ANNEX: THE LIMITATIONS OF INTERNATIONAL ECONOMIC STATISTICS

There are significant problems with all the statistics used to measure Canada's economic relationships with the rest of the world. I have set out below a brief description of the problems with statistics measuring merchandise trade, services trade and foreign investment.

- **Merchandise Trade**

The global and growing extent of problems with merchandise trade statistics is perhaps best illustrated by a recent example from Jacob Ryten, the Assistant Chief Statistician at Statistics Canada. The sum of all countries' imports should equal the sum of all countries' exports. In 1970, total world imports were 10% greater than total world exports (this gap can be partly, perhaps mostly, explained by the difference between FOB and CIF-based data). However, by 1991 this difference had grown by 50 percent. These "imports from nowhere" are a significant proportion of world trade and point to a growing international problem with trade statistics. As the bulk of world trade is within the OECD, trade statistics problems are not restricted to countries with poorly developed administrative systems.

For Canada, these problems mean that our trading partners, except the United States, often have bilateral trade statistics that differ significantly from Canadian statistics for this same trade. These discrepancies arise from technical differences in methods of calculating trade statistics and from problems with the export data on which these statistics are based.[63]

We do not have this problem to the same degree in our trade statistics with the United States. Since 1990, we have agreed to use U.S. import data to measure Canadian merchandise exports to the United States and the U.S. has agreed to use our import statistics in an analogous way. Prior to this agreement, Canadian and U.S. trade numbers showed large discrepancies. For example, in 1989 Canadian statistics for imports from the U.S. were US$16 billion higher than the matching U.S. numbers for exports to Canada.

These problems distort our understanding of Canadian trade patterns. If merchandise exports are significantly understated because of reporting problems, then the proportion of our merchandise exports that go to the United States is probably somewhat smaller than Statistics Canada's published data would suggest.

[63] A more detailed description of problems with Canadian merchandise trade statistics is available in the Economic and Trade Policy Division (CPE) publication, **How to Prepare and Use Merchandise Trade Statistics**.