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INTERNATIONAL TRADE CLASSIFICATIONS

Standard international Trade Classification (SITC)

(Paper presented by the Statistical Office, United Nations, New York)

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1. Although the search for greater comparability of foreign trade statistics has been going on for a very long time, it was not until the nineteen-thirties that significant developments towards the solution of the problem took place. In 1938 the League of Nations published the report of its Committee of Statistical Experts, "Minimum List of Commodities for International Trade Statistics". The League's "Minimum List" was based on the 1937 revision of the League's "Draft Customs Nomenclature".
2. Since the appearance of the "Minimum List", there have been many changes both in the structure of international trade and in the need of countries, inter-governmental bodies and international agencies for greater international comparability of trade data. Consequently, the third session of the United Nations Statistical Commission recommended that a revision of the League's "Minimum List" be prepared to make it more suitable for the analysis of the current character of international trade, and to make it more appropriate to the increased demand for international comparability. In co-operation with governments and with the assistance of expert consultants, the United Nations Secretariat drew up the 1950 edition of the United Nations Standard International Trade Classification (referred to below as the "original SITC").
3. The original SITC was approved by the Statistical Commission at its fifth session in May 1950 "as a basis for a systematic analysis of world trade and as a common basis for the reporting of trade statistics to international agencies". It consisted of 570 items arranged into 150 groups which, in turn, were assembled into 52 divisions; the divisions were consolidated into 10 sections which served to subdivide the trade aggregate into broad economic classes.
4. By 1960, governments of countries accounting for about 80 per cent of world trade were compiling trade-by-commodity data according to the original SITC, and the major international agencies had adopted it as a basis for the reporting of trade statistics.
5. In many European countries and in an increasing number of countries outside Europe, customs tariff nomenclature is based on the Brussels Tariff Nomenclature (BTN) of the Customs Co-operation Council. This is an internationally

agreed nomenclature in which articles are grouped according to the nature of the material of which they are made, as has been traditional in customs nomenclature. Consequently data based on the BTN have to be regrouped in order to provide economic statistics, since for economic analysis it is necessary that aggregates be available for classes of goods such as food, raw materials, chemicals, machinery and transport equipment and also for groupings of commodities by stage of fabrication and by industrial origin. A detailed key between the original SITC and the BTN, worked out by the Scandinavian countries, showed that the regrouping of BTN data into the form of the original SITC involved numerous subdivisions of BTN items, many of which were not, in themselves, meaningful. Considerable statistical resources were therefore required to regroup, giving rise to serious inconveniences to the developed countries and almost insuperable obstacles to the countries whose statistical resources are limited, when they attempted to use both the original SITC and the BTN.

6. The problem of defining the relationship between the two systems in statistically acceptable terms without detracting materially from the ability of each to fulfill its proper function was the subject of a series of international meetings in the late 1950's. The report prepared in 1959 by a group of experts from countries and inter-governmental agencies convened by the Statistical Office, which was considered by the Statistical Commission at its eleventh session, became, following minor adjustments, the SITC, Revised.

7. The modifications required of the original SITC to a great extent preserved its structure at the "group" (3-digit code) level and above, except for a few revisions which were required to increase the economic usefulness of the classification by taking account of structural changes in external trade since 1950 or to expand the original SITC where the nature of the BTN made this necessary. Most of the principal items (5-digit code) of the original SITC reappear as 4-digit subgroups of the SITC, Revised. By the use, where necessary, of 5-digit headings, a reciprocal one-to-one correspondence was achieved between the SITC, Revised and the BTN. This correspondence permits, inter alia, the precision of definition available for BTN items to be applied directly the SITC, Revised, and provides to countries a system offering at the same time the advantages of an internationally agreed tariff nomenclature and an internationally agreed statistical classification.

8. The 625 subgroups of the SITC, Revised, which, in general, correspond to items of the original SITC, include all commodities of international trade. Of these, 257 are further divided (into 944 subsidiary headings), either to provide additional detail of economic interest or to permit exact correspondence with the BTN. There are thus 1312 basic items in the SITC, Revised. Any of these may be further subdivided or contracted for national use. The subgroups are summarized into 177 groups which provide the data most usually sought in international compilations of external trade statistics. The groups are, in turn, assembled into 56 divisions and the divisions are finally consolidated into 10 sections which serve the same purpose as those in the original SITC.
9. As the result of an initiative taken by the OECD for the revision of that part of the SITC, Revised dealing with Paper, paperboard and manufactures thereof (Division 64), the Statistical Commission, at its fifteenth session, deemed the need for a revision of the entire SITC to be of high priority, and expressed the view that the SITC should be revised at regular intervals, preferably on a ten yearly basis.
10. Changes in the commodity structure of international trade and, in particular, technological progress require, from time to time, changes to be made in the SITC, and, after almost a decade of continuing and growing use, revision of the SITC, Revised is currently being undertaken by the Statistical Office for consideration by the Statistical Commission at its seventeenth session in 1972.
11. The main objective of the revision of the SITC is an improved classification which will reflect the current pattern of international trade while at the same time retaining a correlation with the Brussels Tariff Nomenclature and preserving continuity with the past. A further objective is to provide a statistical classification useful for a variety of analytical purposes and for linking to other classifications such as the International Standard Industrial Classification.

Classification by Broad Economic Categories (BEC)

12. The thirteenth session of the Statistical Commission of the United Nations, having recognized the growing need for international trade statistics analysed by broad economic categories, recommended that data on large economic classes, distinguishing food, industrial supplies, capital equipment, consumer durables and consumer non-durables, should be compiled for each reporting country and for the world and principal regions. This would supplement the summary data already compiled on the basis of the sections of the Standard International Trade Classification (SITC), Revised, and would facilitate the economic analysis of world trade.

13. In compliance with this recommendation, the Statistical Office of the United Nations prepared a Classification by Broad Economic Categories (BEC), successive drafts of which were considered by the fourteenth and fifteenth sessions of the Statistical Commission and were referred back to the Statistical Office for further study and consultation.

14. The principal and fundamental objection of a number of members of the Statistical Commission to these early drafts of the BEC was that a number of important commodities, which had alternative end-uses, were each allocated to two or more headings of the BEC. Under the proposed system, countries were to be asked to supply estimates of the proportions of their imports of these commodities which fell into each BEC category. Serious reservations were expressed as to whether it would be possible to calculate proportions which were reasonably reliable for a number of the specified commodities and it was felt that estimation would be extremely inaccurate and time-consuming, and would be impossible to do for exports. The final version of the BEC requires that each of the commodities which were previously allocated to more than one BEC category, be allocated entirely to one BEC category. This was done by including special categories in the BEC structure for two selected dual-use commodities (motor spirit and passenger motor cars) of major importance in international trade and by providing for each of the other dual-use commodities to be allocated uniquely to one BEC category according to its major end-use.

15. The broad purposes of the BEC are, firstly, to provide a classification for use by the Statistical Office for the summarization of data on international

trade and, secondly, to develop an international classification to serve as a guideline for national classifications of imports and exports according to broad economic categories. More specifically, the BEC is designed to serve as a means for converting data originally compiled according to the SITC, Revised, which, as it stands, is not entirely suitable for analysis by end-use, to meaningful aggregates for purposes of economic analysis of the uses to which goods are put, based on concepts of the System of National Accounts (SNA).

16. It is not possible to formulate a classification of external trade statistics that will be in complete alignment with the particular end-use to which articles are put in specific instances, chiefly because many commodities recorded in external trade statistics may be put to various uses. Accordingly commodities are, in general, allocated to the categories of the BEC on the basis of their main end-use. Subject to this limitation, an important objective of the BEC is to provide categories which, as far as practicable, can be aligned with the basic classes of the SNA: capital goods, intermediate goods and consumer goods.

17. The BEC is comprised of nineteen categories which are designed to meet not only the views of the Statistical Commission, individual countries and international organizations, but also to provide elements in the classification which would enable users to obtain aggregates as comparable as possible with those for the three basic classes in the SNA. Each category of the BEC is defined in terms of divisions, groups, subgroups and items of the SITC, Revised. The SITC, Revised is used to define the content of the BEC categories because most countries (about 110) compile their trade statistics for international use in essentially the full detail (5-digit level) of the SITC, Revised. This is also true of those countries which use for customs purposes the Brussels Tariff Nomenclature (BTN) with which the SITC, Revised is compatible. The revision of the SITC, Revised, now in process may provide an opportunity for new breakdowns which would help to make more precise the content of certain BEC categories in the future.

18. The BEC is not intended to interfere with or supersede a classification which is more compatible with the internal system of any country. However, it is proposed that, in order to facilitate international comparison by end-use, the nineteen categories and the three derived classes of the BEC - capital goods, intermediate goods and consumption goods - be recognized internationally as a useful classification for all commodities traded internationally. Many countries will, undoubtedly, utilize the BEC for national purposes as a supplement to existing classifications.