



**Economic and Social  
Council**

Distr.  
GENERAL

ECE/CES/2008/19  
16 May 2008

ENGLISH ONLY

---

**ECONOMIC COMMISSION FOR EUROPE**

**STATISTICAL COMMISSION**

CONFERENCE OF EUROPEAN STATISTICIANS

Fifty-sixth plenary session  
Paris, 10-12 June 2008  
Item 7 of the provisional agenda

**STRATEGIC ISSUES LINKED TO THE MEASUREMENT OF INTERNATIONAL  
TRANSACTIONS**

**SESSION III: INSTITUTIONAL ARRANGEMENTS FOR COMPILATION OF  
INTERNATIONAL ACCOUNTS STATISTICS**

**CANADA-UNITED STATES DATA EXCHANGE**

Note by Statistics Canada<sup>1</sup>

**I. HISTORY**

1. Effective with the public release of January 1990 data, Canada and the United States began a new and innovative way of producing bi-lateral merchandise trade statistics. This experiment was based on a joint Canada /U.S. document entitled the 'Memorandum of Understanding on the Exchange of Import Data between Canada and the United States' (or 'Data Exchange') signed on July 7, 1987. This document and the implementation thereof was the culmination of bi-lateral reconciliation studies and negotiations between the two countries that began in 1970.

---

<sup>1</sup> This paper has been prepared at the invitation of the secretariat.

2. A series of events and factors in the 1970s and 1980s provided the incentives for undertaking the Data Exchange. These factors included a growing discrepancy between the published trade figures of the U.S. and Canada, the need for a set of consistent and complimentary trade statistics of both countries to support trade negotiations and rising administrative costs associated with maintaining the (then) current statistical systems<sup>2</sup>.
3. Preliminary reconciliation studies between Canada and the United States demonstrated that import data was more reliable than the corresponding partner's export figures. Therefore, within the Canada/U.S. context, it was deemed most suitable to undertake a new program in which the export figures of one partner would be replaced by the corresponding import data of the other.
4. Consequently, the statistical agencies of both countries undertook the negotiations that lead to the Data Exchange with three objectives in mind:
  - (a) To eliminate the export undercoverage of both countries;
  - (b) To ensure consistent, complimentary figures for bi-lateral merchandise trade;
  - (c) To reduce the response burden imposed by the double reporting of trade flows.

## II. STEPS

5. The establishment of the Data Exchange required the undertaking of five major steps:
  - (a) Determine the impact of a data exchange on each country's statistics: this was largely accomplished by the series of reconciliation studies undertaken between 1970 and 1986. At the conclusion of this work, each statistical agency had a thorough knowledge of the conceptual, collection and processing similarities and differences of each other's systems;
  - (b) Establish legal frameworks to permit the exchange of national transactional level import data between the statistical agencies: as the initial collection of trade data was the responsibility of the Customs agencies of each country, it was determined that a four party Memorandum of Understanding (MOU) would be required. This approach culminated in the 1987 MOU having the two respective Customs agencies and two statistical agencies as signatories to the agreement;
  - (c) Resolve differences in the respective statistical systems including the harmonization of concepts, methodologies and classification systems at the national detail levels: this step had the advantage of each country's general adherence to the United Nations standards. However, it did require the development of adjustments for differences in currency conversions and valuation differences caused by the respective treatments accorded to insurance and freight charges. By the time the Data Exchange was implemented, both countries had adopted the Harmonized System for classification purposes. However the development of the national detail levels (i.e.

---

<sup>2</sup> See the paper 'U.S. – Canada data Exchange, 1990 – 2001', by S. Mozes (Statistics Canada) and D. Oberg (U.S. Census Bureau) for a more detailed discussion of these points (<http://www.census.gov/foreign-trade/aip/uscanada.pdf>).

beyond the international 6-digit level) had proceeded independently and required significant adjustments;

(d) Integrate the processing systems and schedules of each partner: while there were (and continue to be) significant differences in the details of the processing systems used to produce trade data for each country, the adherence to the UN standards ensured that the end results of each processing system resulted in very similar statistics. However, as it was deemed unacceptable that one partner publicly disseminate data prior to the other, processing schedules and publication release dates had to be aligned;

(e) Modify the respective import collection requirements to meet the unique needs of Canada and the United States: the national export programs collected some data variables that were not present on the corresponding partner country's import documentation. In total, the United States added five new data variables and Canada added nine.

### III. RESULTS AND EFFECTS

6. After 18 years of experience with the Data Exchange, it can be safely concluded that the experiment has proven to be an overall success in that the initial three objectives of the program have been met: 1) export undercoverage problems between Canada and the United States have been largely eliminated; 2) the divergence between Canadian and corresponding U.S. figures have been reduced to explainable conceptual or processing differences<sup>3</sup>; and 3) response burden has been significantly reduced for exporters in both countries.

7. However, there have been some results and effects that could not have been foreseen at the time of implementing the Data Exchange. These are both of a positive and negative nature:

(a) Agency Interdependency: the nature of the Data Exchange entails a close interaction between the two statistical agencies and, to a lesser degree, the two Customs agencies. Data processing problems encountered by one partner may affect the other; changes to the procedures and processes of any of the four agencies may adversely affect the other parties to the Exchange. As well, desired changes affecting the Exchange may be of importance to only one or two of the agencies but may be delayed by the low priority assigned to it by the other partners. Differing national priorities may over-ride the statistical needs of any one of the partners;

(b) Importer Response Burden: one of the primary objectives of the Data Exchanges was to reduce the response burden placed on traders formerly necessitated by the 'double reporting of trade movements (i.e. requiring the filing of both an export declaration and

---

<sup>3</sup> It should be noted that the Data Exchange involves the transfer of detailed transactional level records. Therefore, U.S. exports to Canada are derived from an identical starting point - Canadian imports from the United States. However, a comparison of the final published figures does display minor differences. Such differences arise in the treatment accorded to certain transactional types. For example, U.S. exports are adjusted to add insurance and freight charges to the border, Vs Canadian imports being published on an FoB basis (and visa versa); U.S. goods returned to the United States are considered to be Canadian re-exports of U.S. goods in Canadian exports, whereas U.S. imports treats such shipments as goods of Canadian origin.

corresponding import entry form). While this goal was certainly achieved for exporters, additional burdens were placed on the importing community. For example, in aligning the Canadian import/U.S. export classification systems, approximately 4,000 categories were either added or modified in the Canadian import classification; additional data variables were required at the time of import to meet the data requirements of the U.S. export program;

(c) Confidentiality: under the terms of the Data Exchange, only non-confidential transactional level data may be exchanged. Consequently, the confidentiality rules of one partner are applied to the data prior to its transmission to the other party. However, what is considered confidential in one country may not be in the other. For example, certain export data cells may be considered as confidential in Canada but not the United States. In such instances, the data are suppressed in Canadian export statistics but may be published in the corresponding import data of the United States;

(d) Third Party Information: the Data Exchange limits the use of exchanged information to statistical purposes only. However, other national bodies (including the respective Customs agencies) may have data requirements related to enforcement or other administrative purposes but no longer have access to such information;

(e) Inter-Agency Relations: on a more positive note, the close co-operation between the statistical agencies that is required by the day-to-day operations of the Data Exchange have led to greater co-operation and information sharing between the agencies. Currently, two committees comprising representatives of each of the four agencies meet bi-annually: a Strategic Group that deals with overall policy and strategic planning and a Monitoring Committee that is responsible for overseeing the daily operations of the data Exchange. In addition, there have been periodic visits of each country's subject matter experts to familiarize them with the normal operations of the partner country.

#### IV. ASSESSMENT

8. Experience has demonstrated that the Data Exchange has been successful in virtually eliminating export undercoverage for shipments that proceed directly from one partner to the other. The trade data (albeit with some alignments) are now in agreement and response burden has been greatly reduced for the exporting community.

9. However, current business practices, and in particular 3<sup>rd</sup> party transit trade have posed challenges to the Data Exchange. Canadian exporters may choose to ship goods via the United States to third countries. This movement offers two possible methods of reporting the movement to U.S. Customs: as an in-transit, in bond movement or as an import into the United States (followed by a consequent re-export declaration). In the former case, an Export Declaration is required to be filed with The Canadian Customs agency indicating the country of last known destination – however, such documentation may not be presented and the ability to detect such lack of reporting is severely limited. The reporting of such movements as imports into the U.S., particularly in the growing absence of duties under the Canadian/U.S. free trade agreements and in the light of the bonding and other regulatory requirements of in-transit movements, serve to encourage this form of reporting. The net effect of this is to over-state Canada/U.S. trade and under-state trade with third party countries.

10. Finally, the four party structure of the MOU, with each partner having possible divergent views and priorities renders the agreement difficult and time consuming to alter in order to meet new or evolving challenges. Despite these limitations and challenges, the overall success of the Data Exchange renders even the idea of dissolving the agreement unthinkable.

## V. ADDITIONAL DATA EXCHANGES

11. Given the success of the Canada /U.S. Data Exchange, the logical question is whether it should be extended to include more countries. While this has been contemplated at various times, the general conclusion is that given current reporting practices and available technologies, such an extension would not be feasible.

12. Data exchanges work best in countries having contiguous borders which serve to minimize timing problems and those associated with indirect third country trade. The last point raises the issue most difficult to deal with. For example, a Canadian export shipment en route to Japan could be declared as an import into the U.S. as noted above. Given the existence of a Canada/U.S./Japan data exchange, this could be reported to Canada as both an export to the U.S. (i.e. from the U.S. import entry information) and also an export to Japan (from the Japanese import information, resulting in double counting.

\* \* \* \* \*