Geneva, December 12th, 1933.

LEAGUE OF NATIONS

COMMITTEE OF STATISTICAL EXPERTS

REPORT TO THE COUNCIL
ON THE WORK OF THE SECOND SESSION
Held at Geneva from December 7th to 12th, 1933.

The following members of the Committee were present:

M. A. Colombo (replacing M. C. Gini),
Mr. E. D. Durand,
Mr. A. W. Flux,
M. M. Huber,
M. G. Jahn,
M. H. W. Methorst (part of the session),
M. E. Szturm de Sztrem,
M. V. Dore,
M. J. M. Nixon.

Also present: M. Gayon, associated member of the Sub-Committee on the Classification of Commodities.

I. GENERAL CONSIDERATIONS.

The Committee has not met since March 1931. While fully appreciating the various reasons, both administrative and financial in character, which explain the long interval since its last session, the Committee considers it essential for the fulfilment of its task that at least one session a year should be held. The practical application of the International Convention relating to Economic Statistics is, indeed, largely dependent upon the work which the Committee has to undertake on various subjects left open at the Conference of 1928.

It noted with satisfaction that the number of ratifications and accessions to the Convention has reached twenty-three and that, in addition, a certain number of countries have announced their intention of ratifying the Convention or adhering to it in the near future. These facts prove the interest taken in an ever-wider circle of countries in the improvement of economic statistics. The Committee requested the Secretariat to investigate, for its information, to what extent economic statistics in countries parties to the Convention have been adapted to conform with its provisions.

As the Committee was under a statutory obligation to report this year on the results of the experiment in the recording of foreign trade statistics by country of provenance and destination, a great part of the present session has naturally been devoted to that subject. In addition, some progress has been made with regard to certain of the other problems dealt with in its first report (document C.215.M.90.1931.II.A).

II. EXPERIMENT IN THE RECORDING OF CERTAIN COMMODITIES BY COUNTRIES OF PROVENANCE AND DESTINATION.

It was provided by Article 3 of the Convention relating to Economic Statistics that:

"... in order to facilitate comparison of the statistics of external trade of different countries... the High Contracting Parties... undertake, so far as the means of investigation at their disposal permit, to prepare, for the purposes of experiment, the statistical tables specified in Annex I, Part III."
The tables were required to "relate to a number of articles forming part of the import and export trade of the territory in respect of which they were compiled, the said articles being selected by the High Contracting Party concerned".

The tables relating to imports were required to show, for each of the selected articles:

(a) The countries of origin or production;
(b) The countries of consignment or provenance;
(c) The countries of purchase.

These terms were defined as follows:

"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 re-packing, sorting, and blending do not constitute transformation.

"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 purchase' shall mean the country in which the seller of the goods carries on his business."

The tables relating to exports were required to show, for each of the selected articles:

(a) The countries of consumption;
(b) The countries of consignment or destination;
(c) The countries of sale.

These terms were defined as follows:

"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 re-packing, sorting and blending do not constitute transformation or supplementary treatment.

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

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

The contracting parties concerned were required to forward to the Committee of Experts reports stating, in regard to each of the methods of classification specified above, the advantages and drawbacks of all kinds noted in the course of the experiment.

Within three months after the receipt of reports from half the countries in respect of which the Convention was, at the time of their receipt, in force, the Committee of Experts was required to present a memorandum showing the results of its consideration of these reports. It was added that this memorandum should be circulated to the Governments of the contracting parties with a view to a supplementary agreement.

Since May 2nd, 1933, the Convention has been in force in twenty-three countries, and on August 17th, 1933, the twelfth of the reports in question was received. The period of three months laid down for the presentation of a memorandum by the Committee of Experts would thus have expired on November 17th, 1933. Additional reports were announced as being in course of preparation, and, for this and various other reasons, the parties to the Convention have agreed to an extension of the period to January 1st, 1934. The Committee was thus able to consider reports from seventeen countries, including a report from Germany, which has not yet formally ratified the Convention. The adhering countries were:

Austria, France, Norway,
United Kingdom, Greece, Portugal,
Bulgaria, Irish Free State, Union of South Africa,
Canada, Italy, Sweden,
Denmark, Netherlands, Denmark,
Egypt, Switzerland.

In the case of India, a reservation was conceded in virtue of which no experiment on the prescribed lines was carried out. Australia has, for reasons of economy, not carried out the experiment. Czechoslovakia and Poland carried out the experiment in 1932, and Cuba in a period terminating in the course of 1933, but the reports in these cases have not yet been received. Roumania and Southern Rhodesia have not as yet informed the Committee whether the experiment has been completed by them. In the case of the last-named country, the limit of time prescribed for the making of the experiment has not yet been reached.
Advantages and Drawbacks of the Different Systems Applied to Records of Imports.

In respect of imports, the three systems of recording the countries from which they are obtained set out to show different features of the trade relations involved. The system of recording by country of origin or production aims at tracing the goods back to their primary origins, whether the trade relations with these countries are direct or involve the intermediation of other countries.

Records showing the countries of origin of the various commodities imported by the several countries of consumption (or used for purposes of transformation) would furnish the most effective statement of the character of the trade of the world and of the volume and direction of the world movements of the commodities concerned. The documents ordinarily available in the countries of importation regarding the sources of the goods do not, however, suffice in all cases for the accurate determination of the primary origin of these goods. Some supplementary information is necessary in certain classes of cases for the ascertainment of the actual country of origin or the verification of the accuracy of the allocation shown in the documents furnished to the Customs authorities.

In cases in which the goods are received in the importing country after a continuous transport from the country of origin or production, the system of record by country of consignment will, equally with that by country of origin, furnish information showing the latter countries. The system of record by country of purchases will also, in such cases, show the country of origin, except when an agent or factor carrying on business in some third country serves as an intermediary in securing the goods.

Even in the cases in which the transport is not direct and uninterrupted, but, owing to the facilities available, takes place via a third country, the normal documents may still show that the goods were, on despatch from the country of origin, intended for conveyance to the actual country of import. Through bills of lading may be evidence of such an intention, and, at the end of a course of transport under such documents, the country of consignment will, accordingly, be identical with the country of origin. Records furnishing records with respect to the country of origin of a dominant proportion of the imports. In selecting the system for dealing with the remaining imports, the countries concerned have given particular importance to different considerations.

In countries in which the true record of the country of origin appeared of secondary importance, systematic efforts to obtain such returns have not been considered necessary. Instead, the readiness with which the country of the final direct consignment to the country of import can be determined has led to the choice of countries of consignment as the basis of allocation of imports. That record at the same time indicates, in general, the country with which the settlement of accounts in respect of the goods received will take place.

The system of record by country of purchase attaches even greater importance to the indication of the countries with which the financial settlement in respect of imports must take place.

In countries in which, having regard to the existence of tariffs differentiating between countries of origin of dutiable imports, or to systems of restrictions by means of quotas and similar methods, the authorities are concerned to determine without doubt the countries of origin of imports, special procedures tending to the correct ascertainment of those countries have, in general, been established.

The selection of the system of record by different countries has been determined by the conditions and needs of those countries at the time of the selection, as conceived by the responsible authorities in each case. Definite opposition to the adoption of the system of record by countries of consignment or of purchase has been stated in the reports received from various countries which practise the system of record by countries of origin. No definite opposition to the system of record according to country of origin has been expressed by countries employing other systems, but, on the other hand, no disposition towards the abandonment of the existing system has been indicated in their reports.

It may be noted that the system of record according to country of purchase is practised by a few countries only, and that other countries were opposed to any proposal for its more general adoption.
Records of Exports by Country of Destination.

It is not necessary to review the three systems of recording exports in so great detail as has been devoted to the import records. To a large extent, corresponding principles apply to both sides of the problem. There is, however, one great feature of difference in the position of the merchants furnishing the records in the case of imports and in that of exports. The knowledge of the exporter as to the final destination of his goods is often, in the nature of the case, not precise and free from doubt. Changes of intention on the part of the owners, or the passing of the goods into the possession of new owners, may prove a hindrance to accurate record that cannot, in practice, be evaded or overcome. The country to which the goods are originally consigned can be correctly determined, as well as the country in which the buyer of the goods on that occasion—if there be a buyer at that stage—carries on his business. But the record of these countries may have only a remote relation to the problem of determining, at the time and place of exportation, the last country in which the goods will be delivered.

Lack of Agreement between Import and Export Statistics.

As a consequence of these conditions, the accurate matching of import records with export records relating to the same goods cannot be carried out, whether the country of origin and the country of consumption employ the same method of assignment or different methods. To determine the courses of the streams of trade (in different varieties of goods) about the world is not generally feasible by the plan of associating import records and export records of the same goods.

It appears, accordingly, that a complete and accurate view of the destinations of the goods exported by the various countries can only be approached by such improvement of the import records of all countries as may make it possible for the exporting country to learn from these records the destination of its exports.

Comparability between the Import Statistics of Different Countries.

The experiments, the reports on which have been examined by the Committee, have not been sufficiently prolonged, and have not covered a sufficient volume of international trade in identical commodities, to show conclusively that effective comparability of the records would be achieved by the universal adoption of any particular system of recording the countries whence imports are received. The Committee, nevertheless, after examining the reports and taking into account such considerations as have been set forth above, has reached the definite conclusion that the application of a uniform system would furnish records of the distribution of imports according to source, which would be in large measure comparable among themselves and would thus contribute to more reliable information regarding destination of exports.

In considering which of the two main systems of allocating imports—namely, that by countries of origin and that by countries of consignment—is the better suited for use in securing such comparable records in different countries, the Committee has attached particular importance to two considerations. In the first place, the countries of origin or production of goods remain unaffected by any variation in the procedure by which the goods find their way to the country of use or consumption. Transport by indirect routes, breaking bulk and reconsignment in intermediate countries, sales, even repeated sales, in course of transport, cannot affect the country of origin, while they may affect the country of consignment. In the second place, the increasing degree in which, for purposes connected with trade policy, a knowledge of the countries of origin of imported goods is required constantly tends to the increase of the proportion of the world's trade that will be recorded by countries of origin or production.

It appears to the Committee that, in order to approach as nearly as possible the comparability so much to be desired without disturbing the continuity of the records of each country, according to the methods which it has judged to be best suited to its own purposes and conditions, those of the countries associated in the application of the Convention which do not at present record their imports by countries of origin might be asked to supplement their existing records by a further record based on that system, in respect of a selected list of basic commodities. This invitation might also be extended to other Governments, so that the significance of the information to be secured may be as great as possible for each country contributing to the work.

The comparison of the two sets of records by country of origin and by country of consignment would, the Committee is convinced, be of material value to the countries making these records and would also render evident any important changes in trading methods. A gradual extension of the field to which the double record would apply might be made at the discretion of each country, or by agreement between the countries concerned.

The Committee is of opinion that the Secretariat of the League of Nations is admirably suited for the task of receiving the records relating to the specified commodities from the countries responding to the invitation, and for aggregating and arranging and for publishing these annual data for general public use. Defects possibly remediable in the present systems
of record might be revealed as the result of such work. Even for the period during which the supplementary particulars above indicated are not yet available, the Committee is of opinion that much valuable information would be secured by an analysis by the Secretariat of existing records of imports by countries, having regard to the fact that, as previously mentioned, there exists, of necessity, a large degree of agreement between the records of sources of imports by any of the three methods discussed above. It was considered that the International Institute of Agriculture might usefully collaborate in this work in so far as the study of the statistics of agricultural products was concerned.

The Committee therefore recommends that the Secretariat be authorised to undertake the work outlined above at as early a date as may be convenient. It is estimated that the expense of publication involved by this work with reference to an annual list of some thirty basic commodities would not exceed 12,000 Swiss francs.

III. MINIMUM LIST OF COMMODITIES FOR INTERNATIONAL TRADE STATISTICS.

The Statistical Conference recommended (recommendation XII) that:

"When the work on tariff nomenclature is sufficiently advanced, the Committee of Experts should draft, for submission to the Governments of the High Contracting Parties, a minimum nomenclature for statistical purposes. . . ."

"A standard statistical nomenclature should be adopted for returns of external trade, even in countries which are not in a position to adopt the new Customs tariff nomenclature."

At its first session, the Committee appointed a Sub-Committee to prepare a minimum list of commodities for the purpose of foreign trade statistics, taking as a basis the draft Customs nomenclature prepared by the Sub-Committee of Experts for the Unification of Customs Nomenclature.

It laid down the general principles on which this list of commodities should be based, drawing special attention to the importance of giving consideration, not only to practical and commercial requirements, but also to the needs of scientific economic analysis.

In accordance with these decisions, Mr. Durand, as Chairman of this Sub-Committee, prepared a draft list which was circulated to the members of the Sub-Committee in April 1933. The Sub-Committee started its work on December 5th, 1933, and held several meetings during the session of the main Committee. The Sub-Committee had before it the draft list above mentioned, the written comments received from several members and a note on the principles of grouping commodities for foreign trade statistics prepared by the Secretariat. This material was long and thoroughly discussed and numerous changes were made in the first draft.

After a study of the list proposed by the Sub-Committee, the main Committee adopted the following resolution:

"1. The list of commodities drawn up by the Sub-Committee of Statistical Experts is provisionally approved, it being understood:

(a) That, before the list is sent to the contracting States, this Sub-Committee may make minor changes in the list, on the basis of suggestions to be made, through correspondence, by the members of this Committee;

(b) That each contracting Government be notified that, if its annual export trade in any of the numbered items of the list is ordinarily of a value less than the equivalent of 5,000 gold dollars, it may omit this item and include it with some other item of the same chapter;

(c) That the Governments be informed that the publication of data for the lettered sub-items of the list is not obligatory, but that it is very desirable in all cases where the trade therein is of considerable magnitude.

2. The sections and chapters of the list are adopted subject to the following conditions:

The Sub-Committee of Statistical Experts shall, as soon as possible, furnish a copy of the plan of sections and chapters for communication to the Sub-Committee for Customs Nomenclature, together with a statement of its reasons for preferring this plan to that proposed by said Committee, and shall confer with the Sub-Committee for Customs Nomenclature with a view to securing an agreement. If the Sub-Committee of Statistical Experts finds it necessary in order to secure such agreement, it may, at its discretion, make changes, not of a fundamental character, in the sections and chapters as approved by the Committee. If it appears to the Sub-Committee desirable, it may request that a joint meeting of the two sub-committees be called.

3. Whether or not an agreement shall be reached with the Sub-Committee on Customs Nomenclature, the list of commodities, as adopted by this Committee in the present resolution, shall be sent to the contracting Governments not later than June 1st, 1934."
IV. Uniform Base Period for Index Numbers of Prices.

The problem of fixing a uniform base year for price index numbers had been referred to the Committee by the terms of recommendation IX of the Statistical Conference and was already dealt with at the first session of the Committee. It was considered that no decision should be taken on this question without fuller information than was at its disposal during the first meeting. The Committee had requested the Secretariat to draft a report on that subject.

On the basis of the memorandum submitted by the Secretariat, the Committee agreed that:

1. No post-war period satisfies fully the conditions desirable for a uniform base period for economic index numbers;
2. In view of the impossibility of foreseeing at present when and at what levels a relative equilibrium will be reached, it would seem premature at this stage to attempt the realisation of recommendation IX of the Conference relating to economic statistics.

V. Mineral and Metallurgical Statistics.

The Sub-Committee which had been appointed at the first session to deal with some problems relating to mineral and metallurgical statistics which have been referred to the Committee under the terms of the Convention sought to make some progress in its work by correspondence, in which the technical experts proposed by the International Chamber of Commerce (M. Lambert-Ribot and M. Poensgen) and Sir Richard Redmayne from the Imperial Institute took an active part. However, in view of the complicated technical character of the subject, the discussion by correspondence did not permit of an agreement being reached on all points.

The ordinary members of the Sub-Committee held a meeting on December 8th, 1933. The situation of the work was reviewed on the basis of a summary of the discussions and draft resolutions prepared by the Secretariat. As, however, the technical members of the Sub-Committee were not present, the Sub-Committee was not able to take a final decision.

Although agreement has already been reached on certain questions, the Committee considered it preferable not to submit its resolutions to the parties to the Convention until it has reached agreement on the whole range of problems referred to it.

VI. Timber Statistics.

The Committee has taken note of the resolution contained in the report of the Monetary and Economic Conference of 1933 to the effect that:

"... each country, acting in concert with the League of Nations and the International Institute of Agriculture, should organise rational statistics of the production of, and international trade in, timber."

This resolution implies an invitation to this Committee to undertake a study of the question of timber statistics in accordance with its general mandate under Article 8 of the Convention relating to economic statistics. The Committee accordingly appointed a Sub-Committee, consisting of three members: M. Jahn (Chairman) and Mr. Coats, as nationals of countries to whose economy timber production is important, and M. Dore, as representative of the International Institute of Agriculture. The first task of this Sub-Committee should be to undertake a preliminary study of the various aspects of timber statistics and, having regard to the work in progress of the International Institute of Agriculture, to propose a practical plan of approach to the further study of that problem. It is understood that the Sub-Committee, whose work at this preliminary stage is to be carried on by correspondence, might, at the discretion of its members, consult outside competent organisations and individuals experts in the matter.
ANNEX.

SUMMARY OF THE REPORTS RECEIVED FROM THE VARIOUS COUNTRIES REGARDING THE RESULTS OF THE EXPERIMENT IN THE RECORDING OF COMMODITIES BY COUNTRIES OF PROVENANCE AND DESTINATION.¹

Table of Contents.

Chapter I. — Details of the Experiment:
   A. History ................................................................. 9
   B. Commodities chosen ............................................ 10
   C. The Technical Arrangements made for the Experiment .... 10

Chapter II. — Results of the Experiment:
   A. The Three Systems of recording the Provenance and Destination of Goods
      System I: Country of Origin or Production and Country of Consumption:
         (a) Scientific and Practical Aims ................................... 11
         (b) Definitions and Criticisms thereof ............................ 11
         (c) Advantages and Drawbacks of the System .................. 12
         (d) The International Comparability of the Results obtained under the System .............................................. 13
      System II: Country of Consignment:
         (a) Scientific and Practical Aim ................................ 13
         (b) Definitions and Criticisms thereof .......................... 13
         (c) Advantages and Drawbacks of the System ................. 14
         (d) The International Comparability of the Results obtained under the System .............................................. 14
      System III: Countries of Purchase and of Sale:
         (a) Scientific and Practical Aim ................................ 14
         (b) Definitions and Criticisms thereof .......................... 15
         (c) Advantages and Drawbacks of the System ................. 15
         (d) The International Comparability of the Results obtained under the System .............................................. 16
   B. Summary of the Positions taken up by the Different Countries .... 16

Chapter III. — Conclusions to be drawn from the Results of the Experiment:
   A. The Possibility of Double or Triple Recording .................. 17
   B. Recommendations regarding the Possibility of overcoming Existing Technical Difficulties.
      I. Systems requiring the Co-operation of Several Countries .... 17
      II. Systems not requiring Co-operation between Different National Administrations ........................................ 18
   C. Auxiliary International Trade Statistics as a Base of International Comparisons ............................. 18

¹ The original text of this summary has been abbreviated, mainly in order to avoid a repetition of statements of facts given in the report of the Committee of Statistical Experts (see page 1 to 5). The Annex to the summary containing the numerical results of the experiment has not been reproduced in this document.
CHAPTER I. — THE DETAILS OF THE EXPERIMENT.

A. History.

The draft Convention submitted as a basis for discussion to the Statistical Conference of 1928 proposed that, in the case of imports, both the country of origin and the country of consignment should be shown; and, in the case of exports, both the country of immediate consignment and the country of ultimate destination. On the recommendation of the Commerce Committee of the Conference, it was decided that, with a view to ultimate agreement in the matter, the merits of the different systems in actual use should be tested in each country by means of the experiment described on pages 1 and 2 of the report of the Committee.

When the Convention came into force, in December 1930, an attempt was made to arrange that the experiment should be carried out over the same period in as many countries as possible. The following summary table shows, in chronological order of ratification or accession, the countries in which the Convention is at present in force, and, in graphical form, the periods in respect of which experiments have been undertaken.

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Reservation:

For reasons of economy no experiment is being made.

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1 Roumania and Southern Rhodesia have not as yet informed the Committee whether the experiment has been completed by them.

2 Germany has not yet formally ratified the Convention.
By the terms of the Convention, the parties were entirely free to select the commodities to be covered by the experiment.

At its first session, in March 1931, the Committee of Statistical Experts decided that the scientific and practical results of the experiment would be greatly enhanced if at least a few important commodities were tested by all the countries concerned. With this in view, a list of commodities, mainly foodstuffs and raw materials of international importance, was prepared and circulated to all States interested in the matter. As will be seen from the above synopsis, most of the countries concerned carried out the experiment in 1932. Some which had undertaken the experiment in 1931, renewed it in 1932, having regard to the recommendations of the Committee.

Special interests have, of course, affected the choice made by the different countries with the result that the complete list of articles taken into consideration is long and varied. Those commodities which only appear in the lists of a single country cannot influence the international comparison of results and these have, accordingly, been omitted from the following summary list which shows the commodities suggested by the Committee of Statistical Experts (items 1 to 24), and such other articles as have been chosen by more than one country (items 25 and 26).1

List of Commodities.

1. Wheat.
2. Wheat flour.
3. Maize.
4. Rice, not in the husk.
5. Oranges (including mandarines).
7. Tea.
11. Sheep's or lamb's wool (raw), distinguishing, if practicable, between scoured and greasy wool.
12. Tin (crude).
13. Motor spirit (including benzine, but excluding power alcohol).
14. Crude rubber (excluding, if possible, reclaimed rubber).
15. Steel rails.
16. Motor vehicles (including chassis) for road traffic (excluding replacement parts and motor-cycles).
17. Woollen yarn.
18. Cotton yarn.
20. Sole leather.
21. Leather boots and shoes.
22. Carpets, carpeting and floor rugs, of wool.
23. Olive oil.
24. Raw natural silk (excluding cocoons and waste).2
25. Bacon.

C. The Technical Arrangements made for the Experiment.

In the nature of the case the technical arrangements made by the various countries for the collection of data were largely dependent on the system of allocation by countries used in their ordinary trade statistics. Only a few countries have given details of the procedure adopted and have attached to the text of their reports samples of the forms utilised and copies of the special instructions given to Customs Officers or to the traders concerned. The information available does not therefore permit of any comprehensive survey of the technical arrangements made in connection with the experiment. Some of the more important technical problems involved (e.g., with regard to the production of invoices) are dealt with, however, in Chapter II below.

1 Only commodities selected for the recording of imports by more than one country have been added to the list prepared by the Committee.
2 These items appear in the case of one country only in the list of imports to which the experiment was extended.
CHAPTER II. — THE RESULTS OF THE EXPERIMENT.

A. THE THREE SYSTEMS OF RECORDING THE PROVENANCE AND DESTINATION OF GOODS.¹

Each system is considered below under the following general headings:

(a) Scientific and practical aims (economic considerations);
(b) Definitions employed and criticisms thereof;
(c) Advantages and drawbacks;
(d) International comparability of the results obtained.

SYSTEM I: COUNTRY OF ORIGIN OR PRODUCTION AND COUNTRY OF CONSUMPTION.

(a) Scientific and Practical Aims.

Trade statistics based on the recording of the country of origin or production for imports and the country of consumption for exports are intended to show the interdependence of national economic systems mainly from the point of view of the primary producer and manufacturer on the one hand and of the ultimate consumer on the other. All countries attempting to protect or to stimulate their own industry by a system of conventional tariffs are interested to know the country of origin of imported goods.

It is emphasised in numerous reports (e.g., those of Austria, France, Italy, the Union of South Africa, Sweden, Switzerland) that, for all protective measures introduced in recent years, such as import restrictions by quotas, compensation traffic, reciprocity of commercial transactions, clearing systems, preferential Customs duties, etc., statistics by country of origin or production are indispensable. There would be no suitable basis for such measures if the country of production were not recorded. South Africa, for example, pointed out that the recording of origin is a prerequisite for the application of its Customs tariffs, in particular for the purposes of Imperial preference. An enquiry made among leading Swedish business men, chambers of commerce, professional associations, etc., shows that, in view of the changes which have taken place in commercial policy in recent years, an urgent need is felt for trade statistics by country of origin. Such statistics are also stated to be necessary for the administration of public health and veterinary regulations.

As regards exports, it is of importance for negotiators of commercial treaties to know where the products of their respective countries are consumed. This knowledge is likewise of interest for the manufacturers of goods for export who like to estimate the requirements of the markets for their goods.

(b) Definitions and Criticisms thereof.

The definitions laid down in the Convention read as follows:

"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 re-packing, 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 re-packing, sorting and blending do not constitute transformation or supplementary treatment.”

In the reports from Denmark, France and Sweden, a more exact definition with regard to the importance of changes "of the condition of a commodity" is asked for. If there is no exact agreement as to the modification which constitutes a transformation or a change of condition, international comparability will be endangered. To give an example: according to different national prescriptions in force, an engine manufactured in one country which has been nickelled in another is sometimes regarded as having acquired the nationality of the latter country, and in other cases as having kept the nationality of the former country.²

¹ In order to avoid misunderstandings caused by the choice of expressions, it may be noted, that, in the following, the expression “provenance” is understood to cover three possibilities: origin, consignment, purchase; and the expression “destination” the three possibilities: consumption, consignment, sale.

² A detailed survey of the problem is given in document E.619 (December 1930), entitled "Nationality of Goods."
In addition, the Swedish report mentioned the difficulty raised by so-called “nationalised” goods, which are “nationalised” only by being put at the free disposal of the importers. If such goods are re-exported without undergoing any transformation, repair, etc., the statistics of the consuming country may show them as imports from the country from which they were originally exported, but the latter country will probably show the same goods as having been exported to the country of transit.

Another case in which the recording of the country of origin is especially difficult is that of blending, mentioned in the Danish report. If, for instance, the blending of tea takes place in London, the Danish importers are unable to ascertain the proportions in which the constituents of the blend are mixed.

The principal non-technical arguments put forward in favour of the indication of country of origin and country of consumption—besides those relating to its aim as set forth under (a) above—are the following: The country of origin indicates in a great number of cases—e.g., wine, cotton, coffee, tea, wool—a quality of the goods, and the system supplies in that way additional information of value to industry and trade. The country of origin remains the same even if the route taken by the goods suddenly changes. If, for example, a European consumer of staple commodities produced overseas should buy and import the same kind of commodities from Hamburg, instead of London, only statistics compiled according to country of origin would show that the producing countries had not changed.

The technical difficulties involved by this system are different in the case of imports and exports. So far as imports are concerned, it is argued in many of the reports that it is not always easy—and sometimes indeed impossible—to state accurately the country of origin. Most of the countries which employ this system in their ordinary statistics do not, however, consider these difficulties as really important or insurmountable. A few countries (e.g., Denmark, Ireland, Norway, Union of South Africa, Portugal) have stated that certificates of origin, marks of origin or other licences required for administrative purposes—e.g., in order to qualify for lower rates of duties, for import authorisation, etc., largely facilitate the recording of the country of origin or production. Some of the countries which do not regularly record the country of origin have stated either that this system gave rise to no difficulties in the course of the experiment (United Kingdom), or at least that no difficulties have arisen in connection with the recording of the non-manufactured goods selected (Canada, Netherlands). A similar statement is made in the report of Norway.

The Swedish report states that the difficulty of collecting the necessary data regarding country of origin was one of the principal reasons for the adoption of the system of country of purchase and sale in 1905, but that, in the case of Sweden, those difficulties are now less serious as a result of the changes which have taken place in the organisation of foreign trade.

The Irish Free State reports that it was particularly difficult to determine with certainty the country of origin of all goods, as about 80 per cent of her imports are consigned from the United Kingdom. Many of these articles are imported in comparatively small amounts through various agents in the United Kingdom. The fact that agents and others who make the declarations to the Customs do not know the country of origin, and do not possess the papers necessary to check it, has been mentioned in various reports. The French report emphasises that a control of invoices would help to overcome such difficulties, since the country of origin can often be determined from the invoices. In respect of commodities not subject to ad valorem duties, however, there is no obligation to produce invoices and even under a system of ad valorem duties, invoices need not always be produced if values can be otherwise controlled—e.g., by official price-lists, etc.

With regard to exports, doubt is expressed in most reports whether the country of consumption can be indicated with certainty: for this reason, indeed, certain countries (Irish Free State, Netherlands, Portugal, Sweden) did not prepare the tables relating to exports provided for by the Convention.

The Greek Administration believes, however, that it would not cause undue trouble to exporters if they were put under a legal obligation to produce the documents necessary for determining the country of destination. Such a procedure would correspond to that at present employed in Greece in connection with exchange restrictions.

The main difficulty would appear to be that it is frequently impossible for the exporter to follow the merchandise to its place of consumption and therefore useless to compel him to furnish information which is not really available in his own country. For information regarding the ultimate destination of the goods exported, the exporter often depends on the good offices of the consignee. But most agents at foreign port of discharge are not willing to give any information regarding final destination, as such information might lead to the development of direct trade and thus deprive them of their business. The position is especially
difficult in the case of countries exporting stable commodities which are generally consigned to some foreign centre from which they are distributed to their final destination—often only after a considerable time. Even manufactured goods are frequently sent to warehouses abroad without the exporter knowing their final destination.

A typical example is given in the report of Norway. The whaling industry of Norway is rather important, but by far the largest part of the whale-oil produced on the floating cookeries in the Antarctic is directed by the buyers to harbours in countries outside Norway. This oil is not included in the Norwegian trade statistics. According to the information got from the Norwegian producers, a considerable part of this oil is bought by Unilever and many of the floating cookeries are directed to the Netherlands, where the oil is unloaded. Very often, the greater part of the oil is unloaded into large tanks in Hamburg and stocked there till it is wanted by the German manufacturers. It is, however, impossible for the Norwegian producers to know how much of the oil will be consumed in Germany.

The transport agents, etc., who, in practice, frequently make the Customs declaration, are seldom able to foresee the subsequent journey of the goods to the ultimate consumer. Even when the country of final consumption is known to the owner of the goods, he is often inclined to regard this information as strictly confidential and would consider it a violation of business secrets to divulge it. The report for the Union of South Africa contains some very instructive observations on this point.

In order to overcome these technical difficulties, the countries employing the "country of consumption" system have frequently permitted the indication of the last known destination instead of the country of ultimate consumption. Even where this device is not officially permitted, it may be taken for granted that it is used in practice. The fact that, in the case of several countries, all the three systems of recording the destinations of exports have given identical numerical results, would suggest that, at least in some cases, the country of consumption has not been accurately indicated, as it is unlikely that the goods exported by these countries have all been consigned directly to the countries of ultimate consumption.

(b) The International Comparability of the Results obtained under the System.

In certain reports, there occurs a discussion of the problem whether statistics of imports of a given country A from another country B recorded as "country of origin" might be expected to correspond exactly with the statistics of exports from country B to country A, recorded as "country of consumption". According to the French report, the reply must be emphatically in the negative. If, for example, wool of Australian origin is imported by France from the United Kingdom, the French statistics indicate Australia as country of origin, while the Australian statistics have certainly recorded the United Kingdom as country of consumption (or rather as country of last known destination). In reality, the Australian exporters do not know what proportion of the wool which they ship to the United Kingdom may ultimately find its way to France. The problem is still more difficult in the case of commodities which are warehoused for long periods. Statistics of exports therefore recorded by "countries of consumption" cannot be made directly comparable with the statistics of imports recorded by countries of origin or production.

System II: Country of Consignment.

(a) Scientific and Practical Aim.

Trade statistics recording the country of consignment for imports and exports give a picture of the immediate trade relations between different countries. Information on this point is important to the international transport organisations, and this system of recording is therefore of particular interest to merchants and distributors of the goods entering into international trade. For this reason, it is applied chiefly by countries which, on account of their geographical situation, carry on a considerable transit-trade in the widest sense of that term. It is obvious that trade statistics based on returns showing only the country of consignment do not furnish the information that may be desired for the purposes of quota systems, import and export clearing, preferential treatment, etc.

(b) Definitions and Criticisms thereof.

The definitions given in the Convention read as follows:

"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)."
The objection has been made that the term "originally despatched" in the case of imports is not clear and is therefore open to varying interpretations. The Swiss report mentions the example of an American firm which sells fat to Switzerland and has its own stocks in Belgium. The goods are ordered in the United States of America and imported from Belgium, passing through France. Which country enters into consideration as country of "original" despatch—the United States of America or Belgium? If—as seems logical—the term "country of original despatch" be considered to refer to the United States of America, the problem of incomparability with the American export statistics arises, for in this case—according to the definition quoted above—the country to which the goods have been actually despatched—i.e., Belgium (not Switzerland) is shown. This example shows that the terms "original despatch" of imports and "actual despatch" of exports may in practice not correspond and that the phrase "country of consignment" needs a definition more precise and more accurate than is given in the Convention. Under the present definition, the expression "country of consignment or provenance" seems to aim at determining the origin of imports and thus overlaps with the system of recording the country of "origin or production" which should have, on the export side, as corollary, the country of consumption and not the country of "consignment or destination".

(c) Advantages and Drawbacks of the System.

The strongest argument put forward in favour of the "country of consignment" system is its simplicity. It is emphasised in some of the reports, that, under this system, no information is asked for which cannot be furnished by importers and exporters. The necessary indications can generally be checked from bills of lading or other transport papers and the producing of invoices is not indispensable. On the other hand, the Danish report suggests that it is unlikely that importers know whence a parcel is consigned, especially in the case of parcels bought c.i.f. The French report observes that, in the case of goods which have been transhipped and for which a new bill of lading has been issued, it is difficult in practice to check whether the goods have been originally despatched from another country than that mentioned on that new bill of lading. In order to check whether any commercial transaction has taken place or not in the country mentioned on the bill of lading, invoices will have to be produced. It is for that reason that the French report proposes that the production of invoices should be made compulsory in any case—a procedure which would deprive the system of much of its simplicity. Thus the difficulties encountered in ascertaining the country of "original" consignment are not much less than those arising in connection with the recording of the country of origin or production.

The Egyptian report states that the "country of provenance" is often confused with the "country of production" and the "country of destination" with the "country of consumption".

(d) The International Comparability of the Results obtained under the System.

It is generally believed that recording by countries of consignment gives the best international comparability. That would be the case if the conception of consignment were consistently applied in both import and export statistics, and if discrepancies arising from different interpretations of the terms "country of actual despatch" for exports and "country of original despatch" for imports did not occur in practice.

Another source of discrepancy lies in the difficulty of determining whether "commercial transactions in intermediate countries" take place. It may happen, for instance, that one lot of a cargo of goods despatched from Canada to the United Kingdom is transhipped in the United Kingdom to France, while another lot of the same cargo is first warehoused in the United Kingdom and subsequently sold by a British merchant to France. In both cases, the French Customs are only confronted by a bill of lading from an English to a French port and will probably record both lots of goods as imported from the United Kingdom. As, however, goods transhipped under bond are not included in the ordinary records showing the trade of the United Kingdom, the following will happen in practice with reference to the transhipment lot: the goods in question are recorded by Canada as exports to, and by France as imports from, the United Kingdom, but they do not appear at all in the British trade statistics.

System III: Countries of Purchase and of Sale.

(a) Scientific and Practical Aim.

The system of recording the countries of purchase and sale is believed by those practising it to yield the most useful results from the point of view of balances of payments. The correctness of that opinion is, however, contested by several countries, as pointed out under (c) below. Statistics compiled according to this system are of especial interest to the merchant, as are those based on the consignment system. The purchase and sale system, however, neglects the actual movement of goods; it merely shows commercial relations on an accountancy basis.
The report from Italy points out that the importance of this system may have increased in recent years. Information concerning the financial relations between countries is important for the establishment and maintenance of foreign exchange control, as applied in a great number of countries. On the other hand, this system, like the "country of consignment" system, does not furnish the information required as stated above in connection with modern methods of trade regulation.

(b) Definitions and Criticisms thereafo

The country of purchase and the country of sale have been defined as follows:

"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."

It is generally admitted that these definitions are more simple and unequivocal than those relating to the other systems. The report from the Union of South Africa, however, points out that the definitions are in certain cases ambiguous. Thus it seems controversial whether agents should in all cases be considered as sellers or purchasers of the goods which they handle. The Swiss report points out that Swiss importers often buy goods from, and make payments to, agents having their seat of business in Switzerland. According to the definition, Switzerland would be the country of purchase. But Switzerland cannot of course be recorded as country of provenance for Swiss imports. If the "country of purchase" were defined as the foreign country, in which the seller of the goods carries on his business, the situation would in practice remain the same. The difficulty would still remain in so far as only the agent (having his seat in Switzerland) is known to the importer as seller of the imported goods. If the importer does not know the location of the firm for which the agent acts as seller, he is not able to indicate the foreign country of purchase as defined above, although he may be able to indicate the country of production or the country of consignment.

(c) Advantages and Drawbacks of the System.

The principal advantage of this system would appear to lie in the facility with which the basic data can usually be furnished. According to the Austrian and German reports, difficulties of a technical character only arise if third parties, such as transport agents, etc., make the declaration or if the ownership has already changed once, or more than once, before goods are recorded in trade statistics.

Some other reports, however, consider these difficulties and those arising from triangular relationships to be of such general bearing as to deprive the system of much of its practical value, and to defeat the purpose of yielding useful information on the balances of payments between individual countries. The last point is stressed in particular in the report from the Netherlands, a country which can claim practical experience of the working of the system over a period of many years. The difficulties arising from triangular relationships and also from the fact that payments are frequently effected, not directly between countries of true purchase and sale, but by means of exchange operations on some important clearing centre in a third country, are strongly emphasised by the French and Swiss reports.

The difficulties involved in the application of the system may be illustrated by the following examples given in the French, Dutch and Swiss reports:

1. Canadian wheat is sold to France through the intermediary of an agent in the United States. Although the French importer makes the payment to the agent in the United States, would it not be the most reasonable procedure to consider the Canadian exporter and the French importer as the true parties to the transaction and to enter the profits of the United States agent under the heading "commission, insurance and brokerage"?

2. Sugar is shipped directly from Cuba to the Netherlands, but is actually paid for in London. In this case it would be in the interest of traders and shipping companies that the transaction were recorded as having taken place between Cuba and the Netherlands instead of between the United Kingdom and the Netherlands.

3. A firm in the Netherlands buys American wheat from a merchant in Paris through an agent in Antwerp, the wheat being shipped directly from America to the Netherlands. As the payment is made by the Dutch firm to the agent in Antwerp and not to the merchant in Paris, Belgium—not France, nor America—is to be recorded as country of purchase according to the definition given in the Convention.

4. A Russian agent having his seat in Berlin buys goods in Switzerland which are sent directly to Russia, and payments may be made, possibly without any financial transaction via Berlin being involved. Is it reasonable to indicate Germany (in the Swiss statistics) as country of sale, simply because the purchase agent has his seat in Berlin?

An additional difficulty not directly raised in the above examples arises from exports without immediate payment—e.g., exports for order, transfer of goods to branch establishments and building up of stocks in foreign countries. The Swiss report points out that, in such cases, the exporting firms cannot indicate to whom the goods will eventually be sold by their branch establishments.
The French report insists that, under the system of recording by country of purchase and country of sale, the producing of invoices would render the records far more accurate and should be made compulsory.

(d) The International Comparability of the Results obtained under the System.

International comparability of the results cannot be expected owing to the complications arising from the agent problem. In example (4) above though Switzerland may correctly record Germany as country of sale while Russia records Switzerland as the country of purchase, the commercial transaction will not, and cannot, be recorded in the German statistics. To take another case: a French importer buys American wheat from a firm in England, but the wheat is shipped directly from America to France. This transaction cannot possibly be recorded in the British trade statistics, yet the United Kingdom would be considered in American export statistics compiled on this system as country of sale and in French import statistics, similarly compiled, as country of purchase.

B. SUMMARY OF THE POSITIONS TAKEN UP BY THE DIFFERENT COUNTRIES.

Not all the countries considered have expressed explicit preference for one or other of the systems under consideration. It is believed, however, that the following summary represents fairly accurately the general positions taken up in the various reports received.

In all the reports special emphasis is laid on the problem of import statistics, as export statistics raise problems of an almost insoluble nature. The fact that in many countries the results of the recording of exports by all three systems were almost identical suggests that, in practice, export statistics tend to show the last known destination, whatever the system theoretically in force may be. The grouping given below is, for the above reason, based mainly on the import system favoured by the various countries.

**Summary of Views expressed by Various Countries.**

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<tr>
<th>Countries in favour of the system</th>
<th>Countries having expressed no definite opinion with regard to the system</th>
<th>Countries against the system</th>
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<td><strong>System I: Country of Origin or Production and Country of Consumption.</strong></td>
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<td><strong>System III: Country of Purchase and Country of Sale.</strong></td>
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1 The conclusions which this suggests will be dealt with more fully later.
2 Recording of imports by country of origin considered as possible.
CHAPTER III. — CONCLUSIONS TO BE DRAWN FROM THE RESULTS OF THE EXPERIMENT.

A. THE POSSIBILITY OF DOUBLE OR TRIPLE RECORDING.

The scientific and practical aims of each of the three systems of recording are clearly different. The three systems supply answers to related but nevertheless distinct questions. It was argued at the Conference of December 1928 that only the simultaneous compilation of trade statistics according to all three methods under review could furnish the information required for all the purposes for which trade statistics are utilised. Such a solution is, however, out of the question owing to the excessive expenditure it would involve. This statement occurs in the reports from nearly all those States which have commented on the possibility of a double or triple record.

The French report is, however, a partial exception. There it is proposed that imports be recorded according to both:

(a) the country of origin, and
(b) the country of consignment.

This system has been adopted in the French trade statistics since January 1st, 1933.

In the Italian report, a compromise is suggested—namely, that, as the discrepancies between the results are especially large in the case of raw materials and foodstuffs, it might be useful to adopt a triple record for these commodities only. If this were rejected for financial reasons, it is suggested that a system of double record according to the countries of origin and purchase for imports and countries of consumption and sale for exports might be required. But the view is expressed that the saving involved by the latter procedure would not be great.

A similar solution is proposed by Canada. In addition to the statistics compiled according to country of consignment, the movements of some of the more important raw and semi-manufactured products should be recorded according to country of origin. A list of 54 commodities which might be treated in this way is given in the Canadian report.

B. RECOMMENDATIONS REGARDING THE POSSIBILITY OF OVERCOMING EXISTING TECHNICAL DIFFICULTIES.

The objections raised against the system of recording by countries of origin and consumption relate mainly to the technical difficulties which it involves, and it may therefore be useful to consider the proposals made in the reports with a view to overcoming these difficulties. The problem is how to find a reliable document—either among existing documents or created ad hoc—by means of which the country of origin or the country of consumption can be readily checked by the Customs authorities.

I. SYSTEMS REQUIRING THE CO-OPERATION OF SEVERAL COUNTRIES.

1. The following very complete system is outlined in the French and—with minor variations—also in the Italian reports.

A special statistical form or a duplicate of the declaration made to the Customs authorities of the exporting country should accompany the goods until they pass the Customs authorities of the importing country. The Customs authorities of the importing country would be required to check the form with reference to origin and quality of the goods, country of destination as indicated to the Customs of the exporting country, quantities and statistical nomenclature, and to return the form to the exporting country. The Customs authorities of the exporting country would then be able to alter, if necessary, the original returns in order to bring them into conformity with those of the importing country.

The authors of the French and Italian reports, however, doubt very much both the advisability of recommending such a system and the possibility of its practical realisation. A new burden would be thrown on traders who are already encumbered by all sorts of administrative measures. Further, it frequently happens that consignments are transhipped in the course of transport and subdivided into different parts destined for different countries. In such cases, duplicates of the statistical forms would have to be filled in and checked by the country in which the transhipment takes place. From the point of view of statistical routine, this system would also lead to considerable complications for the exporting country. The registration of the country of destination would have to be postponed until all control forms were returned or the preliminary results would have to be regularly altered in accordance with the data subsequently becoming available.

2 It might be useful if this point were brought out more clearly in official publications, and it would add much to the pertinence and value of Press comments on the discrepancies between the trade statistics of different countries if the rather vague expressions "country of provenance" or "country of destination" were replaced by more exact terms.
2. A somewhat similar system of checking the provenance and the destination of goods was put forward for discussion in the first French report. According to this suggestion, an international transport and Customs document should accompany goods from the place of actual provenance to the place of final importation—which has been under consideration by the International Railway Union.

3. A third system, which could, however, only be applied in the cases of simple transhipment, has also been suggested in the French report. It is proposed that the Customs authorities of the country of transhipment should, when a new bill of lading is made out, indicate thereon the country of original provenance.

II. Systems not requiring Co-operation between Different National Administrations.

If all those systems which required close collaboration between the Customs authorities of two or more countries be considered as too complicated, there are still certain measures which could be taken by each country separately. These measures would be of help chiefly in recording the origin of the goods; they would be less effective for the purpose of determining final destination.

The most radical measure of this kind would be to render the producing of certificates of origin obligatory for all kinds of goods. In countries in which importers are already required for other administrative purposes to produce certificates of origin, these documents have proved useful for the statistical records. The general adoption of this procedure, which is of course bound up with economic and political considerations, would, however, have the effect of increasing the administrative barriers to trade.

The "Marks of origin" required by some countries might be mentioned in this connection as a special form of a certificate of origin. These marks of origin, which may sometimes prove useful for statistical purposes, generally relate only to finished goods.

Another measure of this kind which is already in use in respect of commodities subject to ad valorem Customs duties is the obligation, recommended in the French and Bulgarian reports, to produce invoices to the Customs authorities.

C. Auxiliary International Trade Statistics as a Base of International Comparisons.

It has been pointed out above that exact international comparability of import statistics with corresponding export statistics cannot be expected under any of the three general systems which have been considered. On the other hand, there is no doubt that the country from which goods are received can be checked more easily than the country to which they are conveyed. In view of these considerations, the French report proposes the establishment of auxiliary international trade statistics based on import records only.

1 The problem of "Marks of origin" has been dealt with by the Economic Committee of the League of Nations and by the Monetary and Economic Conference (see reports approved by the Conference on July 27th, 1933, document C.435.M.220.1933.II, pages 32-33, which give a summary of the position).