

APPENDIX A

A Note on India's Foreign Trade Statistics

Statistics have at least three important roles in all empirical studies: First, it gives us a quantitative idea of the problem under investigation; Second, it suggests operationally meaningful hypothesis; and third, it provides the raw material to test the hypothesis. The quality of any empirical study, therefore, will depend upon the quality of the statistics used apart from the relevance and logic of the underlying theory or model. The purpose of the present note is to examine the features of India's foreign trade statistics.

Method of Registration:

There are two main systems for recording the trade statistics known as the General and the Special system.¹ In the General system all goods entering the customs area of the country are treated as imports and all goods leaving the area as exports but a distinction is created here between exports of national produce and exports of foreign goods previously imported, the latter known as re-exports. On the other hand

¹Allen, R.G.D., and Edward Ely (eds.): International Trade Statistics. Ch. 3. pp.28-51. John Wiley and Sons, Inc., 1953.

the special system treats clearance through the custom as the criteria for recording the trade statistics. Thus exports under this system consists domestic produce plus exports of previously imported goods which have been nationalized after its clearance from the customs. No distinction is made here between exports and national produce and that of foreign merchandise previously imported. Similarly imports under special system consists of all goods cleared through the customs (after paying duties) plus goods withdrawn for home consumption from the customs warehouses plus those to be nationalized.

The differences between the two systems are shown in Table 1.

Table 1. General and Special trade systems.

General system	Special system
<u>a. Criteria</u>	
Entry into or departure from the customs area.	Clearance through the customs area of control.
<u>b. Exports</u>	
Shipments of national produce only.	Shipments of national produce plus shipments of imported goods which have been nationalised after paying duty.
<u>c. Imports</u>	
Landings of foreign goods either for home consumption or free entrance into bonded warehouse ² whether for subsequent home consumption or for re-shipment (Indirect transit trade).	Landings of foreign goods which have crossed the customs frontier for home consumption.

²It refers to processing establishment under customs control.

Table 1 (contd.)

General System	Special System
<u>d. Re-exports</u>	
Reshipments of foreign goods which were imported previously and which crossed the customs area plus the shipments of foreign goods which are kept in bonded warehouses and which did not leave the customs area for home consumption (Indirect transit trade).	Nil
e. Includes indirect transit trade ³ and excludes direct transit trade. ⁴	Excludes both direct and indirect transit trade.

India's foreign trade statistics are recorded on the basis of General system.⁵ Thus a distinction is made in our

³According to 1928 convention relating to economics statistics (League of Nations): "Indirect transit trade relates to goods arriving from abroad, warehoused and subsequently exported without being placed at free disposal of the importers and without having undergone transformation, repair or supplementary treatment other than replacing, sorting or blending." (See R.G.D. Allen. Op.Cit., p.49). From this it follows there is no real difference between indirect transit trade and re-export from warehouses. The difference arises solely from the method of classification.

⁴"Direct transit relates to goods passing through a country for purposes of transport only, without being placed at the free disposal of the importers or warehouses" (See R.G.D. Allen. Op.Cit., p.49.)

⁵Countries like U.K., Australia, Canada and Ireland also follow the General System. Most of the European countries follow the "Special System".

exports between exports of national produce and those of foreign produce (Re-exports). If we deduct such re-exports from total imports, we can arrive to an approximation of "imports for national use or consumption".

Coverage of Items in our Foreign Trade Statistics:

India's foreign trade statistics follow the principle of covering only merchandise goods i.e. those goods the movements of which into or out of a country add to, or subtract from the resources of that country. They include all goods subject to commercial transactions (Government and private) plus those under international gifts, foreign aid etc., plus transactions in silver (other than current coins) and in notes and coins not yet in circulation or withdrawn from circulation. The items included and excluded are shown in Table 2.

Table 2.

Included	Excluded
a. All commercial transections of merchandise goods including those under International gifts, foreign aid etc.	Treasure in gold and current notes. ⁶
b. Transactions in silver (other than current coins) and in notes and coins not yet in circulation or withdrawn from circulation.	Transshipment trade covering imported goods transferred under bond for reshipment from one vessel to another.

⁶The movements of these are recorded separately as "Treasure".

Table 2 (contd.)

Included	Excluded
c. Government stores recorded separately till 31st March, 1948, but merged later with other transactions. However since the information about Government imports are not available quickly due to the operation of "Note Pass System" ⁷ the figures are adjusted later when the necessary information is collected by customs authorities.	Goods consigned by the Government to its armed forces and diplomatic representatives abroad.
d. The surplus stores of ships purchased abroad. They are treated as regular imports when they are landed in the country.	Tourists and travellers' effects, animals for racing and breeding etc.
e. Contraband goods and smuggled goods confiscated by the customs authorities. They are treated under imports after the goods have been actioned.	Bankers
f. Dutiable articles of personal baggage which are included under the omnibus head 'special transactions' except in the case of (i) Fire arms, cartridges and other arms and	Ship's stores.

⁷Under the 'Note Pass system', the importing department when it is unable to provide complete particulars in time to the customs owing to the non-availability of the relevant documents at the time of arrival of goods at the Indian port, can present a "Note Pass" bill of entry (in triplicates) and allow the goods to be cleared from the customs. The party has to submit also a written document whereby it agrees to produce all the relevant document to facilitate final assessment or adjustment of duty within a period of three months from the date of clearance. The Note Pass Bill contains the broad description of the goods with approximate value.

Table 2 (contd.)

Included	Excluded
<p>amunition (ii) Wireless sets (iii) instruments, apparatus and appliances, (iv) liquors and spirits. (v) furniture and carpets (vi) Jewellery (vii) Silverware and plated ware including silver and plated cutlery and (viii) vehicles including motor cars. These items are included under the appropriate heads in the import tables.</p>	<p>Non dutiable passengers' baggage. Purchases and sales of ocean going ships and aircrafts which are engaged in foreign transport. They do not undergo the customs formalities and are, therefore, excluded from the trade statistics.</p>
<p>g. Postal articles are included as follows:</p>	
<p>(i) Letter Post: Only imports of dutiable articles are included.</p>	
<p>(ii) Parcel post: Both imports and exports included it according to the nature of transaction.</p>	

Country Classification:

There are basically three different methods followed in reporting province^{va} and destination: the production consumption method, the consignment method and the purchase-sale method.⁸ Under the former, imports are credited to the country of primary origin or production and exports are credited to the country of ultimate consumption. Under the second, imports are credited

⁸See Allen, R.G.D. Op.Cit., pp.117-130.

to the country from which last directly consigned and exports to the country to which first directly consigned. According to the last imports and exports are credited to the country with which the financial transaction of purchase or sale occurred.

India follows the consignment — final destination method for reporting province and destination of her imports and exports.⁹ Thus imports are reported in our trade statistics according to the country of consignment and not to the country of origin. The countries of consignment are those from where the goods have come whether by land, sea, or air or a combination of these routes without interruption of transit except in the case of transshipment or transfer from one means of conveyance to another. Thus the goods shipped from East Germany to West Germany and then shipped after an interval to India would be shown as imports from West Germany and not from East Germany. Exports are credited to the country of final destination (as declared by shippers) i.e. the country to which goods are expected to pass without interruption of transit except in the case of transshipment or transfer from one means of conveyance to another. Thus goods exported to West Germany and latter re-exported from West to East Germany will be credited

⁹See the Guide to current official statistics.
(Department of Commercial Intelligence and Statistics) 1963.
pp. 8-9.

to the former and not to the latter.¹⁰

Valuation of Exports and Imports:

Imports and exports are valued according to the provisions of the Indian Sea Customs Act, VIII of 1878 (Section 30)¹¹ Under its provision they are to be valued on the basis of wholesale market prices and represent (i) the wholesale cash price, less trade discount, for which the goods of the like kind and quality are sold, at the time and place of importation or exportation as the case may be, without any abatement or deduction whatever, except (in the case of goods imported) of the amount of the duties payable on the importation thereof; (ii) where such price is not ascertainable, the cost at which goods of the like kind and quality could be delivered at such place without any abatement or deduction, except as aforesaid. Although the theoretical basis adopted for valuation of imports and exports is, thus, the "real value", it conforms approximately in practice to C.I.F. transaction value of imports and F.O.B. (or F.O.R.) transaction value of exports inclusive of export duty and cess where leviable.¹²

¹⁰However, if shipper in India dispatched them first to West Germany and then shipped further to East Germany, they will be credited to East Germany which is the country of final destination.

¹¹See Annual Statement of Foreign Trade of India. (Department of Commercial Intelligence and Statistics. especially Introduction).

¹²See Annual Statement.

Commodity Classification:

Prior to January 1957, the trade statistics of this country were presented on the basis of old trade classification where the items were arranged according to the alphabetical order. In the old classification there is specification of 1717 items in all (1047 under imports, 460 under exports and 210 for re-exports). These items were further grouped into five major classes like (i) Food, drink and tobacco, (ii) Raw materials and produce materials mainly unmanufactured, (iii) Articles wholly or mainly manufactured, (iv) Living animals, and (v) Postal articles.

In January 1957 India adopted the revised Indian Trade Classification (ITC) which is based on the United Nation's Standard International Trade Classification (SITC)¹³. The new classification provides for separate specification of 4850 commodities grouped into 10 sections as follow :-

0. Food
1. Beverage and Tobacco.
2. Crude materials except fuels.
3. Mineral fuels, lubricants and other related materials.
4. Animal and vegetable oils and fats.
5. Chemicals.

¹³See. Department of Commercial Intelligence and Statistics: Alphabetic Index to the Indian Trade Classification.

6. Manufactured goods classified chiefly by materials.
7. Machinery and transport equipment.
8. Miscellaneous manufactured articles.
9. Miscellaneous transactions in commodities N.E.S.
(Postal packages, Returned goods, Special transactions
etc.)

The ten sections fall in 52 divisions which again into 150 groups and these groups into 570 items, each followed by digital markings. 0 to 9 stand for sections, Divisions are marked by two digits, and three digits stand for groups. For e.g. 001 is starch for live animals for food which comes under section 0, food and it falls division 00. The fourth and fifth digit stands for the 570 items. For example 00102 is the code for "sheep and lambs" which comes in the group 001. Since these 570 items cover commodities of International trade only in summary form, they are further divided to provide greater detail by the addition of further digits. Thus 001020000 stands for sheep and lambs which comes under the item 00102. The criteria has been to give some code numbers to each and every one of the commodities and each digit indicates the dependence one single item to the main item, showing the stages at which different commodities are related to each other.

In accordance to the recommendations of United Nation's Statistical Commission, the present classification (ITC) has

been revised with effect from April 1965 on the basis of SITC - Revised with amplification and adjustments to meet national requirements.¹⁴ The SITC - Revised of 1965 has preserved to a large extent the original structure of SITC.

¹⁴See the Monthly Statistics of Foreign Trade of India. For the Month of April 1965.