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**SEMINAR ON STRATEGIC ISSUES TO THE MEASUREMENT OF
INTERNATIONAL TRANSACTIONS**

SESSION IIB: ASSYMMETRIES IN PARTNER COUNTRY DATA

STATISTICS OF FOREIGN TRADE IN GOODS
ASYMMETRY OF PARTNER-COUNTRY DATA: THE EXPERIENCE OF UKRAINE

Note by the State Statistics Committee of Ukraine

I. FOREWORD

1. This working paper presents the results of research made by the State Statistics Committee of Ukraine (SSCU) on foreign trade data using mirror statistics. Our attention was mainly concentrated on comparing national statistical data with those from UN Comtrade and Eurostat COMEXT databases on trade between Ukraine and the European Union, since the EU makes up one third of Ukraine's foreign trade turnover.

2. At the same time, among the trading partners of Ukraine, the EU countries have the largest discrepancies in statistical data on bilateral trade both for the Community and selected EU member-countries. The comparison shows an asymmetry between data on Ukraine's imports from the EU and the EU exports to Ukraine, which in terms of absolute volume is increasing every year.

II. THE SOURCES TO COMPILE DATA ON STATISTICS OF FOREIGN TRADE IN GOODS

3. The national methodology for statistics of foreign trade in goods is based on methodological recommendations from the UN Statistics Division *Statistics of International Merchandise Trade: Concepts and Definitions, 1998*.

4. The statistical observations on foreign trade in goods are made using cargo customs declarations which the customs applicants should fill in, and statistical reports from enterprises and organizations of Ukraine on goods that are not subject to customs declaration. The foreign trade statistics are compiled according to the following scheme:

(a) Information about goods that are subject to customs declaration (legal and natural persons) is supplied monthly to the SSCU at the level of the agreed items in cargo customs declarations by the State Customs Service of Ukraine;

(b) Information about goods not subject to customs declaration (fish and sea products caught in the neutral waters and sold by non-residents or purchased from them) is collected monthly by the SSCU on the basis of statistical reports of Ukraine's enterprises and organizations;

(c) Information about goods purchased in the ports for maintenance of transport vehicles, the crews and passengers is collected quarterly by the SSCU on the basis of statistical reports of Ukraine's enterprises and organizations;

(d) Information on exports/imports of the natural gas and crude oil from the Ministry of Fuels and Energy of Ukraine and the National Joint-stock Company *Neftegaz Ukrainy (Oilgas of Ukraine)*.

5. The compilation of statistics on foreign trade in goods follows the general trade system. The foreign trade records all the goods which were brought in or those which were taken out of the country. The reference period is the calendar month.

6. In order to facilitate the comparability of international merchandise trade data, the statistical value for exported goods is defined as "free on board" (FOB) and for imported goods as "price including cost, insurance and freight" (CIF). For exports, the goods are recorded based on the country of destination while for imports based on the country of origin. If the country is unknown for exported goods, then the exports are recorded by trading country.

7. The unit for recording the goods is the net weight expressed in kilograms. Some goods are recorded using additional units of measurement (units, liters, meters, etc).

8. The statistical observation covers goods the customs value of which exceeds the sum fixed by the national legislation and which require a written declaration of goods by the customs bodies. The statistical threshold for legal persons and natural persons (businessmen) is 100 euros. For natural persons, the statistical threshold is 200 euros (300 euros for a single product) and the weight is limited to 50 kg.

9. Data on foreign trade in goods are published in US dollars and the national currency of Ukraine (hryvnya). The conversion into US dollars is made using the official daily exchange rate of the National Bank of Ukraine when a declaration is completed: monthly reports of enterprises on the basis of the official average monthly rate of the National Bank; and quarterly reports on the basis of the average quarterly rate. To be able to do this, the SSCU maintains the daily database on the official currency rates.

10. To code the countries and currencies, the national classifiers which have been developed on the basis of international standards are used. The Classification of Goods in Foreign Trade is based on the Ukrainian Classification of Goods in Foreign Economic Activity developed on the basis of the 1996 Harmonized System for Description and Coding of Goods (HS). Since 1 January 2008, the new version of the Ukrainian Classification of Goods in Foreign Economic Activity was put into effect. It is based on the 2002 Harmonized System.

11. The compilation and publication of all basic data on statistics of foreign trade in goods are made on the 45th day after the reference period. These data are updated monthly and the final revision of data is made in April of the following year.

12. The primary data obtained by the state statistical offices from respondents through statistical surveys as well as administrative data regarding respondents, and data from customs declarations obtained from the customs services are confidential. The data are used for statistical purposes only in aggregated anonymised format.

13. Ukraine's current system for statistics on foreign trade in goods and almost all its components are consistent with international requirements. The differences are explained by the national environment and do not have a significant impact on statistics on foreign trade in goods.

III. ASYMMETRY OF DATA BETWEEN UKRAINE AND THE EU COUNTRIES

14. The European Union is one of the main trading partners of Ukraine. The EU countries occupy a third of Ukraine's foreign trade turnover. However, among the trading partners of Ukraine, the EU countries have the largest discrepancies in statistical data on bilateral trade. At present, the Eurostat COMEXT database and the UN Comtrade database are one of the main tools which allow comparisons of statistical data between Ukraine and the EU countries.

15. The comparison reveals significant discrepancies between data on imports of Ukraine and the EU exports for all community and selected EU countries. At the same time, discrepancies in data on the EU exports and imports of Ukraine, in terms of absolute value, are increasing each year and account for a stable 25% of exports.

Table 1. Trends of discrepancies in data on exports for the EU-25 (Comtrade database) and Ukraine imports (the SSCU data), 2000-2006

	(million US dollars)						
	2000	2001	2002	2003	2004	2005	2006
Exports to Ukraine	4 888	6 240	7 369	5 703	13 008	16 195	22 766
Imports from the EU-25	3 931	4 655	5 418	7 759	9 374	11 871	16 195
Discrepancies	957	1 585	1 951	-2 056	3 634	4 324	6 571
Discrepancies, %	20	25	26	-36	28	27	29

16. Thus, in 2001 they accounted for 1.6 billion US dollars; in 2004, 3.6 billion US dollars; in 2005, 4.3 billion US dollars and in 2006, there was an increase of up to 6.6 billion US dollars.

17. In 2006, the countries with the largest discrepancies regarding the movement of goods were Germany (1.9 billion US dollars), Poland (1.9 billion US dollars), the Netherlands (0.7 billion US dollars), Italy (0.6 billion US dollars) and Hungary (0.5 billion US dollars), i.e. these are the countries that have a significant part of Ukraine's foreign trade. For selected countries, these discrepancies reach up to 40%.

Table 2. Discrepancies in data on exports of selected EU-25 countries and Ukraine's imports, 2000-2006

	(million US dollars)						
	2000	2001	2002	2003	2004	2005	2006
EU-25	957	1 585	1 951	-2 056	3 634	4 324	6 571
Austria	10	39	35	91	94	125	268
Belgium	54	90	103	134	194	150	234
Italy	73	216	256	329	479	556	622
Netherlands	25	74	131	197	324	599	688
Germany	176	385	465	667	928	1 140	1 966
Poland	449	552	607	721	1 015	1 182	1 859
Slovakia	23	6	21	21	53	83	162
Hungary	0	37	86	171	142	174	486
Finland	2	6	-1	-77	33	24	168

Source: UN Comtrade database

18. The past years saw the trend of crucial rise in discrepancies in data with those EU countries bordering Ukraine: Hungary, Poland, Slovakia.

19. It is clear that when comparing data, there will always be inevitable discrepancies in exports/imports transactions between the countries. There are a number of factors that cause such discrepancies and they can be established only after the comparison work has been completed with the involvement of the experts from statistical and customs bodies of both countries.

20. It should be noted that Ukraine's imports are less than the EU exports (although the value of imports at CIF prices should be a little higher than the value of exports at FOB prices). It is evident that certain factors affect this situation and that its impact is increasing every year.

21. To reveal the potential reasons for discrepancies, the experts of Ukraine's statistical and customs bodies held meetings during 2006/2007 with representatives from Austria, Czech Republic, Hungary, Norway and Poland. The efforts made to compare data could suggest that one of the main reasons for discrepancies is the methodology behind the recording of data on foreign trade in goods.

22. In the first place, this is connected with the principle underlying the compilation of data on exports/imports. Thus, according to recommendations of the UN Statistics Division, the data on exports is compiled based on the country of the last known destination, while data on imports should be based on the country of origin of goods. Today, in practice this leads to significant

discrepancies. It is evident that a number of the European countries export goods produced in third countries and this distorts the real picture of foreign trade.

23. For example, in many EU countries, the data on exports of goods with the label "made in the EU" are included in the data on exports of the country of consignment. In addition, the goods that have been imported by a EU country and then re-exported into Ukraine are also recorded in exports of the country of consignment. Thus, exports of the EU countries to Ukraine have significantly increased.

24. It has already been mentioned that the impact of some factors upon the discrepancies in data could be revealed with the help of using mirror statistics. However, carrying out such exercises to their full extent would require a lot of time and significant efforts to analyse the additional information. In 2006/2007 the Ukrainian experts carried out such a large-scale activity only with the Norwegian experts.

25. When comparing data on imports to Ukraine and Norwegian exports, the experts' attention was drawn to the item *nickel, untreated, unalloyed* (HS 750210). In 2006, Ukraine's imports from Norway accounted for 7.8 million US dollars while the official Norwegian data showed no delivery of this commodity. When making an in-depth analysis of data on Ukraine's imports by country of consignment, it was revealed that 99% of these products of Norwegian origin arrived to Ukraine from the Netherlands. This means that the commodity was delivered through the third country and for Norway, exporter, the country of last destination is unknown. A similar problem had arisen in 2005 for the item *fish, frozen*.

26. The SSCU believes that the development of globalization and lack of customs borders between the European countries have sufficiently strengthened the so-called Rotterdam effect for many countries, i.e. when goods exported by some countries are recorded into exports of the others.

IV. CONCLUSIONS

27. The problem of large discrepancies in data on foreign trade is very characteristic for many countries of the world. This situation, in the long run, has a fairly strong impact upon the indicators of the system of national accounts. In this context, the UN Statistics Division has initiated the revision of the methodological recommendations *Statistics of Foreign Trade in Goods: Concepts and Definitions (1998)* and this, in our opinion, is very timely and relevant. The solution of the problem pertaining to data discrepancies could provide input into this work.

28. For those countries that intend to or already carry out exercises on foreign trade data comparisons, it is worth using the experiences of other countries' statistical services which have good practices at applying the modern approaches and which implement the mirror statistics projects. Therefore, it is worth considering the preparation of reviews and recommendations for the UNECE countries which would include materials about the positive experiences of different statistical services in defining asymmetries in statistical data (in the context of the relevant section of the Recommendations on organization of statistics of foreign trade in goods prepared by the UN Statistics Division). This paper could be very useful both for statistical services and international organizations in terms of sharing best practices in this area.