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GEOGRAPHICAL CLASSIFICATION IN
EXTERNAL TRADE STATISTIC

(Note by the Secretariat)

Introduction

1. The Economic Commission for Africa at its last two sessions laid particular emphasis on studies of the different aspects of African trade, such as the nature and extent of intra-African trade and the impact of European groupings on African trade. In order to provide the economists with adequate basic statistical material for their analysis it is inter alia important that the geographical classification used in African external trade statistics be reviewed.

Country breakdowns

2. The geographical classifications used at present in many African countries^{1/} are not sufficiently detailed to provide an adequate basis for intra-African trade studies. It is also difficult to obtain from existing statistics a true picture of total trade between African countries and countries in other continents. Usually two or more countries are grouped together under the heading "other countries" when trade with them is small in value compared with total trade. On account of the great differences in the geographical distribution of trade the contents of the "other countries"

^{1/} Throughout this paper "countries" is used in the sense of "countries and territories".

categories vary considerably from one country to another. Thus the number of countries specified in the geographical lists of all African countries is relatively small.

3. From a strictly national point of view it is natural for a country to specify in its geographical list only the more significant of its trading partners. The extra information obtainable from more detailed geographical breakdowns may not be deemed to justify the extra costs.

4. If, however, our aim is to throw more light upon the intra-African trade relations and the commercial connexions between Africa and countries in other continents, we shall need trade statistics for all African countries based on a minimum standard geographical classification, on the understanding, of course, that countries should be free to use a more detailed list in keeping with their national needs and that they may also contract the data in their national publications if they do not find it worth while to publish the results in full detail.

5. While it is a moot point whether the minimum list should comprise all African countries or only those having considerable trade, the Secretariat proposes that all be specified in the list so as to provide the broadest possible basis for intra-African trade studies.

6. As regards countries in other continents, all those whose trade with Africa is appreciable ought to be specified in the minimum list. In order to arrive at aggregates for important economic groupings it is also necessary to specify separately or to group together countries belonging to the same bloc.

7. A draft minimum standard geographical classification is given in Annexe 1 to this paper.

Definition of territory

8. On this point the reader is referred to document E/CN.14/STAT/L.17, which has been distributed to the participants, and paragraph 10 of which contains the definition recommended by the United Nations Economic and Social Council for use in trade-by-country statistics.

Methods of reporting provenance and destination of trade

9. One of the reasons why the statistics of exporting countries are not consistent with the statistics of the importing countries is that different methods are used for reporting provenance and destination of trade.

10. Three basic methods are used: (1) the production - consumption method, (2) the consignment method and (3) the purchase-sale method. These are defined as follows:

Production-consumption method

The expression "country of origin" or production shall mean, in the case of natural products, the country where the goods were produced, and, in the case of manufactured products, the country where they were transformed into the condition in which they were introduced into the country of import, it being understood that repacking, sorting and blending do not constitute transformation.

The expression "country of consumption" shall mean the country in which the goods will be put to the use for which they were produced, or in which they will undergo a process of transformation, repair, or supplementary treatment, it being understood that repacking, sorting and blending do not constitute transformation or supplementary treatment.

Consignment method

The expression "country of consignment or provenance" shall mean the country from which the goods were originally despatched

to the country of import, with or without breaking bulk in the course of transport, but without any commercial transaction in the intermediate countries (if any).

The expression "country of consignment or destination" shall mean the country to which the goods were actually despatched, with or without breaking bulk in the course of transport, but without any commercial transaction in the intermediate countries (if any).

Purchase-sale method

The expression "country of purchase" shall mean the country in which the seller of the goods carries on his business. The expression "country of sale" shall mean the country in which the purchaser of the goods carries on his business.

Efforts to attain international comparability

11. The best method of recording countries of provenance and destination has been under consideration and discussion at the international level for many years. In this paper it should be sufficient to refer to the recent work of the Statistical Commission of the United Nations in this field.

12. The Statistical Commission, at its seventh session in 1953, noted the conclusion of the expert group that analysis of trade by country of consignment was to be preferred to the two other main systems (viz. country of purchase-sale, and country of production-consumption). "Country of consignment" the group defined, in the case of imports, as 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 export, "country of consignment" was defined as 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.

13. The Commission considered that the conclusion of the expert group on this matter should be drawn to the attention of countries. It was realized, however, that certain countries at present compiled their statistics under one, or in some cases both, of the other two systems. The Commission therefore felt that for the time being it should confine itself to inviting countries to make investigations in order to ascertain whether serious differences in their statistics would result from the classification of their trade by country of consignment.

14. At its eight session, in 1954, the Commission noted that difficulty was being experienced in achieving international comparability in attribution of imports by countries. Attribution by country of consignment, the usefulness of which had been commenced by the expert group, presented a serious problem to countries whose national practices, sometimes based on the Customs law, called for a different system. In addition, certain countries had expressed the view that the wording of the definition of "country of consignment" required further study and clarification. While recognizing the differences in national practice and also concept underlying these inter-related difficulties, the Commission thought that further study of this matter might reveal that the actual differences in the statistics compiled by the various methods of attribution by country were smaller than originally supposed.

15. The Commission also discussed the problem at its ninth session in 1955. It was stated in the report on that session that progress in securing a more uniform statistical treatment of transit trade and re-exports was closely related to the problem of obtaining agreement on the classification of imports by countries of provenance, which, it was considered, must await further developments in the methods used in many countries.

Present position in Africa

16. The table below, which is based on actual data reported by 27 African countries to the UN Statistical Office, shows that there are wide

variations in the practices followed in attributing imports and exports by countries.

17. The generic terms "provenance" and "destination" are used in the table whenever insufficient information is available as to the exact method used by the country.

Imports/Exports	Number of countries
Provenance/Destination	10
Provenance/Consumption	1
Production/Destination	3
Production/Consumption	2
Production/Last consignment	7
First consignment/Last consignment	2
Consignment/Consignment	1
Consignment/Final destination	1
Total	27

18. The reason why only two of the 12 countries which refer their imports to country of production are referring their exports to country of consumption, is probably the fact that correct information are difficult or impossible to obtain. Often exporters are not able to report in which country their goods finally will be consumed.

19. For some countries the geographical distribution of their trade will be almost the same whatever system they use and are able to follow. But for other countries the difference may be appreciable. This applies to countries which at a large extent are purchasing and selling through entrepôt markets.

Conclusion

20. In the absence of internationally valid guidance in the matter, it will probably be difficult for the participants in the seminar to come to an agreement on the best method of reporting provenance and destination of trade, and to recommend its adoption by all African countries.

21. It seems, however, to be important that all countries clearly define the method they are using at present in order that their statistics can be correctly interpreted.

22. At a later stage, when information becomes available under the ECA external trade statistics programme, studies may be undertaken with a view to ascertaining the degree of inconsistency in the statistics of trading partners and revealing the possible causes, among which the application of different methods of determining provenance and destination may prove to be one of the more important.
