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EXTERNAL TRADE STATISTICS

SUMMARY OF THE COMMENTS RECEIVED FROM VARIOUS COUNTRIES  
REGARDING THE REVISED DRAFT CLASSIFICATION BY BROAD  
ECONOMIC CATEGORIES

Report of the Secretary-General

1. The revised "Draft classification by broad economic categories" (BEC) (ST/STAT/18), which was requested by the Commission at its fourteenth session, was completed in September 1967. It was then circulated to selected countries and international organizations with a letter asking for comments. Comments have been received to date from Argentina, Australia, Bermuda, Canada, Czechoslovakia, France, Federal Republic of Germany, Hungary, India, Japan, Panama, Philippines, Sweden, United Arab Republic, ECLA, FAO, IBRD and GATT. It is probable that many of the important countries which did not reply felt that their previous comments had been adequately taken into account in the revised version of the BEC.
2. A number of the replies indicated that the revised BEC draft (E/CN.3/382), represents a considerable improvement on the previous BEC draft contained in the Commission's fourteenth session document (E/CN.3/341). In particular, countries were pleased to see the inclusion in the revised draft of separate categories at the broadest level for "fuels and lubricants" and "transport equipment", and the elimination of certain subdivisions made at lower levels in the previous draft (e.g., the distinction between "finished" and "semi-finished" within "food and beverages" and "industrial supplies", and the subdivision of "industrial supplies" into those of "agricultural origin" and those of "non-agricultural origin").

3. It was stated in one reply that although the primary purpose of the BEC was its use by the International Trade Statistics Centre for publishing international comparisons of external trade data, it was thought that considerable interest might develop in using the classification as a framework for publishing trade and production statistics. Several countries felt that the revised BEC draft permits an adequate rearrangement of import data for analytical purposes.

4. It was, however, pointed out in one reply and implied in others that the classification is biased towards the trade of developed countries. The point was made that many commodities which are classified as industrial supplies in the BEC are used directly for household consumption in some developing countries (e.g., wheat, rice and coconut oil). It was also stated that in an hotel-oriented economy a significant proportion of the commodities classified in the BEC as food and beverages for household consumption would, in fact, be intermediate goods.

5. The question was raised in one reply as to how precisely end-use could be specified, and doubt was expressed in another as to whether the summary allocations which have been made in defining the BEC in terms of the Standard International Trade Classification (SITC), Revised, would be satisfactory for identifying the three basic classes of national accounts: capital goods, intermediate goods and consumer goods. One country pointed out that it bases its relevant work for national accounts on much more detailed national commodity classifications for both industrial and foreign trade statistics. However, the SITC, Revised, was used to define the content of the BEC because most of the countries (about 110) supplying data to the Statistical Office of the United Nations compile their trade statistics for international use in essentially the full detail (five-digit level) of the SITC, Revised (E/CN.3/382, para. 4).

6. Concern was expressed that emphasis in the BEC was placed on consumption and intermediate goods. The point was made that of the nineteen BEC categories only two referred to capital goods, namely, "machinery" and "transport equipment", and that "machinery" includes such commodities as nuclear reactors together with commodities of little importance. It was further pointed out that, in developing countries, great importance is attached to the analysis of capital formation and the international flow of machinery and equipment.

7. The comment was also made that although the BEC may be a starting point for classifying external trade data according to the same categories as production and consumption, it would perhaps be more useful to align it more closely with the new SNA (e.g., by transferring tobacco from "industrial supplies" and "non-durable consumer goods" to BEC, category I, and renaming category I "food, beverages and tobacco"). It should be noted that the rearrangement of the nineteen BEC categories (E/CN.3/382, para. 20) provides aggregates for capital goods, intermediate goods and consumption goods; at this level, the BEC is aligned with the SNA.

8. The need for some of the suggested subcategories in their present form was questioned by some countries. It was stated that category I as it now stands is not economically significant. It was therefore suggested that category I should be confined to those commodities in a form used mainly for human consumption, and that category II should include a subcategory of material for food. It was also recommended that the subdivision of category VII into "primary" and "processed" should be deleted because of the relative unimportance of the total trade in "primary" commodities covered by this item.

9. On the other hand, several replies suggested more detailed breakdowns of the BEC which would bias the classification towards a specific sector of the economy or which would make it necessary to define the content of the BEC in terms other than those of the SITC, Revised (e.g., by extending the proposed categories to include one for "services").

10. Although the Food and Agriculture Organization of the United Nations (FAO) recalls the discussions at the last session of the Commission, which pointed out that subdividing "industrial supplies" into those of "agricultural origin" and those of "non-agricultural origin" did not lead to categories of particular economic significance, it has asked the Commission to reconsider this question and recommend that BEC categories II-A and II-B should be further subdivided into these two subcategories.

11. The Economic Commission for Latin America (ECLA) has stated that it "will probably revise the CUODE (Clasificación del Comercio Exterior según Uso o Destino Económico) to adapt it to the new classification [BEC] once it is adopted by the Statistical Commission at its fifteenth session". It has suggested that a purely

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numerical system of notation for categories as well as for groups and subgroups should be substituted for the Roman numerals and letters of the present version of the BEC, which it finds rather cumbersome.

12. A question was raised in one reply concerning the classification in categories IV-A, V-A and V-C of machinery and transport equipment which is imported in the form of knocked-down or unassembled components of a complete piece of equipment. It was pointed out that, in some developing countries, these goods flow directly to "assembly" industries and should therefore be classified as intermediate goods. However desirable this may be in principle, it is not possible in practice because the BEC is defined in terms of the SITC, Revised; and in the SITC, Revised, complete unassembled or disassembled machinery or transport equipment is classified as if it were assembled.

13. Attention was drawn in some replies to the fact that the classification into capital goods, intermediate goods and consumption goods in the national accounts of countries would deviate from the groupings in the BEC. However, the BEC was intended neither to interfere with nor to supersede a classification which is more compatible with the internal statistical system of any country (E/CN.3/382, para. 21).

14. The problem of classifying consumer goods into durable and non-durable categories was also taken up in some of the replies. It was questioned whether an economically meaningful class of commodities is obtained if the individual products are classified exclusively on the basis of durability. The point was made that in the BEC it is the durability of the goods which is primarily taken as a basis for classification; consequently, goods of long durability but relatively low value, such as cutlery and woodenware, are classed in the same category with goods of long durability and high value, such as motor vehicles, furniture and household appliances; at the same time, goods of high value and relatively long durability, such as fur clothing, are classified as non-durable consumer goods. It was suggested that both value and durability should be taken into account in determining whether a commodity is durable or non-durable, in order to ensure that only goods of long durability and relatively high value will constitute the category "durable consumer goods". It should be noted that durable and non-durable consumer goods in the BEC were classified according to the definitions stated in paragraph 15 of E/CN.3/382. Furthermore, "fur clothing

(not including headgear) and other articles made of furskins; artificial fur and articles thereof" (SITC, heading 842), was classified as non-durable because it includes not only fur clothing, which may or may not always be of high value and long duration, but also artificial fur and articles thereof, which are of a relatively lower value and shorter duration.

15. The difficulty of supplying estimates of the distribution among end-use categories of the twenty-six commodities set out in annex II of E/CN.3/382 was emphasized in many of the replies. Attention was drawn to the fact that the objections raised to this procedure in the discussions during the fourteenth session of the Commission are still relevant. Serious doubt concerning the validity of allocating products to two or more categories was expressed by one organization, which feared that this double allocation would make it difficult to use the trade networks established according to this scheme and impossible to reconcile the import and export figures for a given trade flow. Serious reservations were expressed by several countries as to whether it is possible to calculate proportions which are reasonably reliable for a number of the specified commodities. It was felt that, for a number of the items concerned, it would probably never be possible to determine precisely such proportions, and that a great deal of effort would generally be required in order to obtain estimates that would be sufficiently reliable to be useful. It was indicated that in many countries data from which to derive such proportions are non-existent or, at best, incomplete, and it was believed that the Statistical Office would, in many instances, receive only crude apportionments or perhaps mere "intelligent guesses". The danger of using the same proportions from year to year was also pointed out.

16. Several countries felt that annual information on these proportions was an excessive requirement since the providing of these estimates would entail a large amount of research and that, in order to lessen the burden on Governments, consideration should be given to the possibility of limiting the request for annual reporting of estimated proportions to those important goods which could be expected to show significant changes in intended use over the short term. It was suggested that the choice of the goods to be reported on annually or at more extended periods should be left to each individual country.

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17. Attention was also drawn to the fact that most countries can estimate the shares of the total supply of particular commodities assignable to certain uses, but that these shares are not necessarily applicable to imports - in fact, imports are likely to constitute a special part of the total supply. The Statistical Office has already been advised by one country that since its calculations in the national accounting of the end-use of commodities refer to total consumption and not to imports only, the estimates it will provide will be based on these calculations.

18. One comment indicated that the twenty-six commodities which it is proposed to apportion among more than one economic category are of two kinds: (a) those which consist of one fairly homogeneous kind of commodity or group of commodities, which in identical or substantially the same form can have different end-uses, and (b) those which cover a more heterogeneous range of commodities. In connexion with commodities of type (a) above, an important point was made concerning "motor spirit (gasoline and other light oils for similar uses, including natural gasoline)" (SITC, heading 332.1), and "passenger motor cars (other than buses or special vehicles), whether or not assembled" (SITC, heading 732.1). It was considered that it is not practicable to determine the proportions of imports of these two items destined for industry and household consumption with reasonable accuracy without undertaking extensive special surveys, and it was believed that the results achieved would not justify such efforts. It was agreed, however, that neither of these two items could reasonably be allocated wholly to one end-use. In these circumstances, it was considered that the only satisfactory treatment was not to attempt either to allocate these commodities wholly or to split them. It was accordingly recommended that: (a) the distinction between "for industry" and "for household consumption" within categories III and V should be eliminated, or (b) the distinctions "for industry" and "for household consumption" for these two categories should be retained, except in the case of motor spirit and passenger motor cars which might be classified in two additional subcategories as follows:

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III. Fuels and lubricants

A. Primary

- (i) For industry
- (ii) For household consumption

B. Processed

- (i) For industry
- (ii) For household consumption
- (iii) Motor spirit (dual use)

V. Transport equipment

- A. Transport equipment for industry
- B. Parts and accessories
- C. Transport equipment for household consumption
- D. Passenger motor vehicles (dual use)

19. It was also considered that a number of commodity items, particularly among BEC category I, that have been allocated wholly to one category, are important examples of commodities with dual uses. For this reason, it was suggested that category I be treated in the same way as categories III and V; i.e., either the distinction between "for industry" and "for household consumption" should be deleted, or additional categories should be created as follows:

I. Food and beverages

A. Primary

- (i) For industry
- (ii) For household consumption
- (iii) Selected important commodities with dual uses

B. Processed

- (i) For industry
- (ii) For household consumption
- (iii) Selected important commodities with dual uses

20. One country, in conformity with the Commission's request, has already supplied the Statistical Office with a breakdown of the twenty-six specified commodities into the relevant percentage shares based on its import figures for the year 1966.

21. The problem of applying the BEC to exports was also taken up in some of the comments made. One reply expressed the opinion that it is presumptuous for the exporting country to specify end-use and that classification of a country's exports by end-use has little relevance to any type of analysis. Another reply pointed out that obviously the proportions used for apportioning countries' imports of the twenty-six split commodities among different categories

would not necessarily be suitable for apportioning their exports; and it was likely that it would be even more difficult to make reasonable estimates of proportions of exports going to different uses than it would be for imports, since countries would have much less information about the uses for which their exports are destined than about their imports. It should be noted that no estimated proportions for exports are requested (E/CN.3/382). These can be derived by computer from the reported estimates for imports of partner countries weighted by the related trade flows available in the "data bank" of the International Trade Statistics Centre.

22. In addition to the foregoing comments, a number of detailed comments and suggestions were made. For the most part, these were concerned with the classification of individual SITC headings. One organization felt that a further review of the classification of SITC headings into broad economic categories might be useful. While these detailed comments will undoubtedly be helpful to the Statistical Office, it was not considered necessary to include them in this brief description.

#### Conclusions

23. The Commission will wish to thank those countries and organizations which have sent comments on and suggestions for the revised "Draft classification by broad economic categories" (E/CN.3/382).

24. The Commission may wish to recommend that the comments contained in E/CN.3/382/Add.1 should be studied in connexion with a final revision of the BEC.

25. Finally, the Commission may wish to ask the Secretary-General to revise the BEC in the light of the comments received and its own discussions, and to publish the revised edition.

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