

European Union.

On June 8, 2000, Statistics Canada and Eurostat announced the result of a bilateral merchandise trade-reconciliation study covering data for the period 1993-1997. Between Canada and the EU, indirect trade refers to Canadian exports to the EU (and imports from the EU), which are transhipped via a non-EU member country. In 1997, 21.9% or \$1.2 billion of the total discrepancy between Canada's imports and the EU's published exports could be attributed to indirect trade. Transhipment also accounted for 22.5% of the discrepancy between the EU's public imports and Canada's published exports.

United States.

Reflecting the long-standing and sizeable trade relationship, reconciliations of current account data have been conducted annually with the United States since 1970. Beginning January 1990, a large part of the differences in the Canadian and U.S.-published estimates has been eliminated, as Canada and the United States began to exchange data for transactions such as trade in goods, services such as travel, passenger fares, inland freight, government expenditures, unilateral transfers such as pensions, and banking data used to estimate interest income. As a result of the data exchange, in which the export statistics of each country are derived from the counterpart's import data, there now are no unexplained differences in merchandise trade statistics between these two countries except for minor adjustments associated with the confidentiality of the source data, re-exports and valuation differences.

Conclusion. The results of the reconciliation studies to date and those presently under way have a number of important implications on data interpretation, one of which is on evaluating the share of Canada's overall exports to individual countries. When Canada-Japan trade statistics were reconciled, Canada's exports to Japan were adjusted upward by \$1.0 billion in 1993 and by \$1.3 billion in 1994. The reconciled figures suggest that Japan's share in Canada's total exports in 1993 was 5.0% instead of the 4.5% that was published. Between Canada and the EU, Canada's exports were adjusted upward by \$3.0 billion in 1997, and the EU represented a 6.1% share of Canada's exports in 1997, up from the published 5.1%.

Given that no adjustments for transshipments are needed for bilateral trade between Canada and the United States, and taking into account the outcome of transshipment exercises referred to above in raising the level of Canada's trade with countries other than the United States, it can be inferred that the

share of Canada's exports to these countries as a percentage of Canada's global exports should have been higher, while that of Canada's exports to the United States should have been lower, relative to the corresponding figures indicated by Canada's official statistics.

Lastly, the transshipment issue can have policy implications for Canada's bilateral trade relationship with the United States. The fact that indirect trade occurs between Canada and a trading partner points to the role of the United States as an intermediary country, in addition to the usual role as a final destination of a large proportion of Canada's exports. This intermediary role played by the United States may need to be taken into account in the design of trade policies that are aimed at strengthening our bilateral trade relationship with the United States.² Therefore, unless sufficient work is done to assess and quantify this type of transshipment, the precise nature of Canada's trade performance will always be an open question.

Table 2: Published and Reconciled Trade Statistics

(Billions of Canadian Dollars)

	Published Data		Reconciled Data	
	1996	1997	1996	1997
Canada - Mexico				
Canada's Exports to Mexico	1,258	1,328	n.a.	n.a.
Mexico's Imports from Canada	2,377	2,725	n.a.	n.a.
Canada's Imports from Mexico	6,035	7,019	n.a.	n.a.
Mexico's Exports to Canada	2,962	2,986	n.a.	n.a.
Canada - Japan	1993	1994	1993	1994
Canada's Exports to Japan	8,492	9,659	9,505	10,972
Japan's Imports from Canada	10,486	12,257	9,505	10,972
Canada's Imports from Japan	10,718	11,358	10,731	11,387
Japan's Exports to Canada	8,150	8,106	10,731	11,387
Canada - European Union	1993	1997	1993	1997
Canada's Exports to the EU	11,077	15,432	11,159	18,470
The EU's Imports from Canada	11,898	19,496	11,159	18,470
Canada's Imports from the EU	14,636	27,134	14,936	27,134
The EU's Exports to Canada	12,932	21,706	14,936	27,134

2 To date, indirect trade has also been found to be a source of discrepancies in trade statistics in reconciliation exercises conducted by the United States with countries such as Australia and Mexico.