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COMMENTS ON "PRINCIPLES FOR STATISTICS OF EXTERNAL TRADE"

(Memorandum submitted by the Netherlands Central Bureau of Statistics)

Ad paragraphs 5-8

1. Referring to the third sentence of paragraph 5, it may be remarked that there need be no question of "omitting them (bunkers etc.) from merchandise statistics". The proposal of the group of experts can be adopted, if the term trade statistics is taken in a wide sense, so that it contains the usual trade statistical tables with, apart from them, some separate tables for bunkers etc. Depending on the nature of the "economic purposes", the special figures may be included in general totals or shown separately. The International Monetary Fund classifies bunker fuel for foreign ships under "services". This is a reason for showing these statistics separately.

2. In the case of bunker fuel delivered to (destination) foreign ships, the problems indicated in the last sentence of paragraph 5 lead to the question whether or not the country totals in the trade statistics should include values and quantities of goods delivered to ships carrying the flags of these countries. Considered from the general point of view of international comparability this is not desirable, as is shown by the following example:

Country A delivers in its ports bunker fuel from domestic supplies to ships of country B. If country A registers these deliveries in the export table of its trade statistics under the country total for B there will be no comparable entry in the

import statistics of B, since B cannot include in its statistics the bunker fuel loaded by its own ships in A. Therefore, country A should not include the bunker fuel in its country totals for B. It will have to record these bunker transactions separately.

3. The questions of ships bought and sold and fish landed from fishing vessels are similar to that of bunker fuel because only one customs frontier is crossed as a result of these transactions. Hence attribution of country of origin or destination, as the case may be, has an element of artificiality. The ideas of paragraphs 6, 7 and 8 should therefore be dropped in favour of the original proposal of the group of experts that all these transactions be tabulated separately.

Ad paragraph 9

4. According to the "principles" of the United Nations, registration of a goods movement in the trade statistics should be subject to two conditions: there should be a country to country movement and the goods should be "merchandise" in the sense of paragraph 15 of United Nations document E/CN.3/CONF.3/L4, E/ECE/STAT.3/L4 of 13 May 1953 (revised principles) reading:

"The broad criterion to be used to determine whether goods should be regarded as merchandise whose movement is to be recorded in trade statistics should be that all goods, the movement of which into or out of a country adds to or subtracts from the resources of the country, should be recorded."

5. The movements of goods discussed in paragraph 9 conform to the condition of a country to country movement. The problems arise with regard to the merchandise criteria. The normal case is that when goods are moved from A to B they are subtracted from the resources of A and added to the resources of B. In the case of supplies despatched from A by the government of A to officials of A in B, there is, according to the principles, no question of adding to the resources of B. This leads to the conclusion that the said supplies should be regarded as continuing to belong to the resources of A. Neither in A, nor in B is there a change in the resources. For that reason, the conclusion was drawn

in the "principles" that the "government supplies" just mentioned should remain outside the trade statistics. Using the same argument with regard to shipments discussed in the last sentence of paragraph 9, it may be concluded that because these shipments do not add to the resources of B, they should continue to belong to the resources of A and therefore should not be included in statistics. Consequently it makes no difference whether the goods sent from A are supplies despatched by the government or shipments by private firms or persons.

6. As regards shipments of goods discussed by the European Statisticians, the point is that in case of country C (the exporting country), they are subtracted from the resources, whereas for country B there is no adding to the resources. In case of country C the definition of paragraph 15 of the "revised principles" has been met, but not in case of country B. When the definition is interpreted in a narrow sense, a new rule may be constructed, namely, when for one of the two countries involved in a movement of goods the definition of merchandise is applicable, both countries should record this movement. The admissibility of the narrow interpretation of the merchandise definition might be disputed. The formulation or wording however, seems not to imply that there must necessarily be on both sides the condition of adding to or subtracting from resources. If one accepts this new rule, the words "commodities normally in civilian use" in the formulation regarding the goods discussed by the European Statisticians in the second sentence of paragraph 4 of the Report of the 3rd Meeting of European Statisticians (United Nations document E/CN.3/CONF.3/1; E/ECE/167 of 24 June 1953) should be dropped. From a purely statistical standpoint there seems to be no objection to this omission. On the contrary, the difficulties of determining what exactly is meant by "commodities normally in civilian use" will be avoided. The new wording would permit the inclusion in the statistics of shipments of goods which are decidedly not intended for civilian use. In some cases this may no doubt be desirable. For instance, when Bofors in Sweden sells and delivers anti-aircraft guns to the United States troops in Germany and to the French Government to be delivered in France. It is the obvious desire of the Commission that the shipment to France should be included in both the Swedish and the French statistics. For Sweden there is no reason whatever to

exclude the shipment to Germany (which has the character of a normal commercial transaction for Sweden) from its statistics. Considering the view of the Commission that war material, too, should be included in trade statistics, the Swedish shipments should also be included in the German statistics. So, there may be reason to drop the words "normally in civilian use", in the second sentence of paragraph 4 of the Report of the 3rd Meeting of European Statisticians. The words "in principle" are a sufficiently clear indication that exceptions can be allowed. To elucidate the meaning of "in principle", the sentence in question might, after elimination of the words "normally in civilian use", be followed by a new sentence saying that the military authorities of A in B may find it necessary to limit the inclusion to "commodities normally in civilian use". In connection with the foregoing it will be useful to cite the following sentence from paragraph 4 of the Report of the 3rd Meeting of European Statisticians:

"It was realized that while it was the duty of the statistical authority to endeavour to record such movements (the movements of goods from country C to troops of country A in country B) in many cases it could only be possible to do so as a result of an international agreement. The Secretariat was therefore requested to make a study of the problem involved in the movement of goods of this kind and similar movements. In the study account was to be taken not only of the present position but also of the probable future developments which might operate to expand the volume of commodities involved in such transactions".

The Memorandum under discussion does not give evidence that this study has already been made. The Statistical Commission may wish to support the request of the European Statisticians.

7. The foregoing points may be summarized as follows:

- a. in the light of the United Nations principles, shipments by private firms or persons in A to official agencies of A in B should be excluded from the trade statistics;

- b. the Commission may wish to consider whether the movement of goods which add to or subtract from the resources of only one of the two trading partners involved should be included in the statistics of both countries or only in the statistics of the country whose resources are affected;
- c. the Statistical Commission may wish to support the request of the European Statisticians that a study be made of the special movements described in paragraph 4 of the Report of the 3rd Meeting of the European Statisticians.

Ad paragraph 12

8. In this paragraph the importance of the distinction of "re-exports" is explained. An example is given in which is expressed that this "re-export trade ..... depends largely on the extent to which merchants all over the world send their goods to a country for storage pending their resale abroad". That means, goods are declared as imports though it is intended to export them again. In fact, this is "disguised" transit. And this transit should be registered at the time of importation. Instead of arranging for a separate registration of the disguised transit at the time of export, as the example suggests, one should rather arrange that this category of goods shall not be declared as an import for consumption.

9. The Netherlands act on commercial statistics contains a provision to that effect, expressing that it is prohibited to declare goods for internal circulation, if at the moment of the declaration these goods have obviously a foreign destination. A similar provision should also be incorporated in the United Nations principles. This would be fully in line with these principles. They distinguish in case of merchandise moving inward (the movements of the bonded warehouse-trade left aside):

- goods entered directly: (1) for consumption and
- (2) for transformation

but not goods entered directly for storage. Therefore, it is of great importance to take care from the beginning that "for consumption" and "for transformation" should be the only possibilities and that the cases of "storage pending resale

abroad" should be registered as transit trade. One may raise the objection that in practice it will be impossible to identify the shipments mentioned in the example. However, when efficient regulations are available there need be no difficulties, as experience in the Netherlands has shown. A shift of transit to import and re-export is not to be feared. In this respect one should consider the possibilities pointed out in paragraph 26 of the "revised principles" in which it says: "Goods in customs storage warehouse should not be confused with unclaimed goods unloaded from a carrier and awaiting either customs clearances for entry into warehouse nor with those awaiting direct transit to another country". The customs authorities should, if necessary, make it possible for unclaimed goods awaiting direct transit to be registered statistically. It must be admitted, however, that there will always be cases in which a movement of goods cannot be classified under transit trade, so that information on re-exports will no doubt be useful. The recommendation of the Statistical Commission to record re-exports statistically, should therefore be welcomed. It seems, however, also desirable to make recommendations which might limit the extent to which disguised transit contributes to re-exports. The Statistical Commission may feel it necessary to request the Statistical Office to make a further study of this problem.

Ad paragraph 21

10. The omission of the words "without any commercial transaction intervening" from the definition of the country of consignment was discussed in Geneva in 1953. The Report of the 3rd Meeting of European Statisticians contains in this connection the following sentence (last sentence of paragraph 11): "The view was expressed, however, that the words 'without ..... import' should be reconsidered in order to make precise the thought behind the phrase".

11. It seems necessary at any rate that this matter should be cleared up since it is not desirable that the United Nations principles on trade statistics should contain a definition which is partly unclear or superfluous. A possible solution of the problem is not given in United Nations document E/CN.3/173,

neither can a solution be directly derived from it. The Statistical Commission might therefore hold the view that sufficient facts to proceed to the revision of the definition by the Commission itself are not yet available. In that case it might be recommendable for the Secretary-General to request the Statistical Office to make a further study of this question and to embody the results of this study in a memorandum for the next session of the Statistical Commission. It might also express the view that such a memorandum should contain a suggestion for a possible solution of this problem.

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