Forest Products Trade Flow Discrepancies

What on earth could be the reasons?

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Collection of Trade Flow Data

- United Nations Statistics Division COMTRADE database
- Eurostat COMEXT database
- UN-ECE/FAO
- UN-FAO FAOSTAT database
- ITTO
Trade Flow Discrepancies

- Observation 1: exporting country A (concerning exports to importing country B)
- Observation 2: importing country B (concerning imports from the previously mentioned exporting country A).
- 1 & 2 should not differ...
- Reports on opposite ends of the same trade flow are often contradictory (Kornai, 1985; Michie and Wardle, 1998 & 2002; Michie et al., 2002, Johnson, 2003).
Trade Flow Discrepancies

- Unconfirmed exports: exports that are claimed by the exporting country, but do not get reported by the importing country
- Unconfirmed imports are imports claimed by the importing country, but do not get reported as exports by the exporting country

Explanations...unintentional

- Time lag
- Misclassification
- Partner country mismatch
- General Trade guidelines vs. Special Trade guidelines
- Data confidentiality
- Data entry errors
- Reporting periods
- Degree of coverage in EU (without custom posts)
....intentional

- Customs tax avoidance
- Declaring lower values and volumes exported – hiding illegal logging
- Under-grading, under-measuring, under-reporting and under-valuing of timber and mis-classification of species

Intentions... can you prove them?

- Comparing Trade Data between Trade Partners
- Johnson (2003), using UNCOMTRADE database, showed the difficulty of proving illegal or undocumented trade:
  - errors and other problems in statistical reporting
  - legitimate reasons reasons for discrepancies
  => reduce utility of trade analysis for identifying potentially illegal trade flows, BUT:
- IF discrepancy is consistent in direction across a range of trading partners or for a range of years for one or more trading partners, then investigation is a wise action…
European Trade Discrepancies

**Fig 1:** Confirmed and Unconfirmed (Imports and Exports) Trade within Europe for Coniferous Sawnwood (selection of trade-flows within Europe with the most obvious discrepancies).

**Fig 2:** Unconfirmed Exports of Coniferous Sawnwood for Several European Countries (split up per country for the unconfirmed exports of Figure 1; selected trade-flows with most obvious discrepancies).

**Figure 3:** Confirmed and Unconfirmed (Imports and Exports) Trade within Europe for Coniferous Roundwood (selection of trade-flows within Europe with the most obvious discrepancies).

**Figure 4:** Unconfirmed Imports of Coniferous Roundwood for Several European Countries (split up per country for the unconfirmed imports of Figure 3; selected trade-flows with most obvious discrepancies).
Asian Trade Discrepancies

Figure 5: Confirmed and Unconfirmed (Imports and Exports) Trade within Asia for Non-Coniferous Sawnwood (selection of trade-flows within Asia with the most obvious discrepancies).

Figure 6: Unconfirmed Imports of Non-Coniferous Sawnwood for several Asian Countries (split up per country for the unconfirmed imports of Figure 5; selection of trade-flows within Asia with the most obvious discrepancies).

EU and Worldwide View on Discrepancies

Fig 7: EU Total Industrial Roundwood Trade

Fig 8: World minus EU Total Industrial Roundwood Trade
Conclusions for Decision-Making

• Dealing with Uncertainty
• Discrepancies give some indication for what is going on, although no proof...
• Discrepancies do point out the need for critical supervision