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New Statistics Method To Shrink EU-China Trade Gap 36% -EU Official

Article

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BRUSSELS (Dow Jones)--A new way to measure the value of goods traded between the European Union and the rest of the world would shrink the European Union-China gaping trade deficit significantly, a top EU official said Monday.

Karel De Gucht, the EU commissioner for trade, said the new statistical method, which accounts for value of separate stages of production independently rather than just where the end product is assembled, would cut the EU's trade gap with China by 36%.

"Our trade relationships with key partners are different from what we previously thought. For example, when we look at trade in value as opposed to traditional statistics, our trade deficit with China is reduced by 36%," De Gucht said speaking at a conference in Brussels.

In 2011, the trade deficit between the EU and China stood at EUR155.9 billion. De Gucht said that using the new method "China... starts to look like less of a problem."

He added that "our overall trade balance does not change. Our deficits with other partners, such as Canada or Japan for example, will increase to offset these changes."

The new trade statistical method is called the "World Input Output Database" and was developed using EU budget funds. The World Trade Organization and the Organization for Economic Cooperation and Development were consulted to create it.

However Eurostat will continue using the traditional trade statistics.

De Gucht said the change in the statistical accounting for trade had been developed to take into account a globalized assembly line where different parts of the same end product are produced in different parts of the world.

"It is to address these consequences of the fragmentation of the supply chain that we are launching this new World Input Output Database," he noted.

The EU trade commissioner gave the example of a Nokia smartphone: "It is listed as being made in China, but in reality 54% of its value comes from tasks that are carried out in Europe. Key components are produced in other parts of Asia and only the assembly itself actually happens in China."

"Today, we measure trade by counting the total price of the good that is being exported or imported," De Gucht explained, "but because we do this both for components and for final products we get a distorted picture of what is really happening."

-By Matina Stevis, Dow Jones Newswires, 00 32 2741 1483;
matina.stevis@dowjones.com

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