared to the general trade system used by the U.S. and Canada. As a result, the EC imports do not include entries into customs bonded warehouses that are subsequently reexported to non-EC countries. Goods withdrawn from the warehouses for EC use are recorded at the time of withdrawal.

Canadian exports are valued on an fob (free on board) basis.

U.S. exports are in general valued on an fas (free alongside ship) basis. (In practice this is very close to the fob value.)

Adjustments :

Reexports of foreign merchandise: This adjustment represents shipments from the U.S. and Canada of foreign merchandise. The EC records these goods as imports from the country of origin, not from the exporting country.

Insurance and freight costs: This adjustment removes the insurance and freight from EC import values to make these values comparable to U.S. fas/Canadian fob export values. It is based on insurance and freight ratios obtained from U.S. import charges. Additional adjustments were made for certain bulk commodities based upon analysis of product level data.

Differences in country of origin attribution: For customs reasons, some of these reexports may be counted by the EC as imports from the exporting country.

Indirect imports: This represents goods of North American origin not exported from North America. These shipments are not reflected in the North American statistics, but are recorded as imports from North America in EC statistics.

Low value shipments: The U.S. and Canada account for all trade, regardless of value. Some EC Member States exclude shipments below a statistical threshold. The U.S. and Canadian adjustment represents the estimated value of shipments below each Member State's statistical threshold, if any.

Transshipments: This represents goods of North American origin shipped through the EC to other countries. These shipments are not reflected in the EC statistics, but are recorded as exports to EC in North American statistics.

Valuation: The importer and exporter may assign different values to the same transaction. The adjustment for these differences is based upon a comparison of the quantities and unit values reported by each partner.

Trade Definition: This adjustment reflects transactions that are included in statistics by one partner but excluded by the other.

Aircraft: This represents differences in the recording of aircraft. Some EC countries count leasing or repairs of aircraft as imports from the U.S. whereas they are not recorded in U.S. exports.

Other: This reflects all remaining differences including the compound effects of valuation linked with transshipments or indirect imports. It may also include additional reexports, differences in the timing of exports and the corresponding imports, and non-filing of export documents.

TABLE II

Reconciliation of 1989 Merchandise Trade Statistics
of the European Community, the United States and Canada
In millions of European Currency Units (ECU)
Detail may not sum to totals due to rounding

	North American Imports from the EC			EC Exports to North America		
	USA	Canada	Total	USA	Canada	Total
Published Totals	77 246	11 433	88 679	77 128	10 653	87 781
- Adjustments:						
. Reexports of foreign merchandise				- 360	- 219	- 578
. Reexports between USA and Canada			- 659			- 659
. Coverage						
Difference in country of origin attribution	- 278		- 278			
Indirect Imports				286	754	1 040
Low Value Shipments				332	47	379
North American Reimports		73	73			
Transshipments				- 354	354	0
. Revisions	67		67			
. Valuation				6		6
. Trade definition						
Automobiles					- 67	- 67
Aircraft					- 56	- 56
- Other				- 4	41	37
Reconciled Totals	77 036	11 506	87 882	77 036	11 506	87 882

Explanatory Notes (table II):

Published totals: These are the official import and export totals for trade between the European Community (EC), Canada and the United States as published by each partner.

U.S. imports are valued on an fas (free alongside ship) basis.

Canadian imports are valued on an fob (free on board) basis. The fob value exceeds the fas value by the cost of loading the goods onto the carrier. In practice there is little difference between values reported on fas and fob basis.

EC exports are valued on an fob basis, using the special trade system as compared to the general trade system used by the U.S. and Canada. As a result, reexports of non-EC merchandise from customs bonded warehouses to North America are excluded from the EC statistics. In most cases, these shipments will be credited to the country of origin, not the EC, in North American import statistics.

Adjustments:

Reexports of foreign merchandise: This adjustment represents shipments from the EC of goods that are not of EC origin. The corresponding imports are recorded in North American statistics as imports from the non-EC country of origin.

Reexports between United States and Canada: The indirect import adjustment for both the United States and Canada includes trade where the intermediate country is the other North American partner. For purposes of the individual U.S. and Canadian reconciliations, this trade is added to EC exports. When U.S. and Canadian trade are combined, this adjustment removes double counting.

Differences in country of origin attribution: This adjustment represents exports of refined petroleum of unknown country of origin from EC bonded customs warehouses. These shipments are excluded from the EC special trade statistics but are included in U.S. trade as imports from the EC.

Indirect imports: This represents goods of EC origin exported to North America from non-EC countries. These shipments are not reflected in the EC statistics, but are recorded as imports from the EC in North American statistics.

Low Value shipments: The United States and Canada account for all trade, regardless of value. Some EC Member States exclude shipments below a statistical threshold. The US and Canadian adjustment represents the estimated value of shipments below each Member state's statistical threshold, if any.

North American reimports: This adjustment was made to include Canada's reimports of Canadian goods from the EC. The United States and the EC already include this trade in statistics.

Transshipments: This represents EC exports of crude petroleum unloaded in the United States and immediately sent to Canada. The oil, which the EC shows as an export to the United States, does not appear in U.S. statistics but is recorded as an import by Canada.

Revisions: This represents a revision made to the U.S. import value after the final 1989 data were published.

Valuation: The importer and exporter may assign different values to the same transaction. The adjustment for these differences is based upon a comparison of the quantities and unit values reported by each partner.

Trade definition: These adjustments reflect transactions that are included in statistics by one partner but excluded by the other.

Automobiles: This adjustment represents differences in the recording of automobiles purchased by North Americans visiting Europe.

Aircraft: This adjustment represents differences in the recording of leased or used aircraft.

Other: This reflects all remaining differences including additional reexports, valuation differences, transshipments or indirect imports; differences in the timing of exports and the corresponding imports, and non-filing of export documents.