

# TRADE DATA INCONSISTENCIES BETWEEN CHINA AND NEW ZEALAND

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In 2013 China overtook Australia as New Zealand's largest merchandise trade partner, with China-New Zealand trade volumes growing by over 350% over the last decade. However, as trade steadily increases, so does the discrepancy between China's reported exports and New Zealand's reported imports, and vice versa. Trade data discrepancies are not a phenomenon unique to China and New Zealand and extensive research has been carried out into what causes differences to arise. Explanations particularly relevant to the China-New Zealand case are transshipment (re-exporting through Hong Kong is common practice in China) and intentional mis-invoicing for tax evasion purposes (China's VAT system incentivises under-reporting of exports). China is known for having abnormally large discrepancies in its export data compared to its partners' import data, with exports undervalued relative to imports, and understanding how and why these discrepancies emerge is important. Major trade mis-invoicing could signal de facto capital account openness or corruption, and has implications for the accuracy of customs data.

In this paper we examine the full extent of the discrepancy between New Zealand's and China's reported trade figures. Using HS 6-digit trade data and tariff data from New Zealand Customs Service we examine industry- and goods-level patterns in the discrepancies and provide an explanation for why these discrepancies exist in the New Zealand setting. After controlling for CIF-FOB measurement differences and misattribution due to re-exporting, we consider whether tariff rates, China's VAT and capital control policies, or transfer pricing are driving trade misinvoicing between New Zealand and China.