EXTERNAL TRADE STATISTICS\(^1\)\(\)  
(Memorandum prepared by the Secretary-General)

I. INTRODUCTION

1. At its eighth session, the Commission adopted the following resolution (E/2569, para. 17):

"The Statistical Commission
Invites the Secretary-General, in consultation with Member Governments, further to examine the possibility of reaching an agreement on a more uniform and precise definition and treatment of:
(a) Re-exports and transit trade,
(b) Attribution by country of provenance;
and to report on the matter to the ninth session of the Commission."

The present memorandum, which embodies the results of the consultations with Member Governments, has been prepared in accordance with this resolution.

\(^1\) This paper continues the discussion of the topics treated in a paper (E/CN.3/173) of the same title considered by the Commission at its eighth session.

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II. RE-EXPORTS AND TRANSIT TRADE

2. Imported goods which move out again without physical transformation may be divided into three classes:
   (a) direct transit trade\(^1\)/
   (b) indirect transit trade\(^1\)/
   (c) nationalized goods\(^1\)/

Both the 1928 Convention and the report of the seventh session of the Commission recommend that direct transit trade (a) be omitted from the main body of merchandise trade statistics. Countries on the general trade system include indirect transit trade (b) and nationalized goods (c) in their merchandise trade statistics as re-exports. Most countries on the special trade system exclude indirect transit trade (b) from the main body of their merchandise trade statistics but include nationalized goods (c). At least one important country on the special trade system excludes not only (b) but also most, if not all, of (c).

3. At its seventh session the Commission recommended that national statistics be so arranged as to make possible the inclusion of indirect transit trade (b) and nationalized goods (c) in aggregate inward and outward flows and the identification (as re-exports) of the sum of (b) and (c), wherever it is important, in the outward flow.\(^4\)

4. Re-exports (b) and (c) differ from direct transit trade (a) in that, in principle at least, the former have been the subject of commercial "processing"

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\(^1\)/ The International Conference relating to Economic Statistics (1928) defined direct transit trade to include all goods passing through the territory for purposes of transport only without being placed at the free disposal of importers or warehoused, and indirect transit trade as comprising inward moving goods which are entered into warehouses or depots, actual or constructive, and subsequently exported therefrom without being placed at the free disposal of importers and without having undergone transformation. Nationalized goods were defined by the Commission (7th session: 3/2365, para. 28a) as foreign goods imported "for consumption" and re-exported without transformation.
in the re-exporting country and thus have received in that country a complement of labour very different in kind from that received by goods moving through the country for purposes of transport only and, in general, more highly rewarded. On the other hand, re-exports differ from national exports in that the complement of labour received by the latter has "transformed" them physically while that received by the former has not.

5. The distinction between indirect transit trade (b) and nationalized goods (c) is a purely administrative one: goods in class (c) have, on inward movement, been cleared through customs to circulate freely inside the country, whereas goods in (b) have not. The Group of Experts which advised the Commission on definitions for external trade statistics could find no other distinction. It has, therefore, appeared to the Commission that on grounds of economic significance, as distinct from administrative convenience, goods in indirect transit (b) and nationalized goods (c) should be treated alike.

6. Whenever a country records its imports by country of production it fails to consider goods nationalized by a trading partner country as exports of that partner. It is therefore a major source of international incomparability that many countries which include nationalized goods in their own export statistics at the same time attribute imports by country of production.

7. The stipulation that direct transit trade shall be excluded from merchandise import statistics requires customs officers to make at the time of inward movement at least a tentative identification of the goods moving in this trade. When goods move out again without having been the subject of sale while in transit, there is no need to correct the record made upon inward movement. But if the original intention to despatch the goods onwards is changed and the goods are eventually cleared by customs for internal consumption, most countries will revise the original record made on inward movement. If, during transit, the destination is changed, from one foreign destination to another, most countries will not trouble to revise the record even if the change was the result of a sale and the through movement can then no longer be considered to have been for purposes of transport only as required by the definition of the 1928 Convention. The definition would, perhaps, correspond more closely with practice if worded as follows:

direct transit trade consists of the goods which move into the territory for forwarding to a foreign country whose identity is
known at the time of their inward movement, and, in consequence, move out again\(^1\).

A number of governments have indicated approval of this sort of a change in the definition.

8. The definition suggested may also facilitate the distinction between direct transit (goods moving towards a known foreign destination) and goods moving inward to be held while the nature of their disposal is decided. Some of the latter will eventually be used domestically, the rest will move out again as re-exports; in either case they will, with few exceptions, be the subject of commercial activity in the country.

9. It appears to be difficult to find a rule which, as would be desirable from the economic point of view, invariably assigns goods moving through the country without transformation to the re-export or direct transit category according to whether they are or are not the object of commercial activity while in the country. From this point of view, the definition of direct transit suggested above, for instance, causes the following anomalies, whose importance in practice is, however, thought to be slight.

(a) It classifies as re-exports goods entered into customs warehouse and then moved by their original owner to another country to find a better market and which therefore have not been the subject of commercial activity.

(b) It classifies as direct transit trade goods which may, as described in paragraph 7, be the object of national commercial activity while en route.

(c) It classifies as re-exports goods entered into customs warehouse and sold for re-export in the usual way, but in respect of which all commercial activity took place abroad. It has been suggested that it

\(^1\) It has been pointed out that it may be difficult to require the agent who arranges for transit of goods to declare the identity of the country to which they are being forwarded. This question is discussed in another connection in paragraph 21 below.
might be administratively possible to distinguish from the rest of re-exports and to include in direct transit trade all operations in respect of which no commercial (as distinct from transport) profit or loss accrued to residents of the country making the statistics. A movement through the country would then enter the re-export statistics only if the goods had been the subject both of a transport operation in the country making the statistics, and a commercial transaction for the account of a resident of that country.

10. At least one country has avoided the difficulty of making a uniformly valid distinction between direct and indirect transit by making no distinction at all. This country excludes from its merchandise trade statistics all goods destined, at time of inward movement, for eventual outward movement without transformation. Goods which were the subject of a bona fide import for domestic consumption but which, due to a genuine change of plan, were moved out of the country again without transformation are, however, included by that country in its export statistics in the same way as exports from domestic production.

11. Another government has suggested that direct transit trade be defined to consist of goods moving through the country on foreign account. This definition emphasizes the nationality of the owner of the goods whereas the one proposed in paragraph 7 emphasizes their physical movement. It seems likely, however, that the effects in practice of the two definitions would be very similar.

12. It often happens that goods moving into free ports or free zones from abroad and, after resale, moving out again to a foreign destination do not contribute to the statistics of merchandise trade; such movements would, in any case, fail to be recorded under the special trade system and they will usually also be omitted from the statistics of countries using the general trade system. The incomparabilities which result are minor compared to those caused by lack of uniformity in the treatment of indirect transit trade, but the Commission may, nonetheless, wish to consider at a future date the statistical treatment of movements through free ports and free zones.

III. ATtribution BY COUNTRIES OF PROVENANCE

13. If statistics of importing countries are to be consistent with statistics of exporting countries for merchandise trade having the coverage recommended by the Commission at its seventh session, the exports and re-exports of country A to
country B must be recorded by B as its imports from A. Since direct transit trade is omitted from merchandise trade statistics, consistency cannot be obtained unless the importing country B records as provenance the first country A from which the goods were directed to B, irrespective of intermediate countries through which the goods may move under the regime of direct transit. In accordance with the definition suggested in paragraph 7 the goods will in general cease to belong to direct transit trade and will be classified as imports when they arrive at the last destination B which was known at the time of export or re-export. The system just explained was described by the Commission at its seventh session as the country of consignment system and its advantages were drawn to the attention of countries. For goods whose destination is changed while they are on the high seas or moving under the regime of direct transit, through an intermediate country, it is impossible to achieve comparability between the statistics of exporting and importing country unless the exporting country revises its statistics after the change. Since such revision appears seldom to be possible, these transactions will remain exceptional under any system.

14. Certain countries expressed, at the eighth session of the Commission, the view that the wording of the definition of country of consignment required further study and clarification. In the report of its seventh session, the Commission defined country of consignment as:

in the case of imports, 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;

in the case of exports, the last country 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.

15. It was thought that the definition should be framed to be consistent with the definitions of direct transit trade and of re-expert trade. The following draft definition has been prepared in the light of comments by countries:

Country of consignment shall mean, in the case of inward-moving goods, the first country from which the goods moved outward specifically directed to the importing country. (If, when first directed to the importing country the goods were aboard a vessel, aircraft or other
vehicle in the course of transport from one country to another, the
country of consignment shall be the country in which the goods were
loaded into the vehicle in question; if, when first directed to the
importing country, the goods were moving through another country T
under the regime of direct transit, the country T shall be the country
of consignment.)
Country of consignment shall mean, in the case of outward-moving goods,
the last country to which the goods were specifically directed from
the exporting or re-exporting country.

16. In connexion with its study of the country of consignment system, the
Commission will wish to know that the standard procedure recommended by the
International Monetary Fund in the 1950 edition of its "Balance of Payments
Manual" envisaged that the contribution of merchandise trade to the analysis
by areas of the balance of payments would be based on an analysis of imports by
countries of purchase and of exports by countries of sale. The Fund's experience
since 1950 has led it to revise the Manual and it appears from present
information that the standard analysis will be by countries of consignment.

17. The Commission was informed at its eighth session that attribution by country
of consignment presented a serious problem to countries whose national practices
called for a different system. It felt, however, that further study of this
matter might reveal that the actual differences in the data compiled by the
various methods of attribution were smaller than had been originally supposed.
Governments were accordingly asked to inform the Statistical Office of the results
of any such studies they had made or might make.

18. Canada had found that assigning to country of production rather than to
the country of consignment imports purchased in the United States of the national
produce of countries of Central and South America leads to the following
increases in the values of the attributions to those countries:

Commonwealth territories - less than 1 per cent
Netherlands Antilles - " 2 "
Venezuela - " 2 "
Other Countries - average of about 33 1/3 per cent
In the case of other countries, individual variations were extreme due to the circumstances connected with the trade in tropical commodities like bananas and coffee.

19. The published statistics of Trinidad show that the choice between attribution by countries of consignment and by countries of production has an important effect on the statistics chiefly in the cases of France, Western Germany and the United States (a considerable proportion of whose products arrive from third countries) and Canada and neighbouring Caribbean territories which re-export to Trinidad. In the case of Ireland over 80 per cent by value of imports not consigned from the country of production were consigned from the United Kingdom. It has been officially estimated in Denmark and France that about 2 1/2 per cent and 7 per cent respectively by value of their imports have a country of consignment different from the country of production.

20. The differences in 1949 and 1950 between the imports of New Zealand from a given country as country of consignment on the one hand and as country of production on the other are, for certain countries, in the neighbourhood of 10 per cent of the latter figure. The small differences shown in the case of imports from Australia agree quite well with the re-exports to New Zealand reported by Australia. The re-exports to New Zealand reported by the United Kingdom are, however, even less than the small differences between the New Zealand figures of the two kinds. Trans-shipments in bond through the United Kingdom to New Zealand are, however, relatively large and it may be that different statistical treatment in the two countries of the same trans-shipped goods accounts for the discrepancy mentioned in the previous sentence.

21. Governments have pointed out the danger, inherent in the country of consignment system, of mistaking an intermediate country for the country of first consignment. The reason for the danger lies perhaps in a tendency of governments in designing the papers which they require to accompany the international movement of goods into, out of and through their territories to think primarily of their own requirements and not to give enough consideration to the requirements of other governments in whose countries the same papers will need to be used. For instance it might, without putting forwarders to much extra trouble, be possible wherever the law requires new papers to be made out for
a direct transit to arrange that the new papers show the country of first consignment. In fact the suggestion of the Commission at its seventh session (E/2365, pars. 31) "that it would be of value if countries having a large transit trade would tabulate statistics of their direct transit trade analysed by commodity (or commodity groups) and by countries from and to which the goods were sent" cannot well be followed unless information on first country from which consigned (and also on last country to which consigned) is available.

IV. CONCLUSIONS

22. The Commission may wish to recommend that definitions of direct transit trade and of countries of consignment such as those suggested in paragraphs 7 and 15 respectively be adopted by governments wherever possible.

23. The Commission may further wish to suggest to governments which require the issue of new papers for goods moving through their territory under the regime of direct transit that they arrange that the new papers shall show the country from which the goods were first directed to their furthest known destination.
STATISTICAL COMMISSION
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Item 5 of the provisional agenda

EXTERNAL TRADE STATISTICS: TREATMENT OF DIRECT
FOREIGN LANDINGS OF MARINE PRODUCTS

(Memorandum prepared by the United Nations Food and Agriculture
Organization in consultation with the Secretary-General)

1. At its eighth session, the Statistical Commission recommended that "wherever
the size of the landings is of importance and wherever it is possible to do so,
countries should include in their import statistics fish landed directly from
foreign fishing craft and include in their export statistics fish landed abroad
by domestic fishing craft".\textsuperscript{1/} The Commission also indicated that further study
was necessary to specify the commodities which should, on landing from the
original gathering vessel, be included in external trade statistics. The
Commission asked the Secretary-General to examine the question in consultation
with the United Nations Food and Agriculture Organization.

2. It is therefore now proposed that, wherever they are important, marine
products of all kinds be included in national import statistics when landed
directly from a foreign fishing, hunting or gathering vessel\textsuperscript{2/} and be included in
national export statistics when landed abroad directly from a domestic fishing,
hunting or gathering vessel.\textsuperscript{2/} Furthermore it is proposed that the same
treatment be accorded, whenever they are important, to the result of processing
marine products on board ship at (or en route from) the fishing, hunting or
gathering grounds whether the processing takes place in the original fishing,
hunting or gathering vessel or in another vessel to which the goods were
transferred at sea.

\textsuperscript{1/} E/2569, para. 13.

\textsuperscript{2/} The description here made of vessels should be taken to include motherships
and other vessels which take part in the fishing operation.
3. Upon inclusion in the statistics the goods referred to above should not be classified together but should be distributed among the appropriate headings of the United Nations Standard International Trade Classification just like any other goods moving in external trade.

4. The goods to which the previous paragraphs refer include the following: fish; whales, seals and other aquatic mammals; aquatic birds; amphibians; turtles, sea snakes and other aquatic reptiles; crustaceans, molluscs, sea-cucumbers, sea urchins and other aquatic invertebrates; pearls, sponges, shells and other aquatic animal residues; plankton; sea weeds and other aquatic plants and their residues; salvage and driftwood. Also included are: dressed, preserved and otherwise processed commodities derived principally from aquatic animals and plants - e.g., fresh, frozen, dried, salted and smoked fish, whale-meat, crustacea, etc.; canned products of aquatic animals; skins of aquatic animals; meals, solubles, fertilizers, edible and inedible oils, waxes and glues derived from aquatic animals or plants -; chemicals derived from the water.

5. The Commission may wish to approve this completion of the action on fish landings it took at its eighth session.
EXTERNAL TRADE STATISTICS

(Memorandum prepared by the Secretary-General)

1. The views of the United States Government on the questions about external trade statistics raised by the Commission at its eighth session were received after the release of secretariat papers E/CN.3/198, 199 and 200. Certain of the points raised by the United States are additional to those contained in these documents and they are, therefore, briefly summarized below.

2. Transaction value (E/CN.3/198). The United States export statistics are essentially on a transaction value basis. With respect to import statistics the United States faces a substantial problem in working out methods of approximating the transaction value. Part of this problem relates to imports having no actual transaction value, principally intracompany imports. Primarily, however, it reflects the difficulty of translating into transaction value a very complicated Tariff Act value which by statute must be reported in the statistics. To accomplish this conversion from the tariff value, which is roughly but not consistently f.o.b., to c.i.f. it is intended that a sample of transactions will be drawn over a year and importers asked to report the c.i.f. value in addition to the tariff value already required. From this sample it would be expected that constants could be derived for converting the Tariff Act value to the c.i.f. transaction value for cross-classifications by the Standard International Trade Classification and country. A smaller sample would then be drawn for subsequent years to bring to light those constants which had become unstable and for which further investigation and adjustment would be necessary. As a preliminary to undertaking the first rather large
sample study to establish the constants it is planned to carry out a small pilot study to discover any unforeseen difficulties, to determine the best method of selecting the sample, and to provide a basis for deciding on the size of the sample which should be drawn. Some work has been done on planning this pilot study but resources have not as yet permitted it to be carried out. It is anticipated that the preparation of supplementary reports for imports approximating transaction value would be possible within about two years after the pilot study is started.

3. Direct transit trade (E/CN.3/199). The United States expresses sympathy with attempts, such as that embodied in the definitions suggested for "direct transit trade" and "country of consignment" (paras. 7 and 14 of E/CN.3/199), to introduce economically meaningful classifications in the place of legalistic definitions which may lack economic significance. It is pointed out, however, that the definition suggested for direct transit requires customs officers to determine, at the time of import, whether or not a foreign destination of the goods is known and that this determination may in practice be burdensome and inaccurate.

4. It is further pointed out that the definition suggested for "direct transit trade" will produce comparability between the statistics of countries trading with one another only if the country of consignment system is used, for attributing imports by countries of provenance, with a consistency among trading partners which United States experience suggests is perhaps not to be expected and if the definition of country of consignment is properly constructed.\(^1\)

The relation between the definition of direct transit trade is, thus, closely related to the system of attributing country of provenance and should only be arrived at concurrently with it. Both definitions, moreover, cannot appropriately be considered independently of the definitions of systems of trade to which they are very closely related.

\(^1\) The definition of country of consignment in the document E/CN.3/199 was suggested with this consideration in mind.
5. **Re-exports (E/CN.3/199).** The United States has pointed out that the objective of comparability of trade statistics essentially breaks down into two objectives:

   (1) The objective of making the statistics of trading partners comparable with each other. This objective is of controlling importance in deciding on definitions of attribution of trade by country.

   (2) The objective of achieving comparability among countries in relating the trade of a country to its own domestic economy.

The second objective is so important that it should be used as the major guide in approaching the problem of defining re-exports and transit trade. In this case the problem of defining re-exports and transit trade becomes only one facet of a larger problem. The larger problem then is to produce import figures which measure what enters the domestic economy (i.e., what has an impact on it or what the domestic economy is dependent on) and export figures which measure what leaves the domestic economy (i.e., what the domestic economy contributes to the exports or what exports the domestic economy is dependent on). For these purposes there appears to be no doubt that it would first of all be desirable to omit from both the import and export statistics goods moving through a country from one foreign country to another, i.e., direct transit plus all or part of re-exports of nationalized goods to the extent that they are merely in transit and because of duty-free status are not so marked.

6. It seems that much of the desire for re-export data may well be the need for something like a special import figure. Where a country reports on a general trade basis "retained import" figures compiled from total imports less re-exports provide an approximation to special imports. These retained import figures treat imports into warehouse as retained imports until re-exported, in contrast to special imports where goods imported into warehouse are never shown as imports if they are re-exported. Since imports into warehouse do have an impact on the domestic market even if never withdrawn for consumption it can be said that retained imports are superior to special imports. Nevertheless "special imports" are called for where varying import duties are assessed on a wide range of detailed products and an important use of the import statistics
is an assessment of the impact of foreign competition entering over the tariff barrier. Here since the classification of the goods and the determination of the amount of duty is done only when goods are withdrawn from warehouse for domestic consumption and not when goods enter the warehouse the special import figures are the only ones which will serve the purpose at all since retained import figures cannot in practice be accurately compiled in terms of the tariff classification.

7. Furthermore distinguishing nationalized re-exports from home produced goods is difficult both in theory and practice. For instance the sorting, blending and packing which traditionally are considered insufficient processing to change goods from foreign produce into national produce often add more value than many transformation or supplementary treatments which would take the goods out of the re-export category. In the United States, exporters tend to report practically all exports as domestic and the most that can be done on a practical basis is to be sure that products clearly not produced in the United States (such as bananas and coffee) are shown as re-exports in the statistics. The United States may therefore at some future date discontinue trying to distinguish nationalized goods from goods produced domestically.

8. The general conclusion for both direct transit and re-exports is that these definitions deserve re-examination at this time but only in the broader context of the problems of systems of trade and of attribution by country.

9. Attribution by country of provenance (E/CN.3/199). The United States is in general agreement that country of consignment system is best if the objective of having the statistics of trading partners comparable with one another is to be achieved. If such a definition were accepted the United States would, however, have to compile import data also on a country of production basis to serve other purposes including primarily the United States Reciprocal Trade Agreements Programme. A study of the data for December 1951 indicates considerable differences between the results of applying the two methods. The discrepancy may be as large as 12 per cent in terms of the overall import trade and for individual partner countries, notably some on the West Coast of Europe, the differences are about 50 per cent.
10. The United States is inclined to agree that the deletion from the definition of country of consignment of the words "without any commercial transaction intervening" would be advisable. Before this or other modifications are made it should be remembered, however, that it is impossible to anticipate all the technical difficulties and that a goal of too great precision or refinement at the outset is unnecessary (see also discussion of direct transit and re-exports above).

11. Indexes of quantum and unit value (E/CN.3/200). The United States is not at present able to follow the recommendation that sub-indexes of these indexes be based on the sections of the SITC. The weight base period of its indexes (which are computed by the Fisher formula) changes every year so the question of obsolescence does not arise.