

D. Cross-border trade and smuggling

19.15. *Three cases to distinguish.* Goods acquired by all categories of travellers, if significant as defined by national law (often referred to as shuttle trade), are to be included (IMTS 2010, para. 1.16). This includes used goods such as cars (IMTS 2010, para. 1.37) or produce, and special surveys and estimation methods might be required to compile information on this trade. If those goods enter the economic territory illegally (e.g., through smuggling or as stolen vehicles), they should be excluded but recorded separately (IMTS 2010, para. 1.59). Goods in amounts or values that do not exceed limits established by national law are to be treated as part of trade in services (IMTS 2010, para. 1.49 (a)).

19.16. *Fictitious trade.* While smuggling reduces the coverage of trade statistics, other fraudulent activities can artificially inflate recorded trade. The case of the declaration of a trade value too high for exports, e.g., to receive a subsidy, raises a valuation issue (see chap. XIV) and a matter of statistical quality assurance (see chap. IX). However, in some cases (for instance, in the so-called carousel fraud in the European Union), a series of trade transactions of significant value is created to enable value added tax fraud to be committed without the goods necessarily ever moving.^[4] It is good practice for compilers to stay in close contact with the responsible tax and customs authorities in order to properly remove such fictitious trade transactions, once identified, from the data.

[4] European Commission, "VAT fraud: frequently asked questions", press release (MEMO/01/230), Brussels, 19 June 2001.