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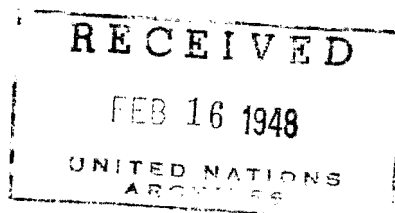
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HISTORICAL BACKGROUND OF THE DEVELOPMENT OF
MINIMUM LISTS FOR INTERNATIONAL TRADE



/HISTORICAL

HISTORICAL BACKGROUND OF THE DEVELOPMENT OF
MINIMUM LISTS OF COMMODITIES
FOR INTERNATIONAL TRADE

Historically international commodity classification dates back to the Brussels Convention of 1913. Embryonic ideas on the subject emerged, however, as early as 1900 when an International Customs Conference held in Paris made a recommendation for the development of a common statistical classification covering the most important items of international trade.

From that time to the present, this subject has held the attention of many committees and conferences. In discussing these, there will be some deviation from a strict chronological sequence, in order to present, as a whole, the accomplishments of a given committee or conference. Therefore, reports will be considered in the following sequence:

(1) Brussels Convention, 1913; (2) League of Nations International Conference relating to Economic Statistics, 1928; (3) Draft Framework for a Customs Tariff Nomenclature, and Draft Customs Nomenclature, League of Nations (1928, 1931, and 1937); (4) Minimum List of Commodities for International Trade Statistics, League of Nations (1931, 1933, 1934, 1935, 1936, 1938, and 1939); (5) Conference of British Commonwealth Statisticians, 1935; (6) Convertibility Index for Foreign Trade Statistical Classifications of the American Nations, Inter American Statistical Institute, 1945; (7) Resolutions passed by the Inter American Statistical Institute Conference, 1947; and (8) Report of the United Nations Statistical Commission to the Economic and Social Council, second session, 1947 (document E/577).

1. Brussels Convention, 1913

Prior to the Brussels Convention of 1913, an International Statistical Conference was held there in 1910, at which time a tentative classification of commodities was drawn up and submitted to the participating Governments.

In 1913, twenty-nine nations held a Convention Respecting the Compilation of International Commercial Statistics and adopted a Common Nomenclature of Merchandise composed of five main headings and 186 sub-divisions. With the exception of food and beverages, live animals and gold and silver, this classification divided commodities by stage of production between raw or simply prepared and manufactured articles.

Provision was made for this classification to be ratified; to insure publication of statistics based on the classification, the

/Bureau

Bureau International de Statistique Commerciale was established at Brussels. This Bureau was made responsible for the collection, co-ordination, and yearly publication of statistical information furnished by countries regarding their export and import trade.

Eighteen nations ratified the Convention.

2. International Conference Relating to Economic Statistics, League of Nations, 1928

The Conference noted that a customs tariff nomenclature was in process of preparation and that trade statistical nomenclature is usually based on the customs tariff classification of a given country. Therefore, it was recommended that when work on the tariff nomenclature was sufficiently advanced, the Committee of Statistical Experts should draft a minimum nomenclature for trade statistical purposes. It was further recommended that until a standard statistical nomenclature for external trade was prepared and adopted, countries which ratified the Brussels Convention of 1913 should continue to furnish the Brussels International Statistical Bureau with information based on that classification.

3. Draft Framework for a Customs Tariff Nomenclature and Draft Allocation of Goods to the Various Chapters of the Framework, League of Nations

A. 1928 Report

At the World Economic Conference held in May 1927, it was recommended that the Council of the League of Nations initiate the drawing up of a systematic customs tariff nomenclature. The Council, in turn, gave the assignment to the Economic Committee which appointed five experts to consider principles for constructing the framework of a customs tariff nomenclature and to make recommendations regarding further steps to be taken to introduce order, simplicity, and uniformity into such a nomenclature.

This Sub-Committee of Experts for the Unification of Customs Tariff Nomenclature prepared a preliminary draft framework, which was drawn up with certain principles in mind. Two of the more important of these were (1) the amount of work done in transforming raw materials into semi-manufactured or finished products, and (2) the grouping of commodities of the same kind in one section or chapter.

The Economic Committee of the League circulated this draft framework for comments, and these were considered by the Sub-Committee early in 1928. The Draft Framework for a Customs Tariff Nomenclature as published in the June 1928 report was considered to be in final form and consisted of twenty-one sections and eighty-six chapters.

/B. 1931 Report

B. 1931 Report

After the Draft Framework for a Customs Tariff Nomenclature was established as final in 1928, the Sub-Committee of Experts began work on the distribution within the framework of goods entering into international trade. The bases used for this distribution, taken into account either separately or together, were as follows: origin; process of manufacture; degree of workmanship; economic importance; in some cases, nature of packing; and, in exceptional cases, destination.

The result of this work was the Draft Allocation of Goods to the various Chapters of the Framework published in 1931. The list contains main or basic items, secondary, and sometimes tertiary or quaternary items. In the opinion of the Sub-Committee, use of the principal items (approximately 1,000) should be compulsory. Use of the sub-items should not be obligatory, but combinations or additional sub-divisions should be made within the framework and within certain limitations set down by the Sub-Committee.

C. 1937 Report

The Draft Customs Nomenclature (1931) was distributed in 1932 to the various Governments for examination. Seventeen nations submitted comments which were reviewed by the Sub-Committee of Experts. The resulting final form of the Nomenclature was published in 1937 in two volumes, the first containing the Nomenclature and an Alphabetical List of Products, and the second presenting Explanatory Notes on the nomenclature.

4. Minimum List of Commodities for International Trade Statistics,
League of Nations

A. Committee of Statistical Experts Report, 1931

The first meeting of the Committee of Statistical Experts was held in 1931 for the purpose of considering certain questions referred to it by the 1928 International Conference relating to Economic Statistics. Some of the proposals suggested in this Committee's report were (1) the conduct of an experiment in recording external trade statistics by country of origin, consignment, purchase, etc.; and (2) the appointment of sub-committees to consider a number of technical problems.

One of these Sub-Committees was asked to prepare a minimum list of commodities for external trade statistics using as a basis the Draft Customs Nomenclature, and also to draft principles for determining the relationship of a commodity classification for trade statistics to commodity classifications in other fields and to industrial and occupational classifications.

/B. Committee

B. Committee of Statistical Experts, 1933

At its meeting in 1933, this Committee decided that the results of the experiment in recording certain commodities by countries of provenance and destination were of limited value, due partially to excessive latitude in choice of commodities and to the difficulty of matching import and export records.

The Sub-Committee of Experts for the preparation of a Minimum List of Commodities for International Trade Statistics, which was appointed in 1931, had asked its Chairman, Mr. E.D. Durand, to prepare a first draft. This draft was circulated to the Sub-Committee members for comments, after which revisions were made.

Then the Minimum List was submitted to the Committee of Statistical Experts, which approved it provisionally. The Sub-Committee was given permission to make minor changes on the basis of suggestions made by the main Committee, and was instructed to send the List to the Sub-Committee for Customs Nomenclature with a view to reaching some agreement with that Sub-Committee. It was further decided that, whether or not such agreement was reached, the List should be distributed to the contracting Governments by June 1, 1934.

C. Minimum List of Commodities for International Trade Statistics, 1934

As a result of its 1933 solicitation, the Committee of Statistical Experts received, from its own members, such a volume of comments on the Minimum List that an extra session was held in order to consider them. This was deemed necessary so that the List would be ready for distribution to Governments by June 1, 1934.

The Sub-Committee of Experts for the Unification of Customs Tariff Nomenclature submitted preliminary views on the List stating that no major changes in the framework of the Customs Nomenclature could be made; that the aims of the two lists were different; and that both should be adopted.

The Minimum List, as circulated in June 1934, contained eighteen sections, fifty-three chapters, 443 primary items, and 691 items plus sub-items. In general, the List represented a combination and re-arrangement of the items in the Customs Nomenclature.

The List was prepared with certain general principles of commodity classification in mind, though it was the consensus that no single principle should be the sole or dominant one used. The important ones considered were:

1. Nature and origin of the commodity or of its basic material
 - (a) The natural kingdom under which the basic material of
/the commodity

F. Minimum List of Commodities for International Trade, 1938

In 1938, the Minimum List was revised because of a 1937 revision of the Draft Customs Nomenclature on which the List was based. Changes in the List were kept to a minimum, the majority being in the references to the Draft Customs Nomenclature.

At the time of this report, twenty-five nations were using the Minimum List.

G. Committee of Statistical Experts, 1939

A few additions and corrections to the 1938 Minimum List were published in the 1939 report. At that time, thirty-one countries, as well as certain dependencies of the British Empire, were preparing statistics according to the List.

5. Conference of British Commonwealth Statisticians, 1935

Events leading up to the Conference of British Commonwealth Statisticians in 1935 may be traced back to recommendations made by the Dominions Royal Commission of 1911-1917 concerning the lack of comparability in Commonwealth statistics. The Imperial War Conference, 1918, reaffirmed these resolutions and called a Statistical Conference for 1920 at which Commonwealth statistics were comprehensively reviewed. In addition, resolutions regarding requirements and practice in trade statistics were made.

In 1923, an Imperial Conference instructed the Board of Trade of the United Kingdom to prepare a detailed scheme of Commonwealth trade statistics, but little progress was made on this assignment. As a result, in 1926 another Imperial Conference recommended that a meeting of Commonwealth statisticians be held. Similar suggestions were made by Imperial Conferences of 1930 and 1932, and by the Committee on Economic Consultation and Co-operation in 1933.

After repeated postponement, the Conference of British Commonwealth Statisticians was assembled in 1935. The agenda contained items on uniformity of statistical classifications including commodity classification, the preparation of summaries of external trade in accordance with the agreed classification, and statistics on the origins and destinations of important articles of Empire trade.

Twenty committees were set up to consider various aspects of statistical work. Some of these were on:

Uniformity of Statistical Classifications (Commodities, Industries, and Occupations)

Classification of Commodities in Trade Statistics

Sources of Imports and Destination of Exports

Valuation of Imports and Exports.

/An important

An important resolution made by the first of these was to the effect that commodities should be classified on similar lines in statistics of external trade, production, prices, etc.

The Committee on the Classification of Commodities in Trade Statistics endorsed the principles of such classification, as stated by the League of Nations, and considered its items generally satisfactory for the reporting of British Commonwealth trade statistics.

The Committee on Sources of Imports and Destination of Exports approved the League's recommendation that auxiliary trade statistics recording countries of origin of thirty-five specified commodities should be compiled.

Regarding the Valuation of Imports and Exports, a resolution was adopted to the effect that it would be helpful if the aggregate value of imports could be sub-divided according to broad groups of commodities.

The Conference suggested that the Statistical Abstract for the British Empire should include trade of the United Kingdom, Dominions, and India in thirty-five leading groups of commodities. The detail of the League's Minimum List was also recommended for inclusion in the Abstract.

6. Convertibility Index for Foreign Trade Statistical Classifications of the American Nations - Basic Classification Scheme Showing Detailed Export and Import Commodity Descriptions by Classes of the Minimum List of Commodities for International Trade Statistics, Inter American Statistical Institute, 1945

This Basic Classification Scheme of the Inter American Statistical Institute published in 1945 is a forerunner of a series of national indexes for converting foreign trade statistics of each of the American nations into a common classification pattern for international comparison. Since the majority of articles entering into the trade of American nations appear in the foreign trade of the United States of America, the terms in this volume (approximately 55,000) were taken largely from United States of America export - and some from her import - statistical lists.

The completed Convertibility Index will consist of:

- (1) A preliminary Basic Classification, with detailed listings of the commodity descriptions (inclusion terms) under each classification group to insure uniformity of interpretation in the coding and classification processes.
- (2) A national convertibility index, prepared by each American nation from its own classification to the Basic Scheme, unless it adopts the Basic Scheme.

/(3) A revised

(3) A revised Basic Classification Scheme, prepared after several years by the I.A.S.I., and containing as complete a coverage as possible of the names of all commodities traded in the Western Hemisphere.

(4) Continuing revisions in the Basic Classification Scheme to keep abreast of broad international needs.

The Basic Classification Scheme, which is the first part of the Convertibility Index, was based on the 1938 Minimum List of Commodities of the League of Nations because the latter had been widely used and was the outstanding effort toward the creation of an international foreign trade classification for statistical purposes. Some modifications in the Minimum List headings were made.

In coding the items in the Basic Scheme, the recommendations set forth in the Draft Customs Nomenclature, 1937, were followed. United States of America experts were consulted on difficult cases; and finally a conference to discuss accumulated problems was held by the professional staff of the I.A.S.I. and technicians of the Economic, Financial and Transit Department of the League, under whose guidance the Minimum List was developed.

The primary purpose of this Basic Scheme is to assist countries in building national convertibility indexes from their own trade classification to the Basic Scheme. In addition to the classification scheme, there was published in the same volume a suggested method of preparing a national convertibility index, a summary of the status of foreign trade classifications in the American nations, and details of the modifications made in the Minimum List.

7. Resolutions of the Inter American Statistical Institute, 1947

At its first session held in Washington, D. C., September 1947, the Inter American Statistical Institute adopted a number of resolutions, some of which are pertinent.

A. Resolution 30. Foreign Trade Statistical Classification

At the I.A.S.I. meeting on foreign trade statistical classification, opinion favoured the application of the Minimum List of Classification of Foreign trade by all American nations. It was therefore recommended that the Executive Committee of the I.A.S.I. consider establishing a technical section for the purpose of "(1) establishing, developing, and perfecting of the Basic Classification Scheme of Foreign Trade; (2) the preparation and co-ordination of national convertibility indexes; and (3) the preparation of a general nomenclature in Spanish which will embrace the over-all contents of said indexes".

/B. Resolution 31.

B. Resolution 31. Foreign Trade Statistical Practices and Definitions

The Institute considered that in attempting to secure comparability of American nations, foreign trade statistics, there should be adopted not only a common classification of commodities but also uniform practices and definitions in other elements of export and import statistics. To accomplish this, it was recommended that, with a few exceptions, definitions and standards as presented in "Methodology in Foreign Trade Statistical Practices in the Americas" by Santiago Woscoboinik be adopted. This study, to a large extent, advises the use of proposals made at the 1928 International Convention.

Another resolution stated that "the Basic Classification Scheme of the I.A.S.I. should be adopted as the principal scheme or as a complementary conversion scheme for the classification of commodities in foreign trade statistics".

8. Report of the Statistical Commission to the Economic and Social Council, United Nations, 1947

Another recent development in the field of commodity classification for international trade is an assignment given by the United Nations Statistical Commission (September 1947) to its Committee on Statistical Classification. This Committee was asked to make recommendations for the standardization of the classification of commodities entering into external trade, taking into account the work previously done in this connection by the League of Nations and other international organizations. The Committee is currently working on this assignment and expects to have a preliminary draft available for distribution early in 1948.

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