Beginners:Trade in goods - general concepts

Statistics Explained

At first sight, statistics on international trade in goods (ITGS) seem relatively simple, measuring the amount of goods crossing borders. In practice, they can be quite complicated: this article on general concepts, along with the article on products and partners, aims to explain some of the issues related to ITGS.

This article is part of Statistics 4 beginners , a section in Statistics Explained where indicators and concepts are described in a simple way to make the world of statistics a bit easier to understand.

Who is interested in statistics on international trade in goods?

Statistics on international trade in goods are important for numerous public and private sector decision makers. For example, international trade statistics:

- enable EU authorities to prepare multilateral and bilateral **trade negotiations** ;
- enable EU authorities to evaluate the functioning of the **EU's Single Market** ;
- enable EU authorities to define and implement **anti-dumping policies** (a non-EU supplier is dumping if it exports a product to the EU at a price lower than the normal value of the product);
- are an essential input for other statistics such as **balance of payments** and **national accounts**
- help businesses, trade associations and chambers of commerce to conduct **market research** and define their **commercial strategy** ;
- help researchers to study the **effects of trade** on various aspects of the economy.

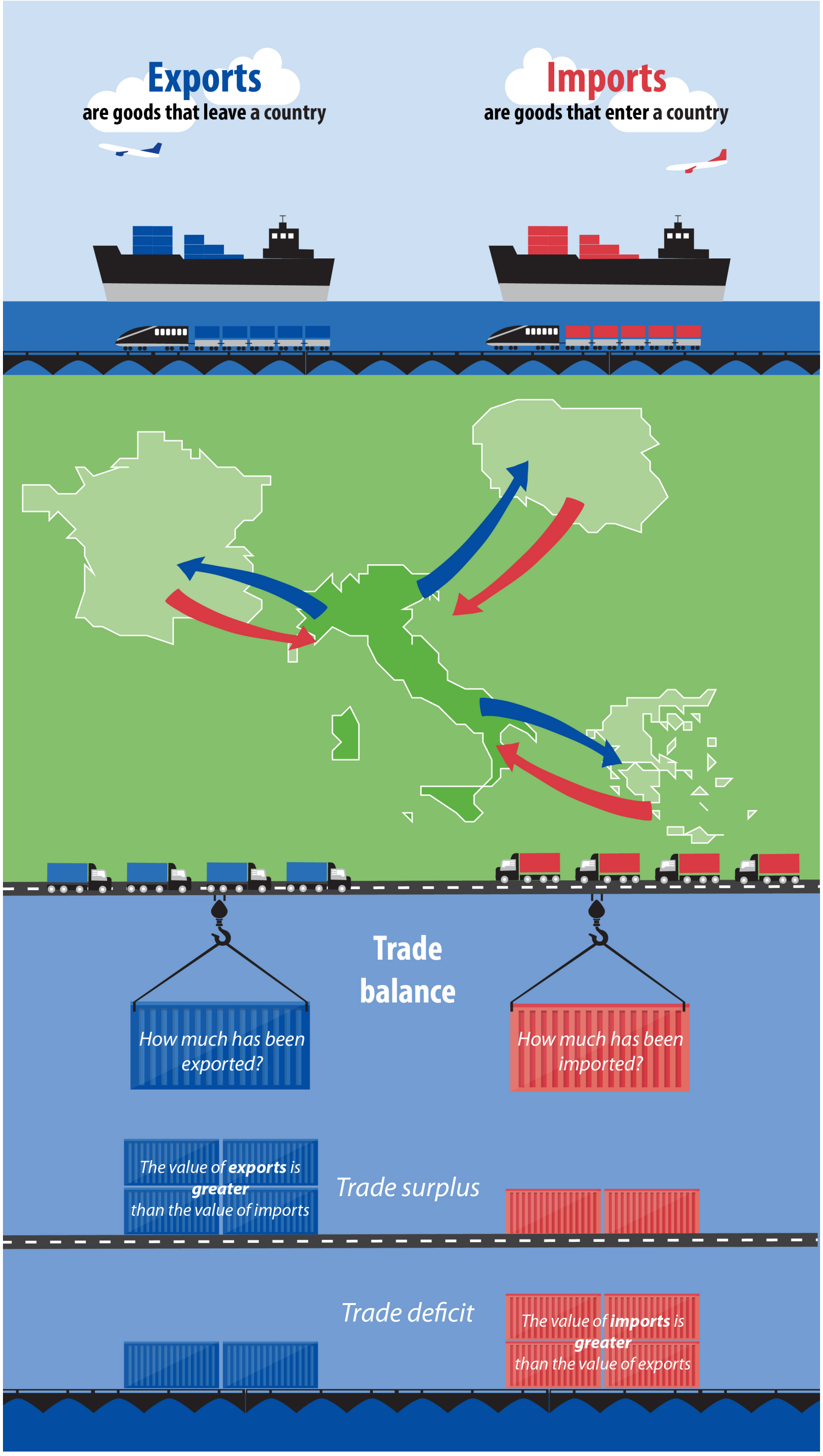
Different users have different needs: some want annual data and others monthly; some want detailed product statistics and others aggregated results; some may be interested in trade values and others in quantities; some may be interested in total trade and others in details by individual country or by economic or geographical areas/zones.

This article and the article on trade in goods - products and partners explain key concepts underlying international trade in goods statistics.

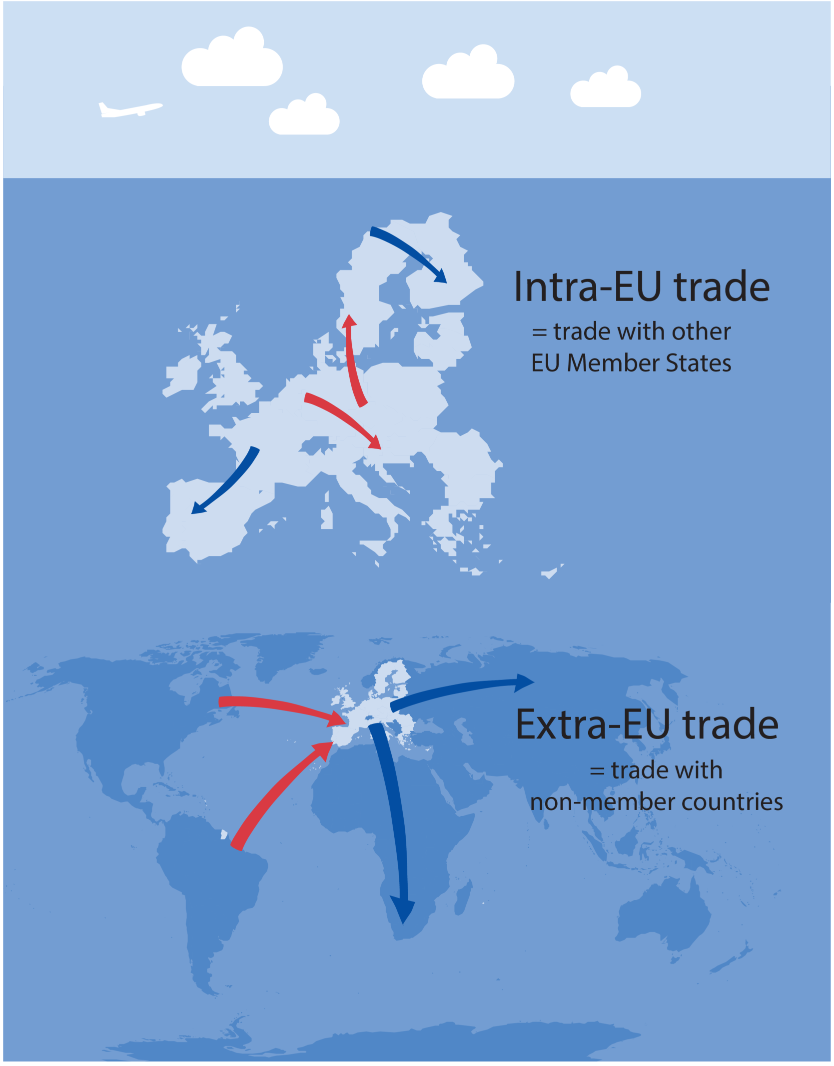
The main indicators: exports, imports and the trade balance

Simply put, statistics on international trade in goods start by recording the value and quantity of goods that are **exported** from one country to be **imported** into another country. Actually, international trade data can also be compiled for groups of countries, or zones, such as for the EU or the euro area. Here, for simplicity, reference will generally just be made to countries, with some rare exceptions.
In short, **exports** are goods that leave a country, while **imports** are goods that arrive in a country.

Adding up all of these individual international transactions provides statistics on the international trade of goods. From these individual transactions it is possible to calculate the total amount of goods exported and imported by a country and the difference between the two, in other words the **trade balance** . If the value of exports is greater than the value of imports this is known as a **trade surplus** , while a higher value of imports leads to a **trade deficit** .



In the **European Union (EU)** , trade among countries belonging to the EU is referred to as **intra-EU trade** , whereas, when an EU Member State trades with non-EU countries, the transaction is recorded as **extra-EU trade** . Thus, methods used to compile the statistics are different, as explained later.



So that is it: statistics on international trade in goods are compiled simply by adding up the value and quantity of all traded goods, paying attention to which goods are traded and with which partner countries the trade takes place. But in practice, it is not as easy as it seems...

It is not as easy as it seems . . .

Observing these flows may seem easy, but looking into more detail, it is actually very hard even to answer basic questions about geography. For example, what is the definition of a country? And how are tax free zones or customs warehouses treated?

In a similar vein, what kind of international transactions are covered? The simple sale of a good is easy to understand, but what if an unfinished good is sent to one country to be processed and then returned to the original country, or even passed on to another country for a different process?

Example: raw cloth is sent from one country to another where the cloth is dyed; it is then passed to another country where it is cut-up into pieces that later will be assembled into a garment .

The basic good is never sold, just passed on and a fee paid for the **processing** : is an export/import taking place and how should those trade flows be valued?

What about goods in **transit** , which are transported through a country: are they included in trade statistics?

Which products are covered and which are not? What about smuggling: is that included in the statistics?

What is the value of a good: the price paid for a good that has been exported or imported is relatively obvious, but what about the cost linked to its transport?

Find answers to these questions below and in the article on partners and products . More detailed information can be found in the International trade in goods user guide .

What data are collected and how?

Traditionally, statistics on international trade in goods have been based on data on data collected by customs authorities on trade transactions between countries. Customs declarations are still the main source for these statistics in most countries across the world. Also for EU Member States, they are used to collect data on trade with non-EU countries (with countries outside of the EU, known as extra-EU trade).

For trade between EU Member States, the method based on customs declarations was abandoned on 1 January 1993 with the creation of the **Single Market** . A system was put in place for intra-EU statistics on international trade in goods, called **Intrastat** , according to which:

- data are directly collected from traders;
- it is closely interlinked with the VAT system relating to intra-EU trade to ensure the completeness and quality of the statistical data; and
- a system of thresholds is established to simplify data provision and reduce the overall burden on traders, particularly small ones.

The basic data that are collected include:

- the **reporting country** and the **partner country** ;
- the **reference period** — month;
- the **direction** of the trade flow — import or export;
- the **product** (according to the **Combined Nomenclature classification**);
- the product's **value and quantity** ;
- the **mode of transport** (mandatory only for extra-EU trade) — by rail, road, sea, air, etc.

Data are compiled monthly. Annual data are calculated from these monthly data.

Scope: what is covered and what is not?

Some specific goods or transactions are excluded from international trade in goods statistics

Some goods are excluded from international trade in goods statistics, even though they may physically cross the national border. This is, for instance, the case for monetary gold and means of payment, goods for temporary use under certain conditions, goods for repair and software downloaded from the internet.

In addition, extra-EU trade statistics do not include non-commercial goods declared orally to customs authorities, or commercial goods whose value does not exceed EUR 1 000 and 1 000 kg. Intra-EU trade statistics do not cover transactions between private individuals or very small businesses not subject to VAT obligations.

Specific procedures apply to customs warehouses, free zones and premises for inward processing

The manual on international merchandise trade statistics of the United Nations defines two trade systems: the **general** and **special trade systems** .

The general trade system **includes** customs warehouses, all types of free zones and premises for inward processing (see explanation in the box below).

Elements of the general trade system

Free circulation area : Goods produced within the EU can be traded throughout the EU without having to undergo customs formalities. This is not the case for goods produced outside the EU, which need to fulfill all import formalities before entering the EU market. But once they are admitted into the EU, their status is changed from non-EU goods to EU goods and are in free circulation.

Customs warehousing : This is the customs procedure under which imported goods are stored under customs control in a designated place without payment of import duties and taxes.

Free zone : This is a part of the territory where any goods introduced are regarded as being outside the customs territory (regarding import duty and taxes) and is not subject to the usual customs control. Free zones can be either commercial or industrial. In commercial free zones, the operations allowed are generally limited to those necessary for the preservation of the goods and the usual forms of handling to improve their packaging or to prepare them for shipment. However, in industrial free zones also processing operations are authorized.

Premises for inward processing : : it enables conditionally admission of goods into a custom territory for inward processing. These goods are relieved from payment of import duties and taxes, as long as they are re-exported within a specific period of time, after having undergone manufacturing, processing or repair in premises for inward processing.
Customs warehouses, all types of free zones and premises for inward processing are not part of the **special trade system** . In fact, only imports and exports of the **free circulation** area are recorded.
The **relaxed definition of the special trade system** adds industrial free zones and premises of inward processing to the statistical territory.

The concept of **extra-EU trade** follows the relaxed definition of the special trade system, while **intra-EU trade** is close to the general trade system.

Products, partners and confidential data

These concepts are explained in the second article discussing trade in goods: products and partners .

Comparability across statistical domains

Can I expect to get comparable figures from balance of payments and national accounts?

A few differences exist between statistics on **international trade in goods** on one hand and **balance of payments** and **national accounts data** on the other:

1. Balance of payments and national accounts data cover **both trade in services and trade in goods** ;
2. For balance of payments and national accounts data, the basic concept of international trade is the transfer of ownership between a resident (a person, business or organisation) in one country and a resident in another country — the **goods do not need to physically cross a border** between two economic territories.
   By contrast, international trade in goods is mainly **based on the physical movement of goods** ;
3. In balance of payments, exports and imports are both valued **free on board (FOB)** (a shipping term used to indicate who is responsible for paying transportation charges. See explanation in the article on products and partners), while for national accounts the valuation is based on the amounts specified between the buyers and sellers and therefore a variety of different valuation bases are acceptable, depending for example whether the exporter or importer pays for transport.

In international trade in good statistics, the free on board (FOB) valuation is used for exports and the cost, insurance and freight (CIF) valuation for imports;

4. Balance of payments and national accounts data do not count the cross border flow of goods for processing to be an import followed by an export. Instead, they consider only the value added (the fee for processing the goods) to be an export from the country doing the processing (with a corresponding import for the country where the owner of the goods is resident);
5. Balance of payments and national accounts data should include estimates for illegal trade, such as smuggled goods, while international trade in goods data does not include them.

Other articles

Related articles:

- All Statistics Explained articles concerning statistics on international trade in goods .
- Statistics 4 beginners
  - Trade in goods - products and partners
  - Consumer prices
  - GDP
  - Government finance statistics
  - Population
  - Statistical concepts

Glossary items in Statistics Explained:

- Balance of payments
- National accounts
- Export
- Import
- Trade balance
- Trade surplus
- Trade deficit
- Single Market
- Intrastat
- Value added tax (VAT)
- Combined Nomenclature classification
- European Union (EU)
- Free on board (FOB)

Methodology

- Compilers Guide on European Statistics on international trade in goods
- Differences between balance of payments and foreign trade statistics
- Frequently Asked Questions
- International Trade Data Reference Metadata in Euro SDMX Metadata Structure (ESMS)
- International trade in goods statistics – background
- User guide on European statistics on international trade in goods — 2016 edition

External links

- International Merchandise Trade Statistics: Concepts and Definitions 2010