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**Comparison of the 1992-1993 Merchandise Trade Statistics
 of the United States and the People's Republic of China**

The Bureau of the Census, Department of Commerce, announced today the completion of a study of differences between the 1992 and 1993 merchandise trade statistics of the United States and the People's Republic of China. The study was conducted jointly with China's Ministry of Foreign Trade and Economic Cooperation (MOFTEC) and China Customs.

This study grew out of the fact that the foreign trade statistics published by each country display unusually large discrepancies. Each country's import statistics are consistently greater than the other's exports. Through 1992, the United States and China each reported a deficit with the other. In 1993, although both countries showed a Chinese surplus, the reported values of that surplus differed by over \$16 billion:

**China-U.S. Bilateral Trade Statistics
 1988-1993
 (value in millions of dollars)**

	Reported by China			Reported by the United States		
	Exports	Imports	Balance	Imports	Exports	Balance
1988	3,380	6,631	-3,251	8,511	5,010	-3,501
1989	4,410	7,863	-3,453	11,988	5,755	-6,233
1990	5,180	6,588	-1,408	15,224	4,806	-10,418
1991	6,158	8,008	-1,849	18,969	6,278	-12,691
1992	8,594	8,900	-306	25,728	7,418	-18,310
1993	16,965	10,687	6,278	31,535	8,767	-22,768

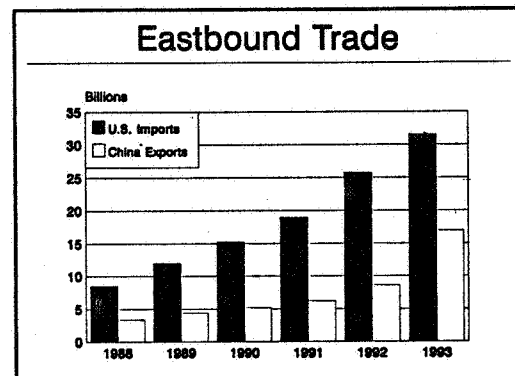
This release summarizes the findings of the joint study. The results do not represent revisions or corrections to either country's published trade figures.

The study found that the primary cause of the bilateral discrepancies is the large amount of U.S.-China trade that is shipped through Hong Kong and other intermediaries. Both nations follow international guidelines in their published trade statistics, but these guidelines create some inconsistencies between counterpart import and export statistics. Most importantly, imports are attributed to the country where the goods were produced, and exports are attributed to the last

country of destination known at the time of export, which may not, in fact, be the final country of destination. For example, for eastbound trade, many of the goods shown by the United States as imports from China are shown by China as exports to Hong Kong. Since many of China's exports are shipped through Hong Kong, China's export statistics are much less than U.S. import statistics.

Eastbound Trade (China exports, U.S. imports)

Eastbound trade (China's exports, U.S. imports) was the main focus of the study, because eastbound trade is much greater than westbound trade and shows much larger differences. China's published exports were only about one-third of U.S. published imports for the years 1990-1992. The data were adjusted for the conceptual differences between U.S. imports and Chinese exports (such as China's reexports and the treatment of imports into Puerto Rico and the U.S. Virgin Islands). However, the effect of these adjustments (other than shipments via intermediaries) was quite small.



Trade Via Intermediaries

About 80 percent of U.S. imports from China travel via intermediaries, with Hong Kong accounting for all but 3-4 percent of intermediary trade. Chinese goods exported via Hong Kong could either be imported and later reexported by Hong Kong (where they may have undergone some further processing), or else just shipped through without Hong Kong ever taking actual possession. International guidelines recommend that imports be attributed to the country of origin, defined as the country in which the goods were produced. Hence, the United States attributes to China all Chinese goods that are reexported from or simply shipped through Hong Kong. There are no international rules for determining when a good has been "substantially transformed," at which

point its country of origin would change. Thus, it is possible that some goods attributed to China might equally well be attributed to an intermediary.

The international guidelines also call for exports to be attributed to the last destination known at the time of export (the "ultimate destination"). For many of China's exports, the last destination known at the time of export is Hong Kong, to which the exports are attributed. China worked with its exporters to improve the reporting of the country of ultimate destination for goods shipped through Hong Kong. This effort significantly increased China's reported exports to the United States in 1993, as illustrated in the graph above. The earlier years' data have not been adjusted

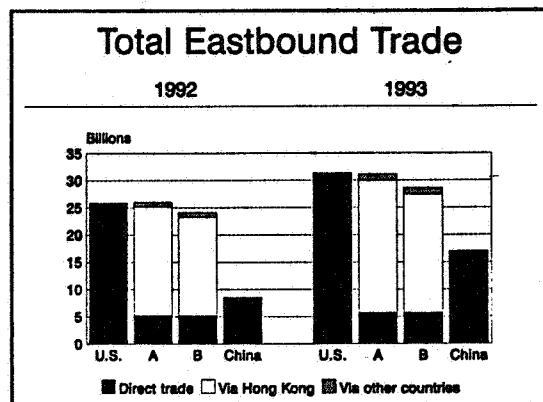
for this reporting change, so the trend can be misleading.

Estimating Total Eastbound Trade

The study estimated total eastbound trade by combining China's direct export trade with estimates of trade via intermediaries derived from the official statistics of Hong Kong and the United States. As the graph shows, trade involving intermediaries could explain virtually the entire difference in the statistics.

EXPLANATION:

- U.S. U.S. imports adjusted for conceptual differences
- A Total eastbound trade estimated using U.S. data
- B Total eastbound trade estimated using Hong Kong data
- China China exports adjusted for conceptual differences



Hong Kong Reexport Margin

International guidelines recommend that the value of an imported good be attributed to the good's country of origin. Goods exported by China to Hong Kong for reexport to the United States increase in price, sometimes because of minor processing in Hong Kong, sometimes as a simple price mark-up. The United States, following international guidelines, reports the entire value of these goods as imports from China, even though the value includes the Hong Kong mark-up. The study estimated that about 29 percent of the value of Chinese goods reexported by Hong Kong to the United States consisted of Hong Kong's mark-up. This is equivalent to a 41 percent increase in the value of the Chinese goods when imported by Hong Kong. This mark-up would not, however, apply to goods that simply transit Hong Kong.

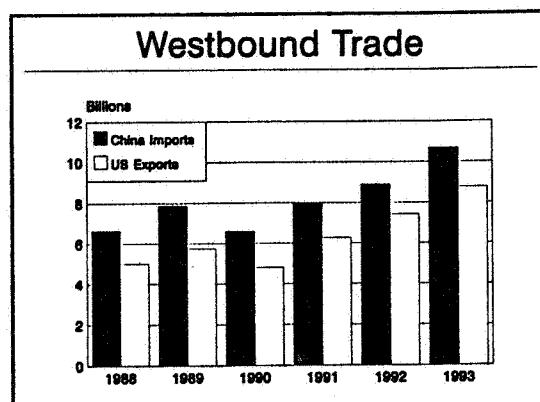
Summary of Eastbound Trade

The study found that shipments of goods via Hong Kong and intermediary countries most likely account for the large difference between the statistics of China and the United States and that other conceptual and definitional differences have little net effect.

It is likely that the trade statistics of the two countries will continue to differ. Not only is the final destination frequently unknown at the time of exportation from China, but the U.S. import value includes the value added in the intermediary. There were also differences in the methods used to determine country of origin.

Westbound Trade (U.S. exports, China imports)

Westbound trade, which is much smaller in volume, showed a much smaller discrepancy, in both absolute and percentage terms, than did eastbound trade. There were certain conceptual differences for which significant adjustments were made, such as insurance and freight costs (included in China's imports, but not U.S. exports), the treatment of some aircraft (excluded by China, included by the United States) and automobiles for the personal use of foreigners in China (excluded by China, included by the United States). However, the net effect of these conceptual differences was small.

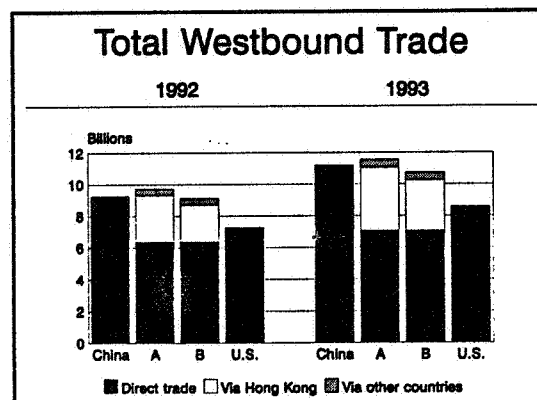


Estimating Total Westbound Trade

About 25 percent of China's imports from the United States travel via Hong Kong or other intermediaries. The United States reports many of these goods as exports to Hong Kong, the last known country of destination at the time of export. The study estimated total westbound trade by combining the United States' direct exports to China with estimates of trade via intermediaries derived from the official trade statistics of China and Hong Kong.

EXPLANATION:

- China China imports adjusted for conceptual differences
- A Total westbound trade estimated using Chinese data
- B Total westbound trade estimated using Hong Kong data
- U.S. U.S. exports adjusted for conceptual differences



Summary of Westbound Trade

The differences between Chinese import and U.S. export statistics appear to result largely from shipments via Hong Kong and other intermediaries, although the amount of such trade is not as large as in the eastbound direction. The conceptual differences, such as shipping cost, are also typical differences between import and export statistics. The study could not quantify the mark-up in Hong Kong for westbound trade.

Future Plans

The agencies involved have agreed to continue the study with an investigation of 1994-1995 data and to attempt to study the sources of discrepancy in more depth.

For further details:

A more detailed report on this study is available from the Foreign Trade Division, U.S. Bureau of the Census, Washington, DC, 20233, (phone (301) 457-3251, fax (301) 457-2645) or from Internet <http://www.census.gov:80/ftp/pub/foreign-trade/www/>.