

## EXPLANATORY NOTES TO THE GUIDE

### I Why this Format?

There are two issues that the Format tries to address.

First, our Ministers need to be able to compare data from briefing notes produced by different divisions. Section I of the format was set up to provide Canadian merchandise trade statistics that are consistent and comparable. Although there are two different ways of presenting trade statistics, Balance of Payments and Customs Basis, only Customs Basis merchandise trade statistics allow for comparison between all of the countries Canada trades with and for comparison of this trade by specific commodities.

Statistics Canada calculates Customs Basis trade balances using Total Exports (i.e., including re-exports) instead of Domestic Exports. These are published in the press regularly. For consistency, we should use the same technique. Statistics Canada uses Total Exports to conform with the definitions for the General System of the UN Statistical Office. In essence, the General System measures all goods that cross our geographic boundaries. By using Total Exports in Section I, we can also compare our statistics with our trading partners' statistics taken from the IMF *Direction of Trade Yearbook* (which uses Total Exports). Finally, the inclusion of re-exports in our export data is necessary to ensure comparability with import data when calculating trade balances. Goods entering Canada for transshipment or for minimal processing cannot be identified in the import statistics. Total Exports must therefore be used to calculate trade balances.

Customs Basis Domestic Exports are used for specific commodity statistics because they best reflect goods produced and value added in Canada. Customs Basis Total Exports include re-exports, which are goods not produced or materially transformed in Canada. Canadian Customs Basis Domestic Exports are available by detailed commodity classification using the international Harmonized System for all of the countries with which Canada trades.

Second, there are serious and growing international problems with the accuracy of trade statistics. As a result, Canadian trade statistics and our trading partners' statistics often present very different pictures of bilateral trading patterns. For example, some countries' statistics show a trade deficit with Canada while Canada's trade statistics also appear to show that we have a trade deficit for the same period with the same countries. Clearly, two countries cannot both have a trade deficit with each other simultaneously. When meeting with their counterparts abroad, it would be useful for our Ministers to be aware of this discrepancy. Section II of the model presents our trading partners' trade statistics using readily available references from the DFAIT library.

Part of the difference between Canada's calculation of its exports to a country and that country's record of Canadian imports is due to the difference in valuation due to C.I.F. and