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EXTERNAL TRADE STATISTICS  
(Memorandum prepared by the Secretary-General)

1. At its seventh session the Statistical Commission discussed the subject of external trade statistics on the basis of a report made, in consultation with the Secretary-General, by the expert group on definitions for external trade statistics. The Commission passed the following resolution:

"The Statistical Commission

Taking note of the report made by the expert group on definitions for external trade statistics in consultation with the Secretary-General

Requests the Secretary-General:

To draw the attention of Member States to the conclusions reached by the expert group and to the decisions of the Statistical Commission thereon,

To consult with Member States as to their ability progressively to adapt their external trade statistics to the methods and concepts approved by the Commission, whether by means of periodic compilations supplementary to their existing compilations or otherwise,

Recommends that the Economic and Social Council adopt the following resolution:<sup>1/</sup>

The Economic and Social Council

Taking note of the work done by the Statistical Commission at its fifth, sixth and seventh sessions, and of the comments received from

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<sup>1/</sup> This resolution has been adopted by the Economic and Social Council and has become resolution 469 B (XV) of the Economic and Social Council.

governments and specialized agencies, on the subject of definitions and methods for external trade statistics;

Taking note that the use of the principle of the 'transaction value' as defined in the report of the seventh session of the Statistical Commission, would substantially improve the accuracy, usefulness and comparability of external trade statistics for international purposes;

Recommends that the Governments of Member States wherever possible, follow this principle

(a) By using 'transaction values' in the compilation of their national statistics of external trade or,

(b) Where national practices are based on f.o.b. valuations of imports or other valuations, by endeavouring to provide supplementary statistical data based on this principle."

2. The Secretary-General has circulated the Commission's conclusions together with the recommendations of the expert group to all Member States and, in conformity with the Commission's request that the Secretariat should consult with Member States, the recommendations of the Commission and the views of the expert group were also submitted to the Third Regional Meeting of European Statisticians which took place in Geneva in June 1953. The report of that meeting (Doc. E/CN.3/Conf.3/1) is available for the Commission's consideration.

3. The present paper is a summary of the main conclusions which result from the consultations between Member States and the Secretary-General on the ability of Member States progressively to adapt their external trade statistics to the methods and concepts approved by the Commission. The paper thus incorporates the main conclusions of the European Statisticians; the principal official comments of governments which had been received by 6 January 1954 and the principal results of informal correspondence and discussion. The order in which topics are treated below is essentially that in which they are discussed in the report of the seventh session of the Commission, viz: (1) Coverage, general considerations; (2) the Outward Flow of Merchandise; (3) the Inward Flow of Merchandise; (4) Valuation; (5) Analysis of Trade by Countries. A summary has been made at the end of the paper of matters on which the Commission may wish to take further action.

4. Coverage, general considerations. There appears to be agreement that the movements to be recorded should be those between the territory of the country compiling the statistics and other territories, and that the broad criterion to be used is that all goods should be regarded as merchandise, for inclusion in the trade statistics, if the movement of the goods into or out of the country adds to, or subtracts from, the resources of the country. The European Statisticians endorsed this view and a number of governments have indicated that they intend to initiate measures to give effect to this principle.

5. The Commission requested the Secretary-General to consult with countries about the statistical treatment of: (1) deliveries of bunkers and stores to foreign ships and aircraft; (2) landings of fish and salvage from foreign fishing or salvaging vessels; (3) international transactions in ships and aircraft. In paragraph 16 of its report the expert group recommended that these categories be excluded from the main body of merchandise trade statistics but, where important, be made the subject of separate tabulations. Several countries with large trade in these categories have questioned the wisdom of omitting them from merchandise trade statistics, pointing out that where these categories are important they will, for many economic purposes, have to be included in the aggregates. If the resulting aggregates require to be analysed by countries of origin or destination, the inconvenience of having to work from separate tabulations of the components might be severe.

6. It has further been pointed out that, particularly because coal and oil are so often stored in customs warehouses before being loaded into bunkers, the supply of goods to foreign ships or aircraft may be part of any one of the following categories of outward moving goods:

- re-exports from customs storage warehouse
- exports of domestic produce
- exports of nationalized goods

In addition national vessels may be supplied from customs storage thus giving rise to an entry ex-warehouse for domestic consumption. There are marked advantages in having each of these different movements, where important, included in its proper category of the merchandise trade statistics.

7. In suggesting special statistical treatment for imports of fish landed from foreign fishing vessels, the expert group had in mind the difficulty of obtaining the corresponding export figures. Countries with large fishing fleets have, however, indicated that statistics of landings abroad from their vessels are readily available, though not in the custom records.

8. The expert group pointed out that international transfers of ownership of ships (including inland waterways vessels) and aircraft which take place outside of the country of the seller or buyer escape customs control. As a result of consultation with Member States, it appears that national registers of ships and aircraft are usually a reliable source of "import" and "export" data and would permit the inclusion of these categories in merchandise trade statistics. The classification by origin or destination of second-hand ships imported or exported is discussed in paragraph 21 below.

9. The question raised by the expert group about the treatment of goods consigned by a government to its official agencies abroad (e.g., armed forces, diplomatic representatives) has aroused considerable interest (experts' report paragraph 10). The larger part of the supplies of an agency of a country A in another country B is made up of:

- (i) supplies despatched from A by the government of A, and
- (ii) supplies originating in B.

It appears to be agreed that neither category (i) nor category (ii) could, even if it were desirable to do so, be included either as an import or an export in the statistics of either A or B. Since, therefore, its more important part cannot be covered, there is no point in trying to cover statistically the operation of supplying A's official agencies in B. The European Statisticians, however, have recommended the inclusion in the import statistics of B of shipments by third country, C, to the agencies of A in B. This is not only because of the importance of the figures per se in present circumstances, but also in order that the export figure in C's statistics shall be balanced by an appropriate import figure in the statistics of another country. It has similarly been pointed out that the statistical treatment of shipments by private firms or persons in A to official agencies of A in B should be the subject of recommendations so that such shipments shall not appear as exports of A without there being a balancing import into B or vice versa.

10. The suggestion has been made that the Commission might wish to assist in reducing statistical inconsistencies of the kinds just discussed by recommending that governments having official agencies in foreign countries co-operate with the statistical authorities in those countries in agreeing and carrying out consistent procedures.

11. The outward flow of merchandise. It will be remembered that the expert group distinguished the following categories of merchandise in the heading "merchandise moving outward":

- (a) Withdrawn from customs storage warehouse: For re-export.
- (b) Withdrawn from customs manufacturing warehouse: For export.
- (c) Exports of national goods:
  - (1) Domestic produce;
  - (2) Foreign goods re-exported after admission specifically for transformation other than in customs manufacturing warehouse.
- (d) Exports of nationalized goods: Foreign goods imported "for consumption" and re-exported without transformation.

The Commission was of the view that international comparability would be greatly improved if all countries would find it possible to compile figures for the aggregate outward flow of merchandise with details at the level of the 150 groups of the Standard International Trade Classification (SITC) analysed by countries. There appears to be general agreement that this is possible. Some countries on the special trade system will need to change from the national summary classification currently used as a basis of the commodity analysis of re-exports from customs storage or manufacturing warehouse to a classification based on the SITC but, whenever these re-exports are important, governments have expressed willingness to do this.

12. The Commission further considered that it was important that re-exports (items (a) and (d) of the list above) be distinguished in the same detail as the other aggregates. Collectively at the meeting of European Statisticians and individually governments have pointed out the difficulties which would be encountered in some countries in separating re-exports of nationalized goods from exports. On the other hand, it has been remarked that there is a real conceptual

difference between the export of goods which are produced or transformed in a country and the re-export (without transformation) of imported goods. The re-export trade of a country T depends largely on the extent to which merchants all over the world send their goods to T for storage pending their resale abroad. Such transitory phenomena as lack of empty ships or congestion at the ports of T or water-levels unfavourable to navigation in T's canals can suddenly reduce the magnitude of T's re-exports by causing merchants temporarily to seek storage elsewhere for goods normally stored in T; the other way about, similar temporary disturbances outside T could suddenly increase the magnitude of T's re-exports. Since exports, on the contrary, consist of those outward moving goods which have received a significant main d'oeuvre in the country, their fluctuations are likely to have a deeper meaning than the fluctuations of re-exports. Those who hold this view consider it worth taking a good deal of trouble to separate re-exports and exports as cleanly as possible. Certain countries currently using the special trade system have already offered to undertake experiments in the segregation of nationalized re-exports from exports; the Commission may wish to ask the Secretary-General to further these efforts.

13. The inward flow of merchandise. The expert group distinguished the following categories in merchandise moving inward:

- (a) Entered directly:
  - (1) For consumption;
  - (2) For transformation.
- (b) Entered into customs storage warehouse.
- (c) Entered into customs manufacturing warehouse.

The Commission considered that international comparability would be much improved if all countries would find it possible to compile figures for the aggregate inward flow, or its constituent parts, with details at the level of the 150 groups of the SITC analysed by countries. Many countries which do not now include goods entered into customs storage warehouse in their figures for inward moving goods have either individually or at the meeting of European Statisticians agreed to do so. By a few countries the trade involved was considered too small to justify the effort to arrange for its inclusion.

14. Consultations both at the meeting of European Statisticians and in the correspondence of the Statistical Office with national statistical offices have revealed a wide measure of agreement on the need for the publication by countries of conversion factors for units expressed otherwise than in weight. Countries whose direct transit trade is appreciable expressed themselves as willing to record it as the Commission suggested.

15. Valuation. The European Statisticians agreed unanimously that the Commission's recommendations on valuation and the definition of value should be adopted. A paper entitled "External Trade: Transaction Value" before the Commission (E/CN.3/172), presents a summary of the views of Member Governments on the Commission's recommendation and includes remarks on the relation between the transaction value and the definition of value contained in the Brussels Convention of 1950.

16. Analysis of trade by countries. The expert group recommended that imports be analysed by country of "consignment", i.e., the country from which the goods were first shipped (by any form of transport) to the reporting country without any commercial transaction intervening between that country and the country of import. The group recommended similarly that exports be analysed by the last country, also called the country of "consignment", to which the goods were shipped (by any form of transport) by the exporting country without, as far as was known, any commercial transaction intervening.

17. The European Statisticians felt that for exports, in spite of the differences in the working of national definitions, the practice of most European countries was in accordance with the definition recommended by the expert group. But many countries report difficulty in analysing their imports by country of consignment because they currently analyse imports either by country of production or by country of purchase.

18. The expert group explained the difficulty of applying in practice the definition of country of purchase or sale, whether the country was defined as "containing the place of business of the foreign seller or buyer" or as his "country of residence". It has therefore been suggested that countries which try to determine country of purchase or sale may, in practice, for many shipments,

have to be content with recording country of consignment. If this is true, it may be that, despite the theoretical difference between them, statistics by country of purchase and sale differ in practice rather little from statistics by country of consignment except, perhaps, in some well-defined and readily identifiable cases such as purchases by the government of A of supplies in B for delivery, under an economic aid programme, to C. In agreeing that for practical purposes export statistics by country of sale are an adequate approximation to export statistics by country of consignment, the European Statisticians have supported the view just expressed. Country of purchase appears to bear, for imports, a relation to country of consignment so similar to the relation, for exports, between country of sale and country of consignment that the approximation endorsed on the export side by the European Statisticians would seem to be valid on the import side also. Because of these considerations the Commission may feel that it is worth investigating whether analysis of imports by country of purchase, perhaps adjusted for important known differences, is in practice an adequate approximation to analysis by country of consignment. An annex to this paper discusses the question of deriving, from an analysis of imports by countries of consignment, approximate analysis of imports by country of production or purchase.

19. If it turns out that in practice analysis of imports by country of purchase differs little from analysis by country of consignment, it follows that an analysis by country of consignment comes about as close as it is practically possible to get to that analysis by countries of purchase which is so important for balance of payments purposes. Governments now using country of production may, therefore, wish to explore the advantages for balance of payments and related purposes of analysis by country of consignment.

20. A contradiction is inherent in the practice in special trade countries of analysing imports by country of production. If a country, A, which analyses its imports by country of production, imports from a special trade country, B, goods which were "nationalized" in B, country A will record them as imports from some third country in which they were produced. Now if A is a special trade country, A is being inconsistent. For when B ships nationalized goods, A is unwilling to consider them an export of B, yet, when A ships nationalized goods, A calls its own shipment an export.



21. The wording of the definition of country consignment has given some difficulty and the matter was discussed by the European Statisticians. There has been objection to the word "consignment" because it usually refers to a transport operation which is not its sense in the definition. It has further been suggested that the phrase "without any commercial transaction intervening" should be deleted from the definition, first because a telegraphic change of orders to a ship resulting from a new commercial transaction may, in fact, intervene without changing the country of consignment, and, secondly, because the words "commercial transaction" require definition. It should, for instance, be made clear that a purely transport operation is not a "commercial transaction" in the sense here meant.

22. National registers are one of the sources of import and export data for ships and aircraft (see paragraph 8 above). Analysis by country of second-hand vessels bought and sold is, in the registers, usually by country of former registry for purchases and by country of new registry for sales. In case the country of former or of new registry is one of those in which shipowners not resident in that country frequently register their vessels, country of purchase or sale is sometimes substituted. The Commission may feel that these data are sufficiently consistent with the concept of country of consignment to make the register an adequate basis for including ships and aircraft in trade-by-country statistics.

23. Conclusion. The foregoing summary has been prepared so that by its means, as well as by means of the paper entitled "External Trade: Transaction Value" (E/CN.3/172) the Commission may be informed about the status of the recommendations of its seventh session and may decide what further steps need to be taken. This paper has drawn attention to the following matters on which the Commission may wish to act:

- (a) the view that the following categories should be included in merchandise trade statistics: bunkers and stores supplied to foreign vessels; fish landed from foreign fishing vessels; fish landed abroad from domestic fishing vessels; ships and aircraft bought and sold (paragraphs 6-8)

(b) the suggestion that the Commission recommend that governments of Member States having official agencies in foreign countries co-operate with the statistical authorities in those countries in matters concerning external trade statistics (paragraph 10)

(c) a suggestion that the Commission invite the Secretary-General to further the efforts of governments to distinguish exports from re-exports in their statistics (paragraph 12)

(d) investigation of the efficacy of analysis of imports by countries of purchase as an approximation to analysis of imports by country of consignment (paragraph 18)

(e) revision of the wording of the definition of "country of consignment" (paragraph 21).

The paper entitled "External Trade: Transaction Value" mentions questions in the field of valuation upon which the Commission may also wish to act.

# ANNEX

## THE ANALYSIS OF IMPORTS BY COUNTRY: STATISTICAL CONSIDERATIONS

1. Analysis of imports by each of the three systems: country of consignment, country of production and country of purchase, has its advantages. In making balance of payments statements it is useful to know, or to be able to approximate, analysis by country of purchase. For the negotiation of bilateral trade agreements and the study of the flows of trade from their sources, analysis by country of production is important. Analysis by countries of consignment is, in the view of many statisticians, including the expert group, the only one that can be clearly defined and accurately carried out.
2. Analysis by country of consignment has the additional advantage that it will serve in the case of most countries as a basis for estimating analyses both by countries of production and by countries of purchase. To see this, it is only necessary to examine the factors in the pattern of imports which give rise to the differences between the three systems of analysing imports by country. The following table shows the patterns according to which goods produced in country B can be imported into another country A. Countries C and D are understood to be different from A and from B and from one another.

<u>Imports of A</u>			
Pattern number	Country in which produced	Country from which consigned	Country from which purchased
1	B	B	B
2	B	C	C
3	B	B	C
4	B	C	B
5	B	C	D

3. Usually the largest share of imports will move according to pattern 1 and the smallest according to pattern 5. In order to move in pattern 4, goods must be produced in B and sold by a merchant in B and yet be consigned to A from a third country C. Goods imported after having originally been shipped "for orders" fall into this pattern. The total value of shipments imported according to pattern 4 is in most countries small compared to the value of goods arriving

according to patterns 2 and 3. For these countries, goods moving according to patterns 4 and 5 have a relatively minor effect on analysis of imports by country.

4. The table shows that analysis by country of consignment gives exactly the same results as:

- (i) analysis by country of purchase, except for trade moving according to patterns 3, 4, 5;
- (ii) analysis by country of production, except for trade moving according to patterns 2, 4, 5.<sup>1/</sup>

Countries whose analysis of imports is based on country of consignment can, therefore, obtain good estimates for imports by country of purchase if they correct their basic figures for any major items of trade known to move according to pattern 3. Similarly, good estimates of trade by country of production can be obtained by correcting the basic figures for major items of trade known to move according to pattern 2.

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<sup>1/</sup> There is one more relation of this type, viz:

- (iii) analysis by country of purchase is identical with analysis by country of production except for trade moving according to patterns 2, 3, 5.

But the exceptions here include trade in two important categories (2 and 3) while the exceptions in each of cases (i) and (ii) contain only one important category. Estimates based on (i) or (ii) will, therefore, be markedly better than estimates based on (iii). The superior quality of the estimates based on country of consignment is an additional argument for basing trade-by-country statistics on the consignment principle.