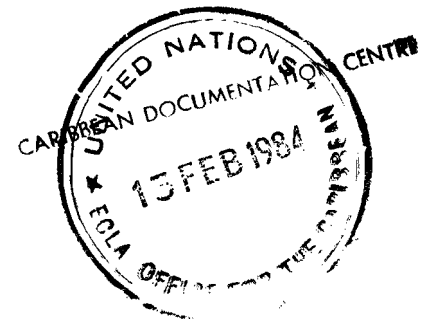


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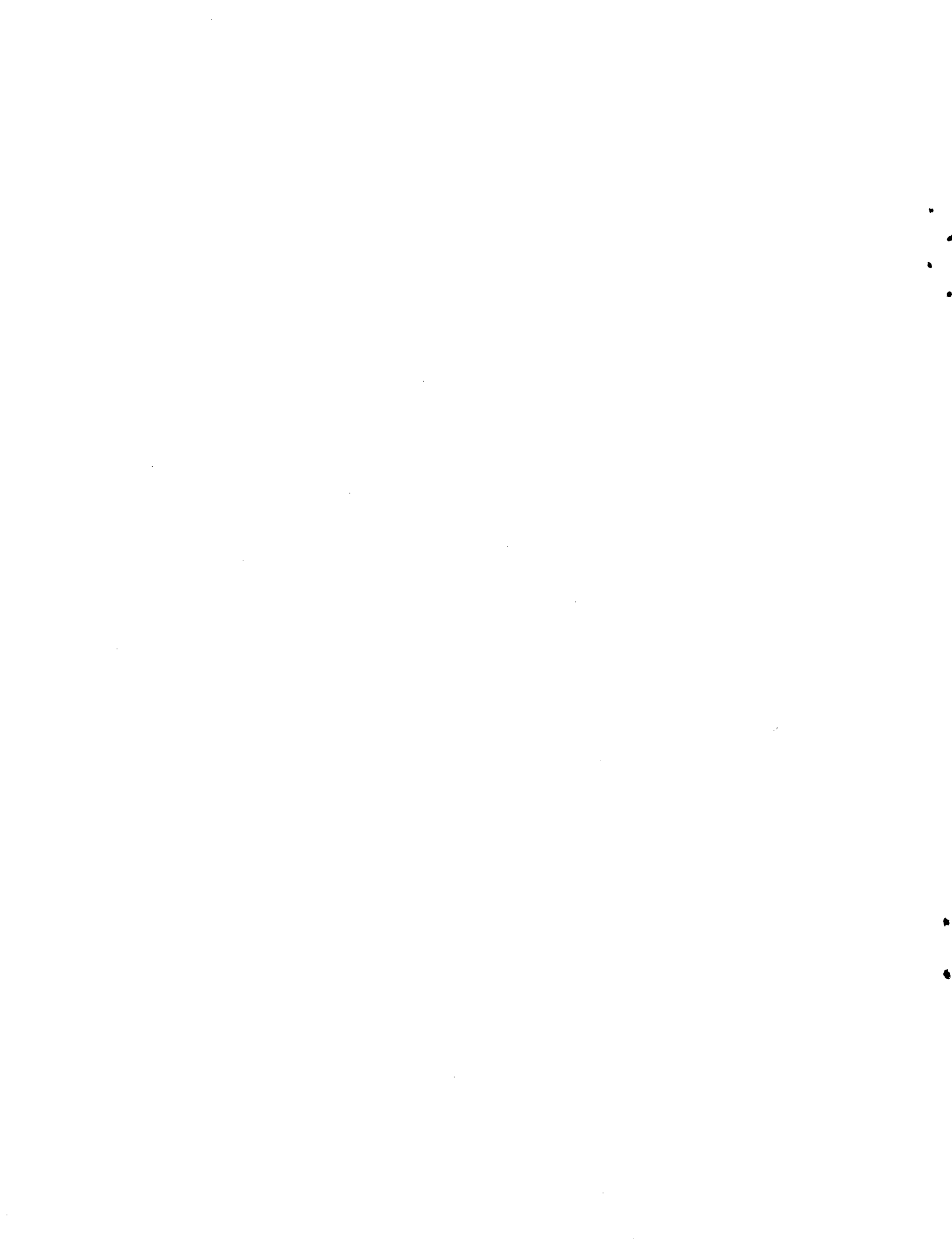
ECONOMIC COMMISSION FOR LATIN AMERICA  
Office for the Caribbean



A NOTE ON ADOPTION OF A  
BROAD ECONOMIC CLASSIFICATION (BEC)  
OF EXTERNAL TRADE STATISTICS  
FOR THE CARICOM AREA

Presented to the Meeting of  
the Working Group on Trade Statistics  
Held under the Auspices of CARICOM Secretariat/UNDP  
in  
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by  
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A Note on Adoption of a  
Broad Economic Classification (BEC)  
of External Trade Statistics  
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INTRODUCTION

Historical

Work on the Broad Economic Categories dates back to 1964 and even earlier when the need was recognised internationally for external trade data grouped into certain large economic classes to supplement existing data summarized into Standard International Trade Classification (SITC) Sections. Recognition of this need led to preparation by the United Nations Statistical Office of a draft BEC document in early 1966.<sup>1/</sup> Since then, several revised draft documents have been prepared. In the interim, the Standard International Trade Classification (R) was revised and also the International Standard Industrial Classification (ISIC) and by 1976 the final approved version of the BEC was published.<sup>2/</sup>

At a seminar on External Trade Statistics held under the auspices of the UNDP/ECCM Statistical Development Project based in Antigua during November 1976, the question of a Broad Economic Categories arose in discussions on end-use classifications. Though the necessity for compilation of such data was recognized, the machinery for implementation was never organized and consequently little progress appears to have been made in ECCM countries.

Presently, Barbados, Jamaica and Trinidad and Tobago publish data according to economic end-use (see Appendices I to III).<sup>3/</sup> There are

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<sup>1/</sup> E/CN.3/341, 8 April 1966

<sup>2/</sup> U.N. Department of Economic and Social Affairs, Classification by Broad Economic Categories, Statistical Series M No.53 Rev.1 (Sales No. E76 XVII.7)

<sup>3/</sup> It has come to attention that a new BEC has been prepared for Barbados in connection with recent work on National Accounts.

indications that similar classifications have been prepared in some countries in conjunction with work on National Accounts. Not unexpectedly, these differ from one another and from the UN BEC, both in format and in detail. The list presented for Trinidad and Tobago appears, at first glance, as if it could be converted fairly easily to the BEC format. One point should be noted; the UN BEC is based on the SITC (Rev.2) while those of the three countries are based on SITC (Rev.1).

#### Purpose of this Paper

This paper is definitely not a detailed explanation of the BEC. The definitive document can be consulted and perhaps most participants are more familiar with the details of the BEC than the author of this Note. Instead, this short paper seeks to serve as a vehicle for discussion after which the Working Group, hopefully, should be in a better position to decide if the BEC ought to be adopted and incorporated as a new table in the appropriate national statistical publications. It will also be necessary for work to be done in classifying the detailed items of the External Trade Statistics to the appropriate BEC sub-headings and headings. Assuming that it is agreed that the classification is necessary, the next step is implementation, including publication. Too often decisions are arrived at in meetings like these and recommendations are made but there is no follow-up.

It will be necessary to determine during the discussion on this topic, exactly how to proceed with implementation. Will some countries do it on their own? Is there need of a "pilot project" where the results can be passed on to others? Is the expertise available in each country? If not, who will do the work? These and other questions must be answered during the session of the meeting dealing with this topic.

#### COMMENTS ON THE BEC

The classification by Broad Economic Categories may be defined as a scheme for summarizing external trade statistics based on the SITC (Rev.2) into certain broad end-use categories which are compatible with the UN System of National Accounts.

As set out in the attached annex, the BEC consists of nineteen separate categories which are further grouped into the following seven broad headings:

1. Food and beverages
2. Industrial supplies n.e.s.
3. Fuels and lubricants
4. Capital goods (except transport equipment)
5. Transport equipment
6. Consumer goods n.e.s.
7. Goods n.e.s.

With some minor manipulation of the nineteen categories it is possible to derive the three basic classes of the SNA: Capital Goods, Intermediate Goods and Consumption Goods.

At the international level, two major items presented problems of grouping since they each have widespread use in two categories. (These items of course also present difficulties at the national level). The two items are motor spirit and passenger motor cars; the former is an industrial input and also a consumer non-durable, the latter is a capital good and also a consumer durable. The UN Statistical Office left it up to users to make their own apportionment. It is also certain that other similar problems of apportionment exist because of the different industrial structures in the small Caribbean countries compared with the more developed countries of the world. Differences also exist among Caribbean countries which would negate a completely uniform classification.

Certain of the other features of the BEC need to be highlighted.

- (a) The BEC is specifically related to the SITC Rev.2 though obviously conversion to the SITC Rev.1 would be possible.
- (b) The variety of end-users to which certain commodities can be put frequently preclude allocation into a particular end-use of a specific commodity. The

main end-use in a particular country therefore has to be the criteria for allocation.

- (c) Treatment of parts and accessories - The BEC separates parts and accessories from complete units of capital goods and transport equipment. This is of course facilitated by the practice in the SITC Rev.2 of separately classifying parts and assigning usually (if not exclusively) a five-digit item number.

It should be noted though that "parts and accessories essential to the maintenance of machinery and unassembled components of machinery, etc., used as supplies to assembling plants, are, in fact, inputs to industry and ... are intermediate goods". Unassembled vehicles, (CKD in Caribbean terminology) technical inputs to assembly plants should be in BEC item 53\* but are in fact classified to item 51\* or item 52\* because both assembled and unassembled vehicles are classified to the same heading.

From a user standpoint, construction materials would be a useful group or sub-group in any broad economic classification. This class of goods is shown in certain published tables for Barbados, Jamaica and Trinidad and Tobago, but not in the BEC. Construction materials would appear to be mainly an intermediate good. It is interesting to note that these items are included in intermediate goods in the Trinidad and Tobago classification <sup>4/</sup> but are regarded as capital goods under systems currently in use in Barbados and Jamaica.<sup>5/</sup>

#### Is the BEC Classification Necessary?

The answer would seem to be a resounding affirmation. If there were no BEC there would be a similar classification as illustrated by the existence of the already mentioned classifications of some Caribbean countries. It may be of interest to note that some early

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<sup>4/</sup> Quarterly Economic Report, April-June 1970, Central Statistical Office, Trinidad and Tobago.

<sup>5/</sup> Economic and Financial Statistics, October 1978, Central Bank of Barbados and Statistical Digest, November 1979, Bank of Jamaica.

end-use classification schemes of CARICOM countries were developed outside of the Statistical Offices by Government departments and/or agencies concerned with analytical work.

The author of the note has been told that earlier versions of CARICOM countries' end-use classifications were based on the so-called CUODE (Clasificación del Comercio Exterior Según Uso o Destino Económico) System developed many years ago by CEPAL (ECLA) to facilitate economic analysis of external trade and to investigate the possibilities of import substitution. Obviously, this need still exists in the Caribbean today.

As already mentioned also this kind of grouping is very useful both in the new as well as in any system of National Accounts. We ourselves (ECLA Port of Spain) have reassembled external trade data into end-use categories when making projections of GNP or GDP.

#### IMPLEMENTATION

Implementation is the substance of the paper and indeed ought to be the substance of this week's Working Group endeavours. If the BEC is useful, and the evidence suggests it is, then the machinery for implementation ought to be constructed here and now and this seems to be the responsibility of the UNDP/CARICOM and UNDP/ECCM Statistical Projects as well as of the countries themselves.

#### Some Prior Considerations

The basic difference in the position of statistics between the MDC's and LDC's generally must be recognised. Indeed there are differences in the situation among the MDC's themselves, which may require slightly different approaches. It will be recalled that some MDC's already publish data by economic end-use. All of these MDC's utilize computers to a greater extent in processing external trade statistics than do the LDC's. The MDC's have larger statistical organizations - more manpower, expertise and resources. Some

have in-house computers, others have access to centralized Government computer services but with varying degrees of priority (usually at the lower end of the scale) accorded to their work.

One of the problems that exists is that the detailed trade data and moreover the end-use classification are not published early enough for maximum use to be made of them. It should also be recognized that the various end-use classifications would be more useful if they were standardized as far as possible. It may also be necessary to review the national systems because the industrial structure of countries would have undergone some changes since the inception of the classification. Periodical review seems warranted also for this reason.

In the LDC's, these problems also exist and are much more severe - data are much more delayed before being available to users, there are fewer analytical tables published, fewer personnel, less equipment etc. Moreover, computer facilities still are not readily accessible. Now would be a good time to lay the ground work for a programme to provide economic end-use statistics for the CARICOM LDC's in view of the recent establishment of the ECCM computer facilities in Antigua.

None of the countries are yet on the SITC (Rev.2) base of classification and in fact some recent publications still utilized the SITC "0". In general, this should not cause many more problems if a detailed examination of the present item composition of external trade is to be made in any case before constructing the classification. In terms of time and resources, it may make a difference if countries are going to switch their external trade classifications to the SITC (Rev.2) which would be the case when the proposed Common External Tariff is implemented.

A less time consuming approach is to accept the BEC up to the international level i.e., four or five-digit SITC sub-group or item levels and only consider those sub-groups or items further broken down in the national classifications. The difficulty here however, is that the approach is only possible where countries are on the SITC Rev.2.



Some Suggestions

- (a) Agree at this workshop the country in which work should be initiated.
- (b) A team to do the work should be selected. This team should be headed by CARICOM Statistics Project Team personnel and include the head of the Statistical Office of the country for which the work is being done. At least one or two other persons, for example, Ministry of Planning or Industry or Industrial Development Corporations's personnel, should be included on the team. These persons would be familiar with the structure of industry in the particular country and be able to secure access to industry data.
- (c) It may be useful to bring this matter to the attention of the CARICOM Council of Ministers via the Standing Committee of Caribbean Statisticians. This action could provide authority for securing greater co-operation where it is needed.
- (d) Countries already compiling an end-use classification need to be consulted. Their experience could be of immeasurable assistance.
- (e) Work could be started in the CARICOM Secretariat if a listing of the External Trade Classification codes (and descriptions) could be made available.
- (f) Some of the LDC's may require assistance. If this workshop could so decide, ECLA could frame requests for TCDC (Technical Cooperation among Developing Countries) assistance if also CARICOM MDC's would offer to provide personnel. The LDC's work would benefit particularly in this respect if their projects followed the MDC's since the body of expertise would have increased.

It is hoped that this brief paper will stimulate discussion on the topic. But more than this, it is hoped to stimulate action, co-operation, implementation. Meetings such as these (and indeed the work of the CARICOM Statistics Development Project) should result in some measurable, concrete step forward in the improvement of statistics in the Region.



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APPENDIX I

U.N. CLASSIFICATION BY BROAD ECONOMIC CATEGORIES (BEC)<sup>1/</sup>

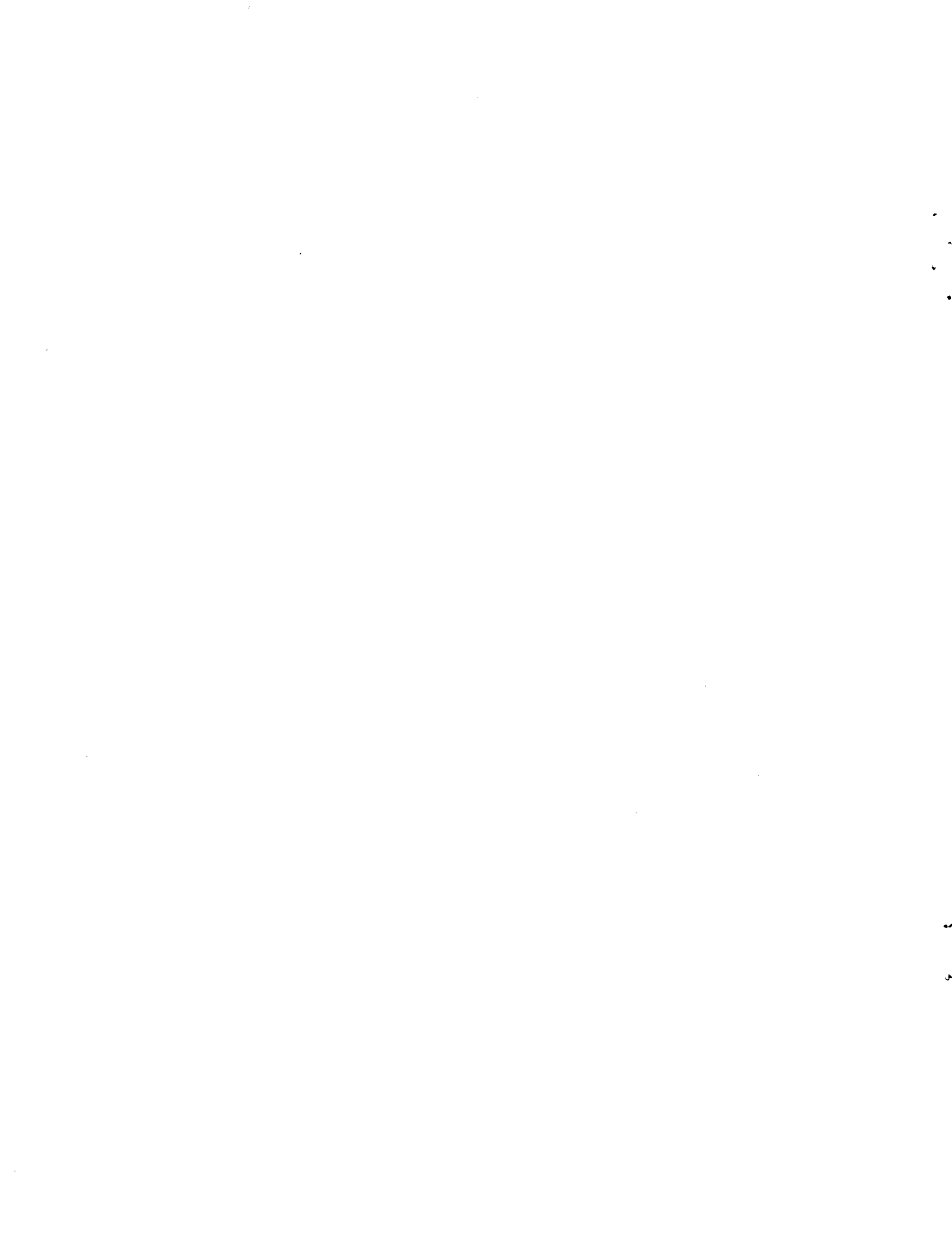
- 1\* Food and Beverages
  - 11\* Primary
    - 111\* Mainly for industry
    - 112\* Mainly for household consumption
  - 12\* Processed
    - 121\* Mainly for industry
    - 122\* Mainly for household consumption
  
- 2\* Industrial supplies not elsewhere specified
  - 21\* Primary
  - 22\* Processed
  
- 3\* Fuels and lubricants
  - 31\* Primary
  - 32\* Processed
    - 321\* Motor spirit
    - 322\* Other
  
- 4\* Capital goods (except transport equipment), and parts and accessories thereof
  - 41\* Capital goods (except transport equipment)
  - 42\* Parts and accessories
  
- 5\* Transport equipment and parts and accessories thereof
  - 51\* Passenger motor cars
  - 52\* Other
    - 521\* Industrial
    - 522\* Non-industrial
  - 53\* Parts and accessories
  
- 6\* Consumer goods not elsewhere specified
  - 61\* Durable
  - 62\* Semi-durable
  - 63\* Non-durable
  
- 7\* Goods not elsewhere specified

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\* The asterisk follows each reference to a BEC classification as a device to avoid confusion with the numbered sections, divisions and groups of the Standard International Trade Classification, Revision 2.

<sup>1/</sup> The nineteen basic BEC categories are those that are not further subdivided, for example, 111\*, 112\*, 31\*, 7\*, etc.

Source: UN Statistical Series M No.53 Rev.1 (Sales No.E76 XVII.7)



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APPENDIX II

EXTERNAL TRADE DATA CLASSIFIED BY ECONOMIC END USE  
(Trinidad and Tobago)

CONSUMER GOODS

Non-Durables

Food  
Beverages and Tobacco  
Medical and Pharmaceutical Products  
Miscellaneous Non-Durables  
Alcoholic Beverages

Semi-Durables

Clothing and Accessories  
Footwear  
Other  
Textiles, yarn, thread  
Glass tablewear  
Miscellaneous Semi-Durables, n.e.c. (Pens, pencils, etc.)

Durables

Passenger cars Non-C.K.D.  
Household Appliances  
Furnishers and Furniture  
Miscellaneous Durables

INTERMEDIATE GOODS

Fuels, lubricants, blending agents, asphalt  
Agricultural inputs including prepared feeds  
Chemicals  
Construction materials  
Steel works materials  
Petroleum intermediates  
Assembly industry  
Assembly of household appliances, air condition equipment  
Miscellaneous intermediates

RAW MATERIALS

Other petroleum products under special processing agreement  
Crude petroleum  
Other raw materials of agricultural origin  
Base metal including scrap and metal, precious stones

CAPITAL GOODS

Power generating machinery, agricultural machinery, pumps for liquid, oil mining machinery, oil refining machinery, mining machinery except oil  
Manufacture of metals, n.e.s. manufacture of asbestos not including building materials, office machinery, etc.  
Parts for aircraft engine, gasolene engine, diesel engine  
Air conditioning and refrigerating equipment, machines and appliances other than household  
Office machinery and parts, metal furniture and fixtures  
Implements and tools for agriculture  
Live animals chiefly for food  
Aircraft and aircraft parts  
Railway sleepers, firearms of war, tools and printed matter.

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Source: Quarterly Economic Report, Central Statistical Office, Trinidad and Tobago.

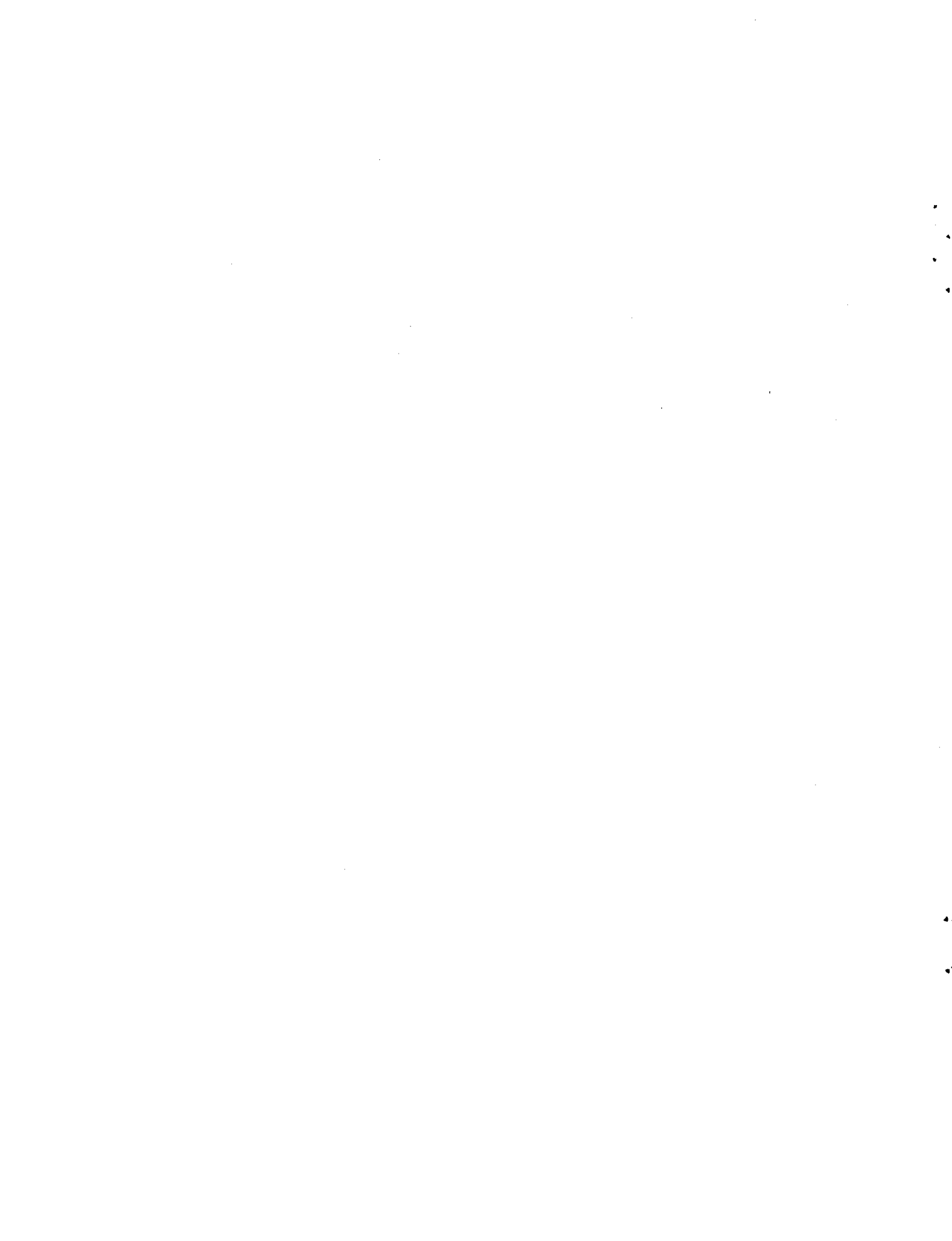
APPENDIX III

IMPORTS BY ECONOMIC FUNCTION  
(Jamaica)

J\$ Million

	1 9 7 6		1 9 7 7	
	Value	%	Value	%
<u>Consumer Goods</u>	<u>149.5</u>	<u>18.0</u>	<u>100.0</u>	<u>12.8</u>
Food	80.0	9.6	52.3	6.7
Other Non-Durable	32.5	3.9	24.7	3.2
Durable	37.0	4.5	23.0	2.9
<u>Raw Materials</u>	<u>467.7</u>	<u>56.4</u>	<u>510.0</u>	<u>65.2</u>
Fuels	185.0	22.3	223.2	28.5
Other Raw Materials and Goods used in mftr.	282.7	34.1	286.8	36.7
<u>Capital Goods</u>	<u>212.6</u>	<u>25.6</u>	<u>171.6</u>	<u>22.0</u>
Construction Materials	65.2	7.9	70.3	9.0
Transport Equipment	24.2	2.9	15.3	2.0
Other Machinery and Equipment	108.9	13.1	72.6	9.3
Other	14.3	1.7	13.4	1.7
<b>TOTAL</b>	<b>829.8</b>	<b>180.0</b>	<b>781.6</b>	<b>100.0</b>

Source: Statistical Digest, Research Department, Bank of Jamaica,  
November 1978.





APPENDIX IV  
RETAINED IMPORTS BY BROAD ECONOMIC CATEGORIES  
(Barbados)

CONSUMER GOODS	SITC CODE	INTERMEDIATE GOODS	SITC CODE	CAPITAL GOODS	SITC CODE
<u>NON-DURABLES</u>					
<u>Food and Drink</u>		<u>Fuels</u>	3	<u>Machinery</u>	
Food (Residual)	0			Machinery and	
Beverages	1	Chemicals (Residuals)	5	Equipment (Residual)	7
<u>Other</u>					
Pharmaceuticals	54			<u>Construction</u>	
Toiletries	55	<u>Textiles</u>	65	<u>Materials</u>	
Personal Effects	83			Wood, lumber	24
Clothing	84-85			Plywood	631
<u>DURABLES</u>		<u>Fats and Crude</u>		Wood Products	632
<u>Motor Cars</u>	732.1	<u>Materials</u>		Fibreboard	641.6
		Feeds	08	Cement	661.2
		Crude Materials (Residuals)	2	Iron and Steel	67
		Oils and Fats	4	Structural Parts	691
<u>Other</u>		<u>Other Manufactures</u>		Heating and Plumbing Materials	812.1-3
Tyres for motor Cars and Cycles	629.11 13 145 15	Manufacturers by Material (Residuals)	6	<u>Unclassified</u>	9
Air-conditioners	719.120 121 122 123				
T.V.'s and Radios	724.1,2				
Refrigerators and Stoves	725				
Cycles	732.9				
Other cycle parts	733				
Furniture	821				
Records and Tapes	891				
<u>OTHER MANUFACTURERS</u>					
Miscellaneous Manufactures (Residuals)	8				

Source: Economic and Financial Statistics, Central Bank of Barbados, October 1978.

