

TRANSHIPMENTS

A common frustration for those working with trade statistics is dealing with the discrepancies between reported exports and imports among bilateral trading partners. As the table below illustrates, there can be enormous differences between the two values. Of Canada's five largest trading partners after the U.S., Canada reports trade deficits with all five while four of them report surpluses for Canada.

Comparison of Canadian and Partner Trade Statistics			
Billions of Cnd\$, 2001			
	Canadian Exports	Imports from Canada	Difference
U.S.	351.8	334.8	17.0
Japan	8.3	12.0	-3.7
China	4.2	6.2	-2.0
Mexico	2.8	6.6	-3.8
U.K.	5.1	8.4	-3.4
Germany	2.9	3.8	-0.9
	Canadian Imports	Exports to Canada	Difference
U.S.	218.3	253.1	-34.8
Japan	14.6	10.2	4.5
China	12.7	5.2	7.5
Mexico	12.1	4.8	7.4
U.K.	11.7	8.4	3.3
Germany	8.0	7.2	0.8
	Canadian Balance	Partner Balance	Difference
U.S.	133.5	81.7	51.8
Japan	-6.3	1.8	-8.1
China	-8.5	1.1	-9.5
Mexico	-9.4	1.8	-11.2
U.K.	-6.7	0.0	-6.7
Germany	-5.0	-3.4	-1.7

Data: World Trade Atlas

It is well accepted that import statistics are generally superior to export statistics. Imports face a higher level of scrutiny than do exports for a number of reasons, such as for the purpose of collecting tariffs, applying quotas, and to enforce security, health and safety regulations. However, it is equally dangerous to use, without questioning, a partner's reported imports in place of official Canadian export statistics produced by Statistics Canada. There are legitimate reasons to expect differences between the exports reported by one country and the imports reported by its partner. This can include differences in how freight and insurance costs are treated, differences in timing, or more general conceptual differences. Canada and the U.S., for example, have a data sharing agreement that allows both countries to reconcile their trade statistics. The large differences between Canadian reported trade with the U.S. and the U.S. counterpart is simply a result of these conceptual differences and, as can be seen in the accompanying tables, can still be quite substantial.²⁸

Although it is not a source of differences in reported trade statistics between Canada and the U.S., transshipments account for a large portion of the gap for other countries.

Transshipments represent the misallocation of trade to a country that is not the final destination of the good. Transshipments are often the result of goods passing through an inter-

mediate country on route to their final destination, such as Canadian goods exported through a U.S. port-of-entry on to its final destination. A recent reconciliation conducted for Canada-China trade, for example, found that of the \$2.0 billion difference between Canada's reported exports to China and China's reported imports from Canada, almost \$1 billion was the result of trade being reported as going to Hong Kong, another \$0.15 billion going to the U.S. and \$0.13 billion to other countries.

²⁸ Statistics Canada produces an annual report that reconciles the differences between Canada and U.S. current accounts.