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CONCEPTS, DEFINITIONS AND CLASSIFICATIONS OF THE EXTERNAL TRADE
STATISTICS IN RELATION TO THE SNA AND THE BALANCE OF PAYMENTS

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INTRODUCTION

1. The merchandise imports and exports, as considered by the System of National Accounts (SNA) constitute only a part of the imports and exports of commodities (goods and services); these commodities themselves are only a part of the external transactions account. These same merchandise transactions are also only a part of those entering into the balance of payments.

2. However, even though these merchandise transactions are only one part, among many others, both of the SNA and of the balance of payments, they are also -- particularly for developing countries -- the most important part if value is considered (see, for example, annexes 1 and 2 reproducing the external transactions of the SNA and balance of payments of Ghana).

3. The correct evaluation of these transactions is conditional upon the proper calculation of these accounts.

I. DEFINITIONS AND REQUIREMENTS OF THE MERCHANDISE TRANSACTIONS ACCOUNTS IN THE SNA AND THE BALANCE OF PAYMENTS

4. Merchandise exports and imports comprise all the transactions dealing with goods of the residents of a given country with the rest of the world. These transactions should, in principle, be recorded in the national accounts at the moment when the transfer of ownership of (legal title of) the goods in question takes place between residents and non-residents. The values to be used for these transactions are those corresponding to the market prices when the transfer of property occurs. To the extent that it is possible, when determining these values, the costs of freight, insurance, and handling services provided by non-residents should be identified and separated from those provided by residents. It should be possible to regroup imported goods according to their industrial origin and to classify them according to the divisions and groups of the International Standard Industrial Classification of All Economic Activities (ISIC). Their value and the amount of import taxes and duties paid should be calculated for each level of the ISIC.

5. Each country, in accordance with the structure of its national production should be able to separate these goods (and their values) into competitive and complementary goods. Competitive goods are those for which there is a domestic industry and which may therefore, be either home produced or imported. Complementary goods, on the other hand, are those for which no domestic industry exists and which must be imported if they are in demand.

II. THE SOURCES OF THE INFORMATION

6. External trade statistics are the most complete and the most used source for the computation of the transactions dealing with the external sector of the SNA or with the balance of payments. However, these external trade statistics have not been compiled especially for these particular uses. They are, generally, only the by-product of customs documents, the main purpose of which is the collection of customs duties and taxes. Consequently external trade statistics can differ in many respects from statistics required for the SNA or the balance of payments.

7. The Statistical Office of the United Nations, at the request of the Statistical Commission of the Economic and Social Council, has published a hand book entitled "International Trade Statistics Concepts and Definitions". Recommendations on methods, concepts and definitions have been formulated in order to try to align, as far as possible, external trade statistics with those necessary to estimate the balance of payments on the external transactions account of the SNA.

8. Unfortunately, customs requirements do not always enable us to achieve this alignment and some adjustments are still necessary when one intends to use statistical data which have been compiled according to international recommendations for the SNA or the balance of payments. However, if adjustments were made taking account only of the theoretical discrepancies cited above, great difficulties could arise, since

experience proves that countries are far from following the recommendations of the Statistical Office with regard to external trade statistics.

9. In fact, external trade statistics are among the most ancient and generally are the first statistics which have been compiled by countries, very often, well in advance of population censuses or national accounts. In the majority of countries, they have been created before international standards have been established and are now, at the national level, frozen into systems which have become traditional and cannot be easily modified. Moreover, these statistics, which often constitute the most important statistical activity of a country with respect to the volume of data to be compiled, involve the co-operation of a large number of individuals: export-import company employees, freight carriers, customs brokers, forwarding agents, customs officers, statisticians, etc. whose habits it is not easy to change. Finally, the responsibility for collecting external trade statistics often rests, not with the national statistical offices, but with customs offices which naturally give preference to national customs legislation over the recommendations of the Statistical Commission of which they are not members.

10. For all the reasons indicated above, it is better not to consider the theoretical gaps resulting from divergences between the international recommendations in the matter of SNA and the balance of payments on the one hand, and in the matter of external trade on the other, but to examine the discrepancies between the practices actually followed by countries in compiling their external trade statistics and what is required for the national accounts and the balance of payments. These discrepancies will be examined below.

III. DEFINITION OF COUNTRY

11. In principle, the geographical area covered by the external trade statistics usually corresponds to the customs territory, but some differences may occur. The statistical territory can however be either larger (as is, for example, the case of the United Kingdom where the customs territory comprises Great Britain, Northern Ireland, the Isle of Man but not the Channel Islands, although these latter islands are included in the external trade statistics) or smaller (as is the case of France whose customs territory includes Réunion, Martinique and Guadeloupe which are however excluded from the external trade statistics).

12. It can also happen that the customs territory (and therefore the territory covered by the external trade statistics related to it) differs from the territory corresponding to the definitions formulated for the SNA or the balance of payments; the latter two may, furthermore, differ from each other.

13. For example, the external trade statistics of the United States of America include Puerto Rico while the national accounts do not include it. Another example, external trade statistics are compiled only for the Customs Union of Belgium and Luxembourg, considered as

being a single entity. The balance of payments is also compiled for this unique entity but national accounts exist separately for each of these two countries.

14. It therefore stands to reason that when one wishes to compile the national accounts or the balance of payments, it is imperative to verify first that the definitions of "country" or "territory" are exactly the same as those used for the compilation of external trade statistics.

15. Moreover, both in the SNA and in the balance of payments, Embassies, Consulates, and foreign military forces are considered to enjoy the right of extra-territoriality in the country in which they are located and must be considered an integral part of the territory of the country to which they belong. In the same way, international bodies, such as political, administrative, economic, social or financial institutions whose members are governments, are not considered residents of the country in which they are located or operate. Consequently, if, for example, the Embassy of the Ivory Coast in the U.S. buys a typewriter in the U.S. this transaction should be considered an export by the U.S. and an import by the Ivory Coast. Since there is no customs cordon surrounding the Embassies or Consulates, such a transaction will, of course, be ignored.

16. Generally, the corrections to be taken into account are relatively minor, if not negligible. However, when foreign military bases are located in a given country their purchases of provisions or of various other supplies which must be considered exports of the host country (and imports of the country to which these forces belong) may be important and adjustments must be made in the national accounts and in the balance of payments.

17. Such adjustments would have also to be made in the case of an economically small country in which one or several large international organizations are located (and therefore, generally, also a large number of embassies) and for which this particular kind of merchandise traffic could significantly affect the accounts of the external sector.

18. Finally, the economic territory, which is actually the unit analyzed by the SNA or the balance of payments, differs from the geographic territory or the customs territory if, for instance, the territorial seas are included and if, in addition, the country is in possession of (or claims to have) exclusive fishing rights or other forms of exploitation (mining, oil drilling, etc.) in international waters beyond its territorial waters. The extent of the territorial seas and of the additional area in which exclusive fishing rights or other forms of exploitation are held or claimed, varies from country to country, and can also vary with time for the same country.

19. Ships, aircraft, fishing fleets, floating rigs or platforms which resident enterprises of a given country operate in international space or waters must be considered an integral part of this country if the two following conditions are satisfied: these ships, airplanes and other

installations are subject to the laws, regulations and control of said country and are more closely linked to its economy than to that of any other country.

IV. TRANSACTIONS

20. The SNA and the balance of payments are meant to relate to merchandise transactions which imply a change of ownership between residents and non-residents. External trade statistics relate to goods which physically cross the customs boundary of a country. Obviously, the concepts are completely different and significant discrepancies can occur.

A. A good can cross the customs frontier without any change of ownership

21. The following cases illustrate this possibility:

a) Goods on lease. for example, renting computer facilities, renting developed motion picture film or musical recordings for exhibition or performance, etc. The SNA and the Balance of Payments Accounts goods on lease are treated as a part of "service" account rather than "merchandise" account. The inclusion of such transactions at the full value of the merchandise, as is the present practice in many countries affects trade statistics and can be misleading. It is, therefore, suggested that transactions in goods on lease should be separately recorded at the full value of the merchandise and printed as supplementary data to the general merchandise account.

Since practices engaged in by various countries in the matter of external trade statistics may be more or less in conformity with these recommendations, it will always be necessary, for the national accountant or for those responsible for the compilation of the balance of payments of a given country, to check if the external trade figures may or may not be used without amendment.

b) Improvement and repair trade. Goods moving abroad temporarily for improvement or repair are described as the "passive" improvement and repair trade; goods received from other countries are described as the "active" improvement and repair trade. It must be emphasized that goods which will be processed and transformed are not considered to belong to the improvement trade above and that some problems arise in border-line cases when the improvement is so large that it could be confused with an actual transformation.

In the SNA and in the balance of payments, improvement and repair trade is not considered as part of merchandise accounts but as part of service accounts. In spite of the international recommendations which state that repair and improvement trade should be recorded separately and printed as supplementary data to the general merchandise account, all too often, countries do not make these distinctions and include inward and outward movements in this type of trade in their import and export statistics at the full value of the goods. Therefore, it will be

necessary when compiling the national accounts or the balance of payments to check what method has been used by the country and, if necessary, to make the required adjustments.

c) Temporary trade. A large number of various goods can go from one country to another without any change of ownership, with the reasonable expectation of subsequent re-export or re-import within a limited time. Most common types of these goods are:

- (i) tourists' and travellers' effects (including vehicles)
- (ii) race horses and racing cars
- (iii) stallions, bulls, boars, rams, etc. for breeding
- (iv) animals for competitions and exhibitions or those which belong to circuses circulating among different countries
- (v) pictures, sculptures, paintings, samples or goods for exhibitions or trade fairs
- (vi) instruments for research, studies, work, etc. which will be imported or exported for a limited period of time (for example, equipment of itinerant circuses or theaters, TV or movie cameras, apparatus for topography, geodesy, oil research, musical instruments for an orchestra on tour, etc.)
- (vii) returnable samples and returnable packaging
- (viii) goods shipped only for temporary storage
- (ix) vehicles engaged solely in the carriage of goods or passengers between countries (railroad coaches, buses, trucks, aircraft, ships, containers, etc.) under the condition that their incoming or outgoing movement is not limited with the purchase or the sale of these vehicles or containers.

The kind of transaction described above should not be included in the SNA or in the balance of payments as "merchandise" but as a service in the event that a service is performed. However, in order to avoid smuggling, customs services, when registering such temporary movements, will frequently collect duties and taxes when the goods enter the country, and will refund them when customs officers have duly checked the exit of these goods and thus have the proof that the movement was indeed temporary. Since customs practices vary from one country to another, it will again be necessary to examine, at the national level, what adjustments, if any, are necessary.

In this category of goods entering and leaving temporarily, without change of ownership, we can classify direct transit which should be recorded separately and should be excluded from the external trade statistics. Direct transit appears in the national accounts or in

the balance of payments only as transport or handling "services" when the merchandise crosses the country.

In the same way, the transport of merchandise sent by the government of country A to its armed forces or its diplomatic missions stationed in country B is "direct transit" for that part of the transport in country B.

d) Goods for processing. Merchandise may be sent to another country for processing without a change in ownership. Some of these processes are minor and can be carried out within bonded warehouses. Others are more important and are carried out either in bonded factories or by enterprises of the processing country (for instance, wheat processed into flour, crude oil into petroleum products, etc.). In any case, these goods for processing are considered part of the external trade statistics and merchandise to be processed must appear as imports and exports, even if there is no change of ownership. The SNA uses the same definition, but for the balance of payments the International Monetary Fund recommends that these goods for processing be assimilated to those for repair and that only the value added for the service provided be reported.

B. Goods can undergo a change of ownership
without crossing the customs frontier

22. The following cases are examples:

a) Aircraft, ships and other off-shore equipment or apparatus. New and used ships or aircraft purchased by a national company or enterprise or citizen which are used for the transport of passengers and/or merchandise either between the country and abroad or between foreign ports or airports or for the purpose of internal or coast-wise transport between national ports or airports.

These ships or aircraft may be chartered or operated by foreign firms to service the carriage of merchandise and passengers between foreign ports or airports. Nevertheless they become the property of national enterprises or citizens and are assets of the country even if they have not crossed the national customs frontier.

Similarly rigs, derricks or floating platforms come under this same group when purchased by nationals or national firms.

All these ships, aircraft, floating platforms, etc. must be considered imports of merchandise, even if they do not cross the customs frontier and must be included in the external trade statistics, the national accounts and the balance of payments.

However, national practices deviate from international recommendations and appropriate adjustments have to be made when necessary. It should be noted that mere registration of a ship or aircraft is not necessarily a satisfactory criterion in determining ownership,

particularly in the case of flags of convenience.

Naturally, the inverse movements (sales, outward movements) of these ships, aircraft and floating platforms must be considered as exports.

b) Fish caught by domestic vessels. Another kind of good which can change ownership without crossing the customs frontier is fish and other marine products caught and sold to foreign countries by national ships. (As stated above, foreign countries comprise foreign ships.) These sales are exports as defined by the balance of payments and the SNA. However they are not included in the external trade statistics. If the volume of these transactions is important, necessary amendments have to be made.

c) Salvage. Salvage collected and sold abroad by domestic ships follows exactly the same rules established for fish and the recommendations indicated above in b) are to be applied mutatis mutandis.

d) Goods bought (or sold) by diplomatic institutions or armed forces located abroad. As said previously, embassies and military forces abroad are an integral part of their country of origin and not of the country where they are located.

Any purchase (or sale) of merchandise from (or to) abroad is therefore an import (or export) which, in the absence of a customs frontier surrounding them, is completely ignored by the external trade statistics of their own country. This merchandise may come from (or go to) the host country where these armed forces or diplomatic establishments are located. They may also come from (or go to) another country. In this latter case, they would have to be considered as being in direct transit in the host country.

e) Goods purchased (or sold) abroad by national off-shore installations. These goods do not cross the customs frontier and are not included in the external trade statistics. However the SNA and the balance of payments must obviously take them into account. This item will become very important with the increase in the off-shore production of crude petroleum and with the expected development in the exploitation of sea-bed mineral resources.

f) Goods bought but still abroad. This item comprises goods bought abroad but either not yet shipped and therefore still in stock with the seller, or consigned abroad (possibly to a third country) waiting for the new purchaser (national of the reporting country for the SNA or the balance of payments) to decide whether to repatriate them or to sell them abroad, or not yet arrived in the purchasing country since international transport of merchandise frequently spreads over a period of several months. These goods are not included in the external trade statistics of the purchasing country since they have not crossed the customs boundary. However, both the SNA and the balance of payments require that

these transactions be taken into account. The recommendation for the balance of payments is to report these movements not as "imports" but as charges in "domestically owned stocks held abroad".

The SNA indicated that where the external trade statistics are the basis for the national accounts "...it will be necessary to align the other accounts of the system with them. For example, the accounts of industries in respect of stocks of the goods in question should be adjusted to take account of the sales to, and purchases from, the rest of the world of the items which have not yet crossed the appropriate frontier." The SNA indicates also "On the other hand, where the principle of recording exports and imports of all goods at the moment that ownership passes is adopted in the national accounts, it will be necessary to adjust the international trade statistics of merchandise." Such adjustments are very difficult to make, since the necessary information is most often not available to the people responsible for the computation of the national accounts or the balance of payments. If later on, the merchandise purchased abroad, is finally transferred to the purchaser country, it is necessary to make an inverse adjustment in order to avoid duplication. The physical entry of the merchandise may often take place during the year following the date of the purchase thus making adjustments even more complicated.

g) Goods sold abroad but still at home. It is the inverse case of that cited in f) above. The same rules, mutatis mutandis, must be applied in the SNA and in the balance of payments. For instance, in the latter, these transactions will appear in "foreign owned stocks held in the compiling country".

C. The national boundary (and therefore generally the customs border) can be modified without any movement of merchandise.

23. This movement of the frontier can result from a change in the boundaries of the national territory, either by the purchase or conquest of an area previously belonging to a foreign country or by the sale or loss of a part of the national territory. When the territorial changes described above are important (for instance, in the case of Pakistan and Bangladesh) it is likely that all statistical series will be disrupted in such a manner that both in the SNA and in the balance of payments no attempt will be made to explain the transition from one series to another. On the other hand, if changes in the territorial coverage are minor (adjustment of a boundary, transfer of a naval or a military base or of a TV or radio station, etc.) the SNA and the balance of payments do not consider that their series have been disrupted but theoretically changes in the assets of the nation should be explained. A solution could lie in considering that the land and buildings bought or sold and all other goods which are therein located are imports or exports. Obviously, these movements are not recorded in external trade statistics and the necessary adjustment would have to be made on the basis of special surveys, if such changes have to be taken into account in the SNA and in the balance of payments.

24. The purchases (or sales) of lands, buildings (and goods which are attached to them) by diplomatic institutions or by military forces are

examples of the particular case where merchandise is not subject to a physical move, but is transferred from one economy to another by shifting the frontier. This transfer is not recorded in the external trade statistics because firstly there is no customs cordon around the embassies, consulates, armed forces, etc. and secondly even if there were one, the statistics of external trade have been designed within a framework where merchandise and not frontiers is moved and non-movable goods, such as lands, buildings, etc., are not provided for. We should also note that the purchases or the sales of ships, aircraft, floating platforms, etc. also come under the particular case where the transfer of goods from one economy to another is the result of the conventional shifting of the national boundary.

V. RESIDENTS AND NON-RESIDENTS

25. As stated above, the SNA and the balance of payments deal essentially with transactions between residents and non-residents. Within the national economic territory defined as above (i.e. excluding foreign embassies, consulates, armed forces and international organizations but including national embassies, consulates, armed forces based abroad and ships, aircraft and off-shore installations belonging to the reporting country) various economic agents may operate. Some of them are residents, if not nationals, others are considered as non-residents by the SNA and by the balance of payments.

26. We will examine below how the concept of residence affects the definition of the large categories of economic agents of the SNA.

A. Government

All parts of government are considered as residents of the economic territory as defined above.

B. Individuals and households

As concerns individuals and households, the definition of residence is the following:

Residents are all persons living on a lasting basis within the territory.

The following are therefore excluded:

a) Foreign visitors.-- considered as such are all persons in the given country for less than one year, specifically for purposes of recreation or holiday, medical care, religious observances, family affairs, participation in international sport events, conferences and other meetings, and study tours or other student programmes;

b) Crew members of foreign vessels or aircraft docked in the given country or on lay-over;

c) Foreign commercial (business) travellers who are to be in the given country for less than one year; and foreigners who are the employees of non-resident enterprises and who have come to the country for less than one year for purposes of installing machinery or equipment purchased from their employer;

d) Seasonal workers, persons who are, and will be, in the country explicitly for purposes of seasonal employment only and who will leave the country thereafter;

e) Employees of international bodies who are not citizens of the country and are on a mission of less than one year in duration. If their mission exceeds one year they must be considered residents of the host country. It should be emphasized that we are here considering residence from the point of view of the SNA and the balance of payments only. National laws dealing with the juridical status of individuals may be completely different. For instance, a Togolese civil servant of the United Nations working for 5 or 6 years at Headquarters in New York is a resident of the United States of America for purposes of the SNA or the balance of payments, and a non-resident from the point of view of American law.

The individuals enumerated above are to be considered residents of the country in which they normally live, that is have their general centre of interest. Border workers, persons who cross the border between two countries daily or slightly less frequently but regularly, in order to work in one country but live (have their abode) in the other country, are the residents of the country in which they live, not the country in which they are employed. Locally recruited staff working in a foreign embassy located in their own country or civil servants or staff of an international organization are therefore considered border workers.

C. Private non-profit bodies

All private non-profit bodies serving households which are located, or operate, in the domestic territory of a country are resident economic agents of the country. Private non-profit bodies serving mostly enterprises are classified for residence by applying the same rules as for the enterprises.

D. Enterprises

All units engaged in production, distribution, in transactions in land, etc. and settled in the country for at least one year are considered resident enterprises, but not their foreign branches or subsidiaries abroad. The latter are treated as residents of the country in which they operate, because they are considered an integral part of that country's economy. Transactions between other residents of that country and such branches or subsidiaries are considered internal transactions by the SNA and the balance of payments. On the other hand, transactions between the parent enterprises and their subsidiaries abroad or foreign branches are considered external transactions.

Enterprises entering a given country for a period of less than one year, in order to install machinery or to perform work of short duration are not considered residents of that country.

VI. SYSTEMS FOR COMPILING EXTERNAL TRADE STATISTICS

27. The notion of residence described above is not used by customs administrations and therefore is not taken into account in the compilation of external trade statistics. However, an attempt can be made to use some of the special characteristics of the customs systems in order to obtain an estimate of the value of the transactions between residents and non-residents. In order to do this, we should recall to mind the characteristics of the two systems used for recording external trade statistics: general trade and special trade which differ fundamentally in the role played by the customs bonded warehouses and the free areas.

28. The customs bonded warehouse encompasses all the facilities that can hold merchandise under customs control. Goods in "customs bonded warehouses" should not be confused with unclaimed goods unloaded from a carrier and awaiting either customs clearance or entry into warehouse or those awaiting direct transit to another country.

29. The free area is a precisely defined geographical area, access to which is supervised by the customs administrations and into which merchandise of every description (except such as are prohibited by national laws, e.g., arms, drugs, etc.) may enter from abroad without being subject to duty or import controls and from which merchandise of every description may be sent to a foreign destination without being subject to export tax or export controls.

30. Customs bonded warehouses and free areas are used mostly by importers and exporters who have not yet decided the final destination of the merchandise held there -- either re-exportation or entry into the country in which the customs bonded warehouse or the free area is located.

31. The diagram given in annex 3 illustrates the various flows of trade which constitute the two systems and the relationship between them. The statistical territory covered by the special trade system comprises neither the customs bonded warehouses nor the free areas.

32. Special imports comprise:

i) imports "entered directly" from abroad for private or governmental consumption, for use as supplies to industries in their domestic production, for transformation in domestic plants and for re-export without transformation;

ii) imports entered into "customs manufacturing plants" for processing. These plants are processing or manufacturing enterprises whose movements of merchandise of foreign origin used as input and of finished goods as output are strictly under customs control;

iii) goods withdrawn from "customs bonded warehouses" or from "free areas" for the same purposes as described in i) or ii) above.

33. General imports comprise, as do special imports:

i) imports "entered directly";

ii) imports entered into "customs manufacturing plants".

They differ from special imports in that they do not include flow (iii) but do include:

iv) imports entered into "customs bonded warehouses" and "free areas".

34. Special exports comprise:

1. Exports of national goods. These include domestic produce and previously imported foreign goods, transformed by domestic enterprises, sent abroad;

2. Exports from "customs manufacturing plants";

3. Re-exports of previously imported goods (and therefore nationalized) which have not been transformed;

4. Exports, as described in flows 1, 2 and 3 above, from the interior to the "customs bonded warehouses" and the "free areas".

35. General exports comprise flows 1, 2, and 3 described above, do not comprise flow 4 but do, in addition, comprise:

5. Exports abroad from "customs bonded warehouses" and from "free areas".

36. International recommendations for external trade statistics advocate the use of the general trade system. In fact, only this system, on the condition that it is coupled with the definition of partner country as being that of last consignment for imports and that of first consignment for exports, provides the possibility of following a good through all its peregrinations, from the country which produced it to the country which will finally consume it.

37. Unfortunately, on the one hand half of the countries have adopted and are using the special trade system, and on the other hand, a large number of countries do not consider as the definition of partner country, the country of consignment but the country of production or the country of last known destination. Consequently the accurate analysis of the flows of merchandise between countries is actually impossible.

38. In other respects, the preference given to the general trade system in the recommendations for external trade statistics is unfortunate

when data are required, not for the analysis of the flow of merchandise, but for the compiling of the national accounts or of the balance of payments.

39. It is, in fact, mainly within the "customs bonded warehouses" and the "free areas" that resident and non-resident enterprises are intermingled. Actually, enterprises which are engaged in the production or the transformation and thus in the consumption of goods and which are located within the statistical territory covered by the special trade system are considered residents and are easily identified as such. On the other hand, non-resident enterprises, which have not yet decided on the future destination of the merchandise which they are introducing into a given country will consign these goods either to themselves or to other consignees (who may or may not be residents) and will avoid the payment of import duties by entering the goods into customs bonded warehouses or free areas where goods are not subject to duties.

40. The merchandise in the customs bonded warehouses or in the free areas can undergo some minor transformation or handling, the value added of which is generally small. They can, for instance, be bulk-broken, cleaned, repackaged, inspected, etc. These merchandise, without leaving the customs bonded warehouse, or the free area, can change owners several times; the latter may or may not be residents. This is principally the case for raw materials (coffee, wool, cotton, cocoa, wheat, etc.) which are stored near the large specialized world markets.

41. For example, Ghanaian cocoa bought originally by a Dutch firm may be stored in a customs bonded warehouse in London, and without being moved from this warehouse, be sold to a German non-resident enterprise which will sell it in two parts -- one part to a resident British company which will resell it to a resident French firm which will finally send this cocoa to a customs bonded warehouse in Antwerp, Belgium; the other part to a non-resident American company which will remove it from the warehouse for sale to a resident British enterprise. One need only remember that the yearly total of sales of cocoa in the London Market only is several times larger than the total value of the yearly world production of cocoa to be convinced that the above example is not extraordinary.

VII. ADJUSTMENTS NECESSARY TO TAKE ACCOUNT OF THE NOTION OF RESIDENCE

42. With regard to the government sector, no adjustments need be made since the matter of the diplomatic institutions and the armed forces has already been settled by reason of their extraterritoriality. For individuals, the purchases (or sales) of goods by non-residents from residents which are consumed locally, are not included in the external trade statistics. Both the SNA and the balance of payments consider such transactions as "services".

43. For enterprises, the adjustments are different. If the special trade system is used, the number of adjustments will be relatively few. Non-resident enterprises located in the statistical territory covered

by this system are mainly those which entered the country under consideration in order to install or regulate apparatus or equipment which they have sold and sent to the country. It is necessary therefore to adjust the external trade statistics by excluding the goods which these enterprises import for their management and maintenance during their stay in the country. However, it should be pointed out that the transactions which are ascribed to these enterprises do not include goods which are to be incorporated into the equipment or apparatus to be installed; these goods are obviously imports of the country.

44. If the general trade system is used it will be necessary to collect the supplementary data required to take into account only those imports and exports which, at the time of entry into or exit from the customs bonded warehouse or the free area, belong to residents.

45. The guidelines for the SNA recommends also that merchandise which belongs to non-residents, and which has been bulk broken, cleaned, re-packaged, etc. while in the customs bonded warehouse, should be considered as exports. If we bear in mind that improvement trade, which involves a value added considerably larger than that resulting from the simple operations cited above, is excluded from the trade account, but is included in the "services" account, then we may question if such adjustments and if the attributing to the given country of these imports and exports of merchandise for which the added value is minimal, is justified.

46. With regard to imports, the SNA recommends that the imports of goods owned by non-residents, which are to be bulk broken, cleaned, repackaged, etc. also be taken into account. Besides the fact that these transactions, which actually provide only a very small value added for the country where the customs bonded warehouse is located (see above what has been said about exports), contribute only a small share to the "merchandise" account, the possibility of identifying these goods is questionable. It is difficult to ask the non-resident importer what his intentions are with regard to the bulk breaking, the cleaning or the repackaging of the goods when he is entering them into the warehouse. Generally, he does not yet know and will decide only when possibilities to sell locally or to re-export arise.

VIII. MERCHANDISE

A. Movable goods

47. In principle, external trade statistics, the SNA and the balance of payments take into account only movable goods. However, as seen above, the SNA and the balance of payments consider as imports or exports some transactions dealing with non-movable goods (for instance, when a building is bought by a foreign embassy).

B. Gold

48. Gold is both a merchandise and a means of payment. The distinction between the two roles played by gold is not easy to make and consequently international recommendations differ. Until recently, the recommendations for external trade statistics were to include only goldsmiths' wares and to exclude all other forms of gold. Since border-line cases may occur it has been recommended that products in which the value of the gold content exceeds 80 per cent of the total value be considered as gold bullion and not as goldsmiths' wares.

49. In the new revision of the Standard International Trade Classification (SITC, Rev.2) which has been adopted by the Statistical Commission at its last session, and which will be implemented on the 1st January 1976, an important modification has been introduced by creating specific headings for gold ores and concentrates and for non-monetary gold. These new recommendations will permit an easier alignment with those of the SNA and of the balance of payments. Until now, the Brussels Tariff Nomenclature (BTN) made provision for transactions dealing with gold but did not provide any breakdown between monetary and non-monetary gold. Since the BTN is aligned with the SITC, Rev.2 this breakdown will now be made. However, it should be emphasized that despite the international recommendations relating to external trade statistics the actual practice of countries vary from one to another and that the national accountant or the person responsible for the compiling of the balance of payments will have to examine how transactions in gold are actually recorded in his country.

50. The SNA and balance of payments recommendations are to include in "merchandise" trade the purchases and sales of gold ores, unrefined gold for industrial uses. Since gold ingots and bars which are not for industrial use are classed as a financial asset, these sales are included in the exports of the country in order to reclassify the commodity produced in the course of turning out the gold ingots and bars into a financial asset. A large amount of the necessary data for the evaluation of the various movements of gold can be provided by the central banks of the countries.

C. Banknotes and coins

51. Banknotes and coins, when they are still legally in circulation, are obviously means of payment and should not be included in the external trade statistics. However demonetized coins or those newly minted in a specialized plant to be used legally in another country and banknotes which have been printed for the account of another country must be considered as merchandise. Their value naturally will not be the face value but that resulting from the metal or paper used, the costs of engraving or printing and the normal profits. This value should be included in the exports of the country which produced them as well as the imports of the country which will put them into circulation.

D. Electricity, gas and water

52. Electricity, gas and water are considered as merchandise in the external trade statistics, the SNA and the balance of payments. However, experience proves that national practices differ and for this reason it is necessary to check if the international recommendations have been applied and, if not, to make the necessary corrections. Because of the means by which these goods cross the frontier (cables, distribution networks, pipelines, etc.), customs control cannot be exerted in the usual manner and consequently some omissions may occur.

E. Bunkers, stores, ballast and dunnage for ships, etc.

53. The recommendations for external trade statistics are to exclude these kinds of merchandise and to report them separately. The reason given for this exclusion is based on practical grounds. Transactions in this type of merchandise generally take place outside of the customs territory. If an Algerian ship (which is considered, for the SNA and the balance of payments, an integral part of the economic territory of Algeria) is bunkering in Senegal and is buying a part of its ships' stores there this theoretically constitutes an import by Algeria, however such an import will always be ignored by the Algerian customs services and therefore will not appear in the external trade statistics. In the above example, the Senegalese services are in a position to record the export of these products from Senegal if this provisioning takes place in a Senegalese port. This export would also be ignored if made from a Senegalese ship either in a foreign port (for instance, a Moroccan one) or on the high seas. It should be pointed out here that many countries, at least for the exports made in their national ports or airports, report these transactions in their external trade statistics.

54. In the SNA all these transactions must be included in the merchandise account. Special surveys or inquiries have to be made to obtain from maritime, road or air transport companies, these data which are not comprised in the external trade statistics.

55. For the balance of payments all these transactions are considered as services and not as merchandise trade. The recommendations for the external trade statistics are therefore pertinent and adjustments need only be made if these recommendations are not applied or if the data collected for the SNA are used.

F. Fish and salvage

56. As already stated above, fish and salvage are goods which often are traded without crossing the customs boundary. For identical reasons to those given for bunkers, stores, etc., fish, marine products and salvage, when imported by foreign ships or exported by national ships, are excluded from the external trade statistics. However for imports, a large number of countries record fish and salvage imported by foreign ships in national ports as it happens when these fish and salvage are imported by railways, trucks, planes, etc.

57. For the SNA and the balance of payments, the trade in fish and salvage is considered as merchandise trade and therefore external trade data must be adjusted.

G. Migrants' effects

58. External trade statistics do not include them since it would be difficult for the customs authorities to differentiate them from the effects of travelers or tourists considering that an individual, entering as a tourist, may after several days in the country, and therefore only after having crossed the customs border, solicit immigrant status.

59. However for the SNA and the balance of payments, the recommendations are to include these movements as imports or exports of merchandise. If such movements were of significant value, adjustments would have to be made.

H. Parcel post

60. Often countries do not record trade by parcel post, even though this kind of trade is expressly included in the Standard International Trade Classification, SITC, Rev.1 recommended by the Statistical Office of the United Nations. The national accountant or the person responsible for the compilation of the balance of payments will have to check whether or not parcel post is included in the external trade statistics. If it was not, the necessary adjustments would have to be made.

I. Smuggling

61. Naturally, such movements are excluded from the external trade statistics. If smuggling were of significant value as it may be for cattle or the hoof exported or imported in some areas where the customs control is poor or non-existent, it would be necessary to estimate the value of smuggling for the balance of payments and for the national accounts.

IX. TIME OF RECORDING OF THE TRANSACTIONS

62. For the SNA and the balance of payments, transactions should normally be recorded at the moment when the change of ownership of the goods takes place. External trade statistics register them when the goods cross the customs frontier. Important discrepancies may therefore occur. For the balance of payments, the adjustments necessary to align the accounts with the date on which they must be drawn up may be obtained by changes in the "domestically-owned stocks held abroad" or "Foreign-owned stocks held in the compiling country". Such adjustments can only be made by the person in charge of the compilation of the balance of payments.

63. In the same way, for the SNA, stocks of merchandise still with the producer should be adjusted to take account of the sales to, and the purchases from, the rest of the world of the items which have not yet crossed the appropriate frontier.

X. VALUATION

64. For the SNA and for the balance of payments, the exports and imports of merchandise are to be valued at the transaction values on the market, at the precise moment when a transfer of ownership takes place. For external trade statistics, imports and exports are valued at their value at the time they cross the customs frontier. Actually, the customs officers use the invoices (and therefore the value when the ownership was transferred) presented as justificatory documents for determining the value of the imported or exported goods, and consequently for the value reported for external trade statistics.

65. However, in periods of rapid and important price changes, and particularly in the case of general trade when the merchandise has been entered into the customs bonded warehouse and sold only after some delay, significant differences may result. The external trade figures must consequently be modified before being used for the national accounts or the balance of payments.

66. The recommendations for external trade statistics are that the FOB (free on board) value should be used for exports. This value comprises all costs or profits which would normally be paid to the exporting country. This value encompasses: the price of the merchandise; the cost of transporting the goods to the frontier of the exporting country; the insurance premiums on this internal transport; fees and commissions; costs for the preparation of the documents necessary for the completion of the transaction, for the local transport of the goods, for the customs declaration; costs for the packaging and for the handling of the goods; export duties or taxes; charges for loading the goods onto the ship.

67. For imports, the CIF (cost insurance freight) value is recommended. To the FOB value described above, which corresponds to the value of the merchandise when it leaves the exporting country, we must add the freight paid for the transport of the merchandise to the importing country, costs of storage and handling resulting from the transfer of the goods from one means of transport to another, particularly if direct transit is involved, and insurance costs covering all risks involved during transport.

68. The FOB value for exports and the CIF value for imports are recommended by the SNA. For the balance of payments, the FOB value for both exports and imports is used. For balance of payments purposes it is necessary to identify, in the "services" account, the items relating to "freight" and to "insurance" and in these circumstances, to use the FOB value for the "merchandise" account. However when these items relating to "freight" and "insurance" are to be reported, the notion of residents and non-residents will also have to be taken into account. Generally the external trade statistics will be of no use and a special survey will have to be made.

XI. IMPORT DUTIES AND TAXES

69. The amount of taxes and duties paid for the imported goods should appear in the tables of the SNA for the groups of commodities relating to each industry. Consequently the office responsible for the compilation of the external trade statistics is requested to compile also data on the amount of duties or taxes collected when goods are imported. Some adjustments must be made owing to the fact that some goods considered as imports from the external trade point of view may not be so considered from the SNA point of view. Moreover, these taxes and duties can only be grouped in accordance with the required commodity groupings if the goods themselves are classified according to SITC or a system compatible with the SITC, such as the BTN.

XII. CLASSIFICATION

A. Classification by industries

70. If the external trade statistics have been compiled according to the Standard International Trade Classification (and its various revisions) there will be no difficulty in reclassifying the goods by their industrial origin as recommended by the International Standard Industrial Classification of All Economic Activities (ISIC) since a correlation key between the two classifications has been issued by the Statistical Office of the United Nations. This will also be the case when the external trade statistics are compiled according to the Brussel's Tariff Nomenclature (BTN) on the condition that the statistical sub-divisions recommended by the Customs Co-operation Council (CCC) have been used. As a matter of fact, in accordance with agreements made between the Statistical Office of the United Nations and the CCC, a one-for-one correlation has been established between the SITC and the BTN. This correlation has been maintained notwithstanding the revisions which could modify either of the two classifications.

B. Competitive and complementary goods

71. This classification required by the SNA cannot be of an international nature. As already indicated above competitive goods may be either domestically produced or imported; complementary goods are imported only. The composition of these two categories, complementary and competitive goods and services, inevitably differ from country to country. For instance, some countries have coal mines but no oil fields, and the contrary is true for some others. The breakdown between these two categories must be done at the most detailed level of the SITC or of the national nomenclature because groupings at a more aggregated level are not suitable. For example, the grouping "non ferrous metal ores" cannot be used because it may cover copper as well as tin, one of which may be competitive and the other complementary for the country under consideration.

XIII. CONCLUSION

72. It is clear from all that has been said above that, if the external trade statistics are an irreplaceable source of information for the compiling of the external accounts of the SNA or the balance of payments, many adjustments have to be made before using them. A close co-operation is therefore necessary among the statisticians responsible for the compilation of the external trade statistics, of the national accounts and of the balance of payments.

73. At the international level, great efforts have already been made to achieve compatibility and consistency among the three series. Studies are still in progress and undoubtedly, in the coming years, the present international recommendations will be revised in order to improve them even more.

Annex 1

9. EXTERNAL TRANSACTIONS

MILLION NEW CEDIS

	PRESENT SNA				
	1968	1969	1970	1971	1972
EXPORTS OF MERCHANDISE, F.O.B.....	367	413	488	398	588
TRANSPORT AND COMMUNICATION.....	22	27	30	39	54
IN RESPECT OF MERCHANDISE IMPORTS..	...	...	...	...	...
OTHER.....	...	...	...	...	...
INSURANCE SERVICE CHARGES.....	...	...	...	...	...
IN RESPECT OF MERCHANDISE IMPORTS..	...	...	...	...	...
OTHER.....	...	...	...	...	...
OTHER COMMODITIES.....	7	7	6	6	7
ADJUSTMENT OF MERCHANDISE EXPORTS TO CHANGE OF OWNERSHIP BASIS.....	...	...	...	...	...
DIRECT PURCHASES IN THE DOMESTIC MARKET OF NON-RESIDENT HOUSEHOLDS..	...	...	...	...	...
VALUE OF GIFTS SENT ABROAD, NET.....	...	...	...	...	...
1. EXPORTS OF GOODS AND SERVICES.....	396	447	523	443	648
2. COMPENSATION OF EMPLOYEES.....					
3. PROPERTY AND ENTREPRENEURIAL INCOME.	3	5	4	3	5
4. OTHER CURRENT TRANSFERS FROM THE REST OF THE WORLD TO:.....	6	6	14	16	32
A. GENERAL GOVERNMENT.....	5	5	12	12	26
B. OTHER RESIDENT SECTORS.....	1	1	2	4	6
CURRENT RECEIPTS.....	405	458	541	462	685
IMPORTS OF MERCHANDISE, C.I.F.....	318	364	463	458	376
IMPORTS OF MERCHANDISE F.O.B.....	286	323	409	404	334

MILLION NEW CEDIS (Continued)

	1968	1969	1970	1971	1972
TRANSPORT SERVICES ON MERCHANDISE IMPORTS BY NON-RESIDENTS.....					
TRANSPORT SERVICES ON MERCHANDISE IMPORTS BY RESIDENT INDUSTRIES....					
INSURANCE SERVICE CHARGES BY NON- RESIDENTS ON MERCHANDISE IMPORTS..	32	41	54	53	42
INSURANCE SERVICE CHARGES BY RESIDENTS ON MERCHANDISE IMPORTS.....					
OTHER TRANSPORT AND COMMUNICATION SERVICES BY NON-RESIDENTS	29	38	40	43	45
OTHER COMMODITIES.....	22	25	35	36	44
5. IMPORTS OF GOODS AND SERVICES.....	368	428	539	536	465
6. COMPENSATION OF EMPLOYEES.....	53	63	52	55	45
7. PROPERTY AND ENTREPRENEURIAL INCOME					
8. OTHER CURRENT TRANSFERS TO THE REST OF THE WORLD FROM.....	22	20	18	18	18
A. GENERAL GOVERNMENT.....	2	3	3	3	4
B. OTHER RESIDENT SECTORS.....	20	17	15	15	13
CURRENT DISBURSEMENTS.....	444	511	609	609	528
9. SURPLUS ON CURRENT TRANSACTIONS...	-39	-53	-67	-146	158
10. CAPITAL TRANSFERS FROM THE REST OF THE WORLD, NET.....	—	—	—	—	—
11. LESS PURCHASES OF INTANGIBLE ASSETS FROM THE REST OF THE WORLD, NET..	—	—	—	—	—
NET LENDING.....	-39	-53	-67	-146	158
STAT. DISCREPANCY.....	7	7	-14	-10	15
12. NET ACQUISITION OF FOREIGN FINANCIAL ASSETS.....	33	-23	-18	-10	47

STANDARD PRESENTATION, 1972 AND 1973 PROVISIONAL (In millions of SDRs)²

	1972		1973	
	CREDIT	DEBIT	CREDIT	DEBIT
A. GOODS, SERVICES, AND UNREQUITED TRANSFERS...	102.9	-	96.5	-
GOODS AND SERVICE.....	421.4	331.0	544.3	448.5
1. MERCHANDISE ³	330.4	212.2	432.0	313.1
2. NONMONETARY GOLD.....	35.4	-	57.1	-
3. FREIGHT AND INSURANCE ON MERCHANDISE...	30.7	30.3	27.2	44.7
4. OTHER TRANSPORTATION.....	6.7	28.9	5.9	34.8
5. TRAVEL.....	1.3	3.7	1.1	4.4
6. INVESTMENT INCOME.....	3.4	23.7	3.4	24.4
ON DIRECT INVESTMENT.....	...	...	...	...
OTHER.....	...	...	...	...
7. OTHER GOVERNMENT.....	3.8	23.2	3.8	15.6
8. OTHER PRIVATE.....	9.7	9.0	13.8	11.5
UNREQUITED TRANSFERS.....	23.1	10.6	112.5	11.8
9. PRIVATE.....	4.6	7.5	3.2	8.4
10. GOVERNMENT.....	18.5	3.1	9.3	3.4
B. CAPITAL (EXCLUDING RESERVES AND RELATED ITEMS).....	-	43.7	-	50.5
NONMONETARY SECTORS.....	-	83.1	8.9	-
11, 12 DIRECT INVESTMENT AND OTHER PRIVATE LONG-TERM.....	9.0	-	11.2	-
DIRECT INVESTMENT LIABILITIES.....	11.1	-	12.6	-
OTHER.....	-	2.1	-	1.4
13. OTHER PRIVATE SHORT-TERM.....	-	122.4	-	19.9
14. OTHER LOCAL GOVERNMENT.....	-	-	-	-
15. OTHER CENTRAL GOVERNMENT.....	30.3	-	17.6	-
LOANS RECEIVED ⁴	37.6	7.3	26.5	8.9
OTHER LIABILITIES.....	-	-	-	-
ASSETS.....	-	-	-	-

BALANCE OF PAYMENTS YEARBOOK (Cont'd)

	1972		1973	
	CREDIT	DEBIT	CREDIT	DEBIT
MONETARY SECTORS.....	39.4	-	-	59.4
16. PRIVATE INSTITUTIONS.....	12.8	-	-	15.9
LIABILITIES.....	5.7	-	...	...
ASSETS.....	7.1	-	...	...
17. CENTRAL INSTITUTIONS.....	26.6	-	-	43.5
C.18. ALLOCATION OF SDRs.....	9.2	-	-	-
D. RESERVES AND RELATED ITEMS.....	-	68.6	-	58.2
19. LIABILITIES.....	-	16.6	-	1.7
USE OF FUND CREDIT.....	-	16.6	-	1.7
OTHER.....	-	-	-	-
20. ASSETS.....	-	52.0	-	56.5
MONETARY GOLD.....	-	-	-	-
SDRs.....	-	7.0	0.3	-
RESERVE POSITION IN THE FUND.....	-	-	-	5.9
FOREIGN EXCHANGE.....	-	47.2	-	51.4 ⁵
OTHER CLAIMS.....	2.2	-	0.5	-
NET ERRORS AND OMISSIONS.....	0.2	-	12.2	-

¹The figures in the table are believed to be generally consistent with those already published in the Yearbook but they may not have been thoroughly reviewed or discussed with the reporting country. This provisional statement will be replaced in Volume 26 by the definitive standard presentation, with explanatory notes, covering 1969-73.

²Approximate equivalent amounts in Ghanaian new cedis may be obtained by converting the figures at the rate of N/1= SDR 0.7184 (SDR 1= N/1.3919).

³F.o.b.

⁴Including suppliers' long-term credits.

⁵May include amounts appropriate to item 17, but details are not available.

MILLION NEW CEDIS (Cont'd)

	1968	1969	1970	1971	1972
12. NET ACQUISITION OF FOREIGN FINANCIAL ASSETS.....	33	-23	-18	-10	47
A. GOLD AND SDRS	—	—	-12	-6	-13
1. GOLD.....	—	—	—	—	—
2. SDRS.....	—	—	-12	-6	-13
B. CURRENCY AND TRANSFERABLE DEPOSITS.....	3	30	-19	-24	53
C. OTHER DEPOSITS.....	—	-46	11	12	12
D. BILLS AND BONDS, SHORT-TERM.....	3	1	—	—	-4
E. BONDS, LONG-TERM.....	—	-10	-7	—	1
F. CORPORATE EQUITY SECURITIES INCLUDING CAPITAL PARTICIPATION	—	—	—	—	1
1. INCORPORATED ENTERPRISES ABROAD WHOLLY OWNED BY RESIDENTS....	—	—	—	—	1
2. OTHER.....	—	—	—	—	—
G. SHORT-TERM LOANS, N.E.C.....	2	-1	12	-11	2
H. LONG-TERM LOANS, N.E.C.....	2	—	—	—	—
I. PROPRIETORS' NET ADDITIONS TO ACCUMULATION OF QUASI-CORPORATE ENTERPRISES ABROAD.....	—	—	—	—	—
J. TRADE CREDITS AND ADVANCES.....	23	3	-3	19	-6
K. OTHER FOREIGN FINANCIAL ASSETS..	...	...	...	...	...
13. NET INCRRENCE OF FOREIGN LIABILITIES	79	16	35	126	-96
A. CURRENCY AND TRANSFERABLE DEPOSITS	—	-5	-22	-29	-22
B. OTHER DEPOSITS.....	—	7	-16	-22	8
C. BILLS AND BONDS, SHORT-TERM.....	—	—	—	—	—
D. BONDS, LONG-TERM.....	—	—	—	—	—

MILLION NEW CEDIS (Cont'd)

	1968	1969	1970	1971	1972
E. CORPORATE EQUITY SECURITIES, INCLUDING CAPITAL PARTICIPATION	24	—	—	—	—
1. INCORPORATED ENTERPRISES WHOLLY OWNED BY NON-RESIDENTS	...	...	...	...	...
2. OTHER.....	...	...	...	...	...
F. SHORT-TERM LOANS, N.E.C.....	12	11	-33	67	39
G. LONG-TERM LOANS, N.E.C.....	43	13	38	39	39
H. NON-RESIDENT PROPRIETORS' ADDITIONS TO ACCUMULATION OF QUASI-CORPORATE ENTERPRISES.....	—	10	69	31	16
I. TRADE CREDITS AND ADVANCES.....	—	—	-1	39	-176
J. OTHER FOREIGN LIABILITIES.....	—	—	—	—	—