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Chapter Title: EVIDENCE ON MAGNITUDE AND CONCENTRATION OF MIDDLEMAN TRADE IN RELATION TO WORLD TRADE BY COUNTRIES AND COMMODITIES

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trade between countries, using both exporters' and importers' records for each transaction.

Section 4 gives the conclusions of this study, and, on the basis of the analysis, a critical examination of recent proposals put forth by the United Nations and the International Monetary Fund to improve the recording by countries of international trade statistics.

1. EVIDENCE ON MAGNITUDE AND CONCENTRATION OF MIDDLEMAN TRADE IN RELATION TO WORLD TRADE BY COUNTRIES AND COMMODITIES

Middleman Trade in the Imports of Selected Countries

Tables 1, 2, 3, and 4 describe middleman trade in commodities purchased from, but not produced in, middleman countries by seven importing countries. Table 1 gives the value of their total imports from middleman countries; Tables 2 and 3 show the figures by a commodity breakdown; and Table 4 shows the relative importance of the major middleman countries in this trade.

In these tables, the excess of amounts purchased by the final importing country (I) from a middleman country (M) over the amount originating in country (M) is only a *net* measure of (I's) purchases from (M) of all other countries' goods. It is net because other middlemen may sell some of the produce of country (M) to (I). For two of the seven countries — Yugoslavia and Colombia — only these net measures were easily obtainable. For another two — Germany and Denmark — cross-classification tables are given so that completely gross data (total imports purchased from but not produced in middleman countries) can be obtained. And for the other three import data in broad commodity groups were used to get a partially gross record.¹

As noted in the Appendix, both conceptual and practical problems are involved in the use of the concepts "country of origin" and "country of purchase," but these are less serious than the corresponding problems

¹Obviously, the degree of grossness depends partly upon the fineness of the commodity classification available or feasible to use for the compilation of total excess of purchase over origin. Sweden provides commodity-country imports by country of purchase and country of origin for only 12 commodity groups; for Norway there

on the export side.² The German data raised a special problem; until January 1955 Germany reported its imports from all European overseas territories as purchases from the corresponding metropolises unless they were bought from middleman countries other than the corresponding metropolises. The adjusted figures for these imports for the first half of 1955 (see Table 11), however, indicate that a very small error in total middleman trade recorded by Germany was introduced by this practice.³ For imports from countries other than overseas territories, Germany shifted in August 1954 from defining "country of purchase" as the country to which payment was made to defining it as the "country in which the foreign seller transacts his business."⁴ In this adjustment, according to the German statistical office, comparability with the previous period is not essentially affected, since with few exceptions the country to

are 48 commodity groups; for Finland one may use either the summary tables giving both sets of figures for 86 commodity groups or the basic commodity classification in well over a thousand categories; Colombia gives this comparison only in its most detailed record of trade. It is therefore possible to compile "partly gross" data for Finland and Colombia, but we decided that the cost was too great. Only partly gross data are available for Sweden and Norway, and only net for Yugoslavia. So far as I know these are the only countries providing purchase-origin data for 1952. Beginning in 1953, Austria provides these data on a net basis; New Zealand provides data labeled "country of purchase" but they actually show the country of shipment.

²The League of Nations showed in the early 1930's that exporters do not usually know the final destination of their goods if there is reconignment (*International Trade Statistics*, R. G. D. Allen and J. Edward Ely, eds., Wiley, 1953, p. 124). It appeared to H. B. Woolley that this situation still existed in 1951 ("On the Elaboration of a System of International Transaction Accounts," *Problems in the International Comparison of Economic Accounts*, Studies in Income and Wealth, Volume Twenty, Princeton University Press for National Bureau of Economic Research, 1957).

³The proportion of total sales reported by the colonies under the adjusted method is very low except for overseas territories of France (5.8 percent) and of the Netherlands (10.1 percent), and, inasmuch as the Netherlands O.T.'s are of relatively minor importance in German import trade the distortion of the record for earlier years is not great. These percentages applied to 1952 data give a total of \$10.3 million of German imports bought directly from the O.T.'s, of which \$5.2 million is from U.K. O.T.'s and \$3.8 million from French O.T.'s. Since all other selected importing countries report that some imports are bought directly from the O.T.'s, we can assume that this peculiarity in technique of recording country of purchase was limited to Germany.

⁴Letter from Dr. Schmidt, Statistisches Bundesamt, Wiesbaden, Germany. In the trade publication (*Der Aussenhandel der Bundesrepublik Deutschland, 1954*, Teil 3, p. 3) "country of purchase" is defined as "country in which the foreign trading partner has his usual residence (*Aufenthalt*), his main office or his registration (*Sitz*)." This definition does not clarify the treatment of branches or subsidiaries of multinational producers. The data indicate, however, that Germany and the other countries reporting on country of purchase basis follow the reasonable approach of reporting either the parent company or the affiliate as the seller depending upon which handles the international financial transactions.

which payment is made is also the country in which the foreign seller conducts his business.

Magnitude and Concentration, Seven Selected Countries

Table 1 reveals that, while the bulk of trade of the seven selected importing countries is direct trade, the amount of their indirect trade is large. In 1952 they purchased 13 percent of their imports, by simple average, and 16 percent by weighted average from middleman countries. But these averages cannot be taken as an indication of world middleman trade. The seven countries, selected for availability not representativeness, cover only 11.2 percent of the *International Financial Statistics*⁵ value of world imports in 1952. In addition there is wide dispersion around the average.

An explanation of part of this dispersion is suggested by an analysis of the commodity composition of the imports of these seven countries in relation to the structure of middleman commodity trade. Table 2 shows, for each of five importing countries, its imports of each commodity group purchased from middlemen as a percentage of its total imports of that commodity group in 1952. From this point of view the major commodity group is rubber and rubber products (possibly a result of the broad groups used by the countries). All countries except Norway purchased at least 40 percent of their imports of rubber and rubber products from middlemen. Imports purchased from middlemen were also a relatively high percent of total (compared with the ratio of total purchases from middlemen to total imports) for other primary and semimanufactured goods: crude and semimanufactured minerals, fertilizers and fuels; beverages, tobacco, sugar, and fodder; fats, oils and wax; and perhaps (excepting Germany) for live animals, meat, fish, dairy products, fruits, nuts, and vegetables. They were relatively low percentages of total for the broad categories of cotton, wool, and all textile materials; chemical and pharmaceutical products; transportation equipment; machinery, apparatus, and appliances; and manufactures of base metals.

To generalize, imports purchased from middlemen by these five countries include a higher percent, by value, of primary and semimanufactured goods than do their direct imports. For Finland and the Scandinavian countries, the proportion of manufactures in total imports was 54 to 67 percent in 1953 (Standard International Trade Classification, SITC, Sections 5-8)⁶ in contrast with roughly corresponding imports from middlemen of less than 30 percent (1952), as shown in Table 3. For Ger-

⁵*International Financial Statistics*, International Monetary Fund, May 1953, p. 17.
⁶*Yearbook of International Trade Statistics, 1954*, United Nations, pp. 129, 152, 188, 208, 466, 470, 552. Data in commodity groups of the Standard International Trade Classification are available for all of our importing countries except Finland from 1953; the data in commodity groups for Finland were compiled.

TABLE 1

Value of Imports Purchased from, but Not Produced in, Middleman Countries
by Selected Importers as Percent of Total Imports, 1952*(dollar amounts in millions)*

SELECTED IMPORTING COUNTRY	PURCHASES FROM MIDDLEMEN	TOTAL IMPORTS	PERCENT
<i>Gross</i>			
Denmark	144.8	962.2	15.0
Germany	853.1	3,853.9	22.1
Subtotal	997.9	4,816.1	20.7
<i>Partly gross</i>			
Norway	87.3	873.5	10.0
Sweden	228.3	1,728.6	13.2
Finland	76.1	792.1	9.6
Subtotal	391.7	3,394.2	11.5
<i>Net</i>			
Yugoslavia	34.6	271.4	12.7
Colombia	21.8	415.4	5.2
Subtotal	56.4	686.8	8.2
Grand total	1,446.0	8,897.1	16.2

Gross equals imports purchased from, but not produced in, each middleman country.

Partly gross equals imports purchased from each middleman country minus imports originating there, computed by individual commodity group.

Net equals total imports purchased in each middleman country minus total imports originating there.

Sources:

Germany — *Der Aussenhandel der Bundesrepublik Deutschland, 1952* (Statistisches Bundesamt, Wiesbaden, 1953), Teil 3, pp. 18-22 and 75-83.

Denmark — *Foreign Trade of Denmark, 1952* (Statistical Department, Copenhagen, 1953) p. 28*.

Norway — *Norges Handel, 1952* (Statistik Sentralbyra, Oslo, 1954), Del II, pp. 30-31 and 36-41.

Sweden — *Handel Berättelse För Ar 1952* (Kommerskollegium, Sveriges Officiella Statistik, 1954), pp. 26-31 and 36.

Finland — *Foreign Trade, 1952* (Finlands Officiella Statistik, 1953), pp. 2-23, 19*, and 25*.

Yugoslavia — *Statistics of Foreign Trade of the FPR of Yugoslavia, 1953* (Foreign Trade Division, Belgrade, 1954), pp. xx-xxi and xxiv (total of "regular" imports).

Colombia — *Anuario de Comercio Exterior de 1952* (Departamento Administrativo Nacional de Estadística, 1954), pp. 8 and 9.

TABLE 2

Imports Purchased by Germany, Finland, and Scandinavian Countries from Countries Other than Country of Origin, Showing Value of Identified Commodities, Value of Total Commodity Group, and Their Percentage Ratio to Total Corresponding Commodity Imports, 1952
(*dollar amounts in millions*)

COMMODITY GROUP	REPORTING COUNTRY									
	Germany		Finland		Sweden		Norway		Denmark	
	Value	Percent	Value	Percent	Value	Percent	Value	Percent	Value	Percent
Animals, meat, fish, dairy products, nuts and vegetables			3.0	10.6	22.6	9.9 ^a	9.3	28.3	4.6	25.2
Fats, oils and wax (animal and vegetable)			1.9	16.4	2.9	17.1	0.9	18.4	21.4	61.8
Beverages, tobacco, sugar and fodder			18.3	26.8	8.9	16.4	8.2	14.1	27.1	30.9
Coffee	14.3	18.5	12.7 ^b	49.6			6.1 ^c	20.5		
Cocoa and its products	43.7	78.3								
Tobacco	1.3	2.1	1.2	17.9			0.2 ^d	3.3	11.4	59.2
Sugar	7.5 ^e	13.5	2.7	13.5			1.8	10.4	11.4	59.2
Total identified	66.8	26.9	16.6	31.7			8.1	15.2	11.4	59.2
Cereals and products			3.9	5.6			0.2	4.2	8.6	34.3
Wheat	44.6	23.9								
Barley	82.7	64.5								
Corn	14.9	21.2								
Rice	0.8	7.8								
Total identified	143.0	36.2								
All textile materials and products			9.5	9.0	16.2	8.9	3.0	2.8	11.2	9.5
Raw cotton	38.2	15.7	2.1	4.5						
Raw wool and hairs	29.0	24.5	5.9	17.7						
Other textile materials and products			1.5	5.9			0.6	0.6	11.2	9.5
Total identified	67.2	18.5	9.5	8.9			0.6	0.6	11.2	9.5
Wood, cork and wood products			0.2	11.1	0.7	2.3	0.8	3.4		
Wood, cork and cane	15.5	21.8								
Lumber	1.1	1.4								
Total identified	16.6	11.0								

TABLE 2, concluded

COMMODITY GROUP	REPORTING COUNTRY											
	Germany		Finland		Sweden		Norway		Denmark			
	Value	Percent	Value	Percent	Value	Percent	Value	Percent	Value	Percent	Value	Percent
Rubber and its products	53.1	70.9	3.5	41.7	12.0	46.5	1.6	20.5	3.6	91.9		
Pulp, paper and their products	2.9	3.2	0.0		0.1	0.5	0.1	1.7				
Crude and semi-manufactured minerals, fertilizers and mineral fuels			29.9	12.0	122.8	16.4	45.8	19.0	51.5	25.9		
Coal and coke	25.8	12.4										
Petroleum	92.3	94.1										
Fertilizers	19.2	13.9	7.0	37.6			0.2	2.2	8.2 ^f	43.8		
Ferrous ore and ferrous products	4.8	28.4	1.5 ^g	1.4			0.1	1.3				
Tin	21.9	47.2	2.4 ^h	9.8			12.1 ⁱ	14.0				
Other non-ferrous ores and metals	164.0	32.4	10.9	4.4			12.4	7.1	8.2	43.8		
Total identified												
Manufacturers of base metals			0.0	0.0	27.6	9.6	0.1	0.4	6.9	6.9		
Chemical and pharmaceutical products			1.5	4.6	1.6	1.8	0.3	1.5				
Transportation equipment			2.4	2.8	1.5	1.4	11.3	8.0				
Machinery, apparatus and appliances			0.8	0.8	0.3	0.1	0.5	0.5				
Other	339.5 ^j	16.8	1.2	3.8	11.1	9.8	5.2	10.3	9.9 ⁱ	2.7		
Total or average	853.1	22.1	76.1	9.6	228.3	13.2	87.3	9.6	144.8	15.0		

Value figures in ordinary type refer to identified commodities; in italics, to the total for the commodity group.

^aIncluding cereal and cereal products.

^bIncluding tea and spices.

^cIncluding tea and cocoa.

^dIncluding tobacco manufactures.

^eSugar, molasses, and syrups.

^fIncluding crude minerals.

^gIron and steel.

^hAll ores, slag, and ash.

ⁱIron and steel products, including finished.

^jCommodity groups for which no figures are entered above.

TABLE 3

Imports Purchased by Germany, Finland, and Scandinavian Countries from Countries Other than Country of Origin, Showing Individual Commodity Purchases as Percent of Total Commodity Purchases, 1952

(percent)

COMMODITY GROUP	REPORTING COUNTRY				
	<i>Germany</i>	<i>Finland</i>	<i>Sweden</i>	<i>Norway</i>	<i>Denmark</i>
Animals, meat, fish, dairy products, fruits, nuts and vegetables		4.0	9.9	10.7	3.2
Fats, oils and wax (animal and vegetable)		2.5	1.3	1.0	14.8
Beverages, tobacco, sugar and fodder		24.0	3.9	9.4	18.7
Total identified	7.8	(21.8)		(9.3)	(7.9)
Cereals and their products		5.1		0.2	5.9
Total identified	16.8				
All textile materials and products		12.5	7.1	3.4	7.7
Total identified	7.9	(12.5)		(0.7)	(7.7)
Wood, cork and wood products		0.3	0.3	0.9	
Total identified	2.0				
Rubber and its products	6.2	4.6	5.3	1.8	2.5
Pulp, paper and their products	0.3		0.0	0.1	
Crude and semi-manufactured minerals, fertilizers and mineral fuels		39.3	53.8	52.5	35.6
Total identified	19.2	(14.3)		(14.2)	(5.7)
Manufacturers of base metals		0.0	12.1	0.1	4.8
Chemical and pharmaceutical products		2.0	0.7	0.3	
Transportation equipment		3.2	0.7	12.9	
Machinery, apparatus and appliances		1.0	0.1	0.6	
Other	39.8	1.6	4.9	6.0	6.8
Total	100.0	100.0	100.0	100.0	100.0

Figures in parentheses are percentages of components of each group identified in Table 2.

Source: See notes to Table 1.

many, of 80 percent of purchases from middlemen (1952),⁷ only about 2 percent were manufactured goods in contrast to the proportion of manufactured imports to total imports of 21 percent in the same year.

These commodity groups are too broad to permit refined analysis of the relation between commodity composition of imports and the ratio of imports purchased from middleman to total imports of these countries. An examination of extreme cases for our seven importer countries suggests, however, a positive correlation between the ratio of primary and semi-manufactured goods to total imports and the ratio of total imports purchased from middlemen to total imports. Germany, with the highest proportion of imports purchased from middlemen, is a relatively small importer of manufactured goods; and Colombia, at the other extreme, is a relatively high importer of manufactures (81 percent of her imports in 1953). For the other five countries, 50-67 percent of imports were manufactures in 1953. The variation in types of goods demanded by these importing countries and the tendency for middlemen to specialize in primary and semimanufactured goods thus may partly explain the dispersion around the average of their proportion of imports bought from middlemen.

In addition to the concentration in certain commodity categories, these data for seven importing countries show a high concentration of middleman trade in a few middleman countries. Table 4 shows that, for these countries, the U.K. is by far the most important middleman country, selling an average of 46.8 percent of the total imports they purchased from countries other than the country of production, and over 40 percent of such imports by each of these countries except Colombia. Apart from the U.K., only seven countries are significant in middleman activity. Of these, the U.S., France, and the Netherlands are most important on the average; but, unlike the U.K., their relative importance in the trade of the seven countries varies considerably. For example, comparing the positions of the U.S. and France in the purchases from middlemen by Denmark and Finland, we see that the U.S. sold 12.6 percent and France sold 9.6 percent of Denmark's purchases, while the U.S. sold only 4.9 percent and France 14.1 percent of Finland's purchases. For the only Latin American country represented — Colombia — the U.S. is by far the major middleman country.

⁷*Der Aussenhandel der Bundesrepublik Deutschland, 1952* (Statistisches Bundesamt, Wiesbaden), Teil 3, Table IC. This table compares country of purchase and country of origin by broad commodity groups. A comparison was made for the eight major middleman countries shown in Table 4.

TABLE 4

Value of Imports Purchased from, but Not Produced in, Middleman Countries by Selected Importers as Percent of Total Purchases from All Middlemen, 1952
(dollar amounts in millions)

IMPORTERS	U.K.	U.S.	FRANCE	NETHER- LANDS	BELGIUM	SWITZER- LAND	DENMARK	SWEDEN	OTHER	TOTAL
<i>Gross</i>										
Denmark										
Value	68.2	18.3	13.9	18.9	8.5	1.5		3.1	12.4	144.8
Percentage	47.1	12.6	9.6	13.0	5.9	1.0		2.1	8.6	100.0
Germany ^a										
Value	374.2	115.5	99.9	74.9	64.0	42.4	1.2	11.4	69.6	853.1
Percentage	43.9	13.5	11.7	8.8	7.5	5.0	0.1	1.3	8.2	100.0
<i>Partly gross</i>										
Norway										
Value	42.5	11.8	2.4	4.7	3.8	1.2	13.1	0.9	6.9	87.3
Percentage	48.7	13.5	2.8	5.4	4.4	1.4	15.0	1.0	7.9	100.0
Sweden										
Value	142.4	47.0	9.5	6.5	2.2	1.0	5.7		14.0	228.3
Percentage	62.4	20.6	4.2	2.8	1.0	0.4	2.5		6.1	100.0
Finland										
Value	32.0	3.7	10.7	6.4	0.1	1.5	1.6		17.0	76.1
Percentage	42.0	4.9	14.1	8.4	0.1	2.0	2.1		22.3	100.0
<i>Net</i>										
Yugoslavia ^b										
Value	17.2	10.0		0.1		4.4			2.9	34.6
Percentage	52.3	30.4		0.3		13.4			3.6	100.0
Colombia										
Value		18.2		0.5				0.5	2.6	21.8
Percentage		83.5		2.3				2.3	11.9	100.0
Total										
Value	676.5	224.5	136.4	112.0	78.6	52.0	21.6	19.0	125.4	1,446.0
Percentage	46.8	15.5	9.4	7.8	5.4	3.6	1.5	1.3	8.7	100.0

For explanation of gross, partly gross, and net, and for sources, see notes to Table 1.

^aGerman figures are slightly exaggerated (see Table 10, note a). Adjustments based upon data for 1955 shown in Table 10 and discussed in the text would probably reduce the U.K. merchandising by \$5.2 million, French by \$4.1 million, with other minor changes.

^bImport total excluding economic aid.

TABLE 5

United States Water-Borne General Imports of Merchandise Laden in Countries Other than Country of Origin, by Areas of Origin and Three Major Countries of Lading,^a 1953
(millions of dollars)

AREA OR COUNTRY OF ORIGIN	COUNTRY OF LADING			
	United Kingdom	Netherlands	Belgium	Total
Canada	0.9			0.9
Dollar Latin America	0.8	0.2		1.0
Nondollar Latin America	1.2	26.5	12.8	40.5
Sterling Europe	0.7	6.9	3.7	11.3
Nonsterling EPU (except W. Germany)	10.9	15.8	40.1	66.8
West Germany	0.8	72.3	22.5	95.6
Other Europe	1.0	4.5	0.5	6.0
Soviet bloc	2.4	4.9	5.1	12.4
Sterling overseas territories	7.6	23.2	2.9	33.7
Other sterling	14.4	4.8	2.4	21.6
Indonesia		7.2	0.2	7.4
Other	4.4	20.1	3.0	27.5
Total	45.1	186.4	93.2	324.7

^aExcludes imports from countries with no ports, except imports from Soviet bloc and landlocked countries laden in the United Kingdom.

Source: Tabulations SA 352 provided by Foreign Trade Division, Bureau of the Census.

Imports by the United States Laden in Countries Other than Country of Origin

Although the United States does not report imports by country of purchase, some interesting information can be gleaned from a census tabulation of U.S. water-borne imports by country of lading and country of origin. About 10 percent⁸ of U.S. imports were laden in countries other than country of origin in 1953 and, of this, about one-quarter originated in countries without port facilities. Table 5 shows U.S. water-borne imports laden, but not produced, in three major countries of Western Europe, distributed by areas of origin, exclusive of countries without port facilities unless there was an obvious reshipment. Table 6 shows a similar distribution for major countries of lading outside of Western Europe.

⁸My selection totaled only 8.8 percent of U.S. imports. But an examination of the coverage achieved by this selection for a single month in an earlier year (1951) suggests that it is close to 90 percent of total U.S. imports laden in countries other than country of origin.

TABLE 6

United States Water-Borne General Imports of Merchandise Laden in Countries Other than Country of Origin,^a by Major Countries of Lading Outside of Western Europe, 1953

(millions of dollars)

COUNTRY OF LADING	COUNTRY OF ORIGIN	VALUE
Lebanon	<i>Total</i>	69.2
	Saudi Arabia	52.7
	Iraq	8.4
	Other	8.1
British Malaya	<i>Total</i>	72.0
	Thailand	34.8
	Indonesia	30.2
	Burma	3.4
	Indochina	1.9
	Australia	1.4
Macao	<i>Total</i>	47.3
	Philippines	47.0
	Other	0.3
	<i>Total</i>	25.2
Japan	Republic of Korea	24.3
	Other	0.9
	<i>Total</i>	31.7
Angola	Belgian Congo	30.2
	Other	1.5
	<i>Total</i>	11.7
British East Africa	Belgian Congo	11.1
	Other	0.6
	<i>Total</i>	10.3
Mozambique	Union of South Africa	8.3
	British East Africa	1.5
	Other	0.5
	<i>Total</i>	8.5
Guatemala	El Salvador	6.6
	Costa Rica	0.6
	Nicaragua	0.5
	Other	0.8
Trinidad and Tobago	<i>Total</i>	12.5
	Surinam	10.6
	Venezuela	0.7
	Other	1.2
Total selected countries		288.4

Source: Same as Table 5.

^aExclusive of countries of origin which have no ports. U.S. imports from countries for which the Census Bureau reports no ports listed are (in millions of dollars): Bolivia, 61; Austria, 29; Czechoslovakia, 2; Hungary, 2; Switzerland, 68; Afghanistan, 15; Ethiopia, 31; British Somaliland, 1; Northern Rhodesia, 53 and Southern Rhodesia, 15.

Without further information our conclusions about middleman activity drawn from these tables can be only limited. Country of lading data are deficient because of the omission of offshore merchanting; on the other hand, they are excessive in that they include the value of merchandise laden from a country whether or not it was resold by a middleman who is resident of that country. It is known, for example, that a large part of the exports of European countries laden in the Netherlands are not resold by Dutch merchants.⁹ Also the exclusion of countries having no port facilities leads to the omission of a certain amount of middleman activity.

But despite these limitations, some features of these tables tell a story. Table 5 shows that merchandise is shipped to Western Europe, particularly to the Netherlands, from all parts of the world before being sent to the United States. The highly irregular routes followed by some merchandise may represent merely rerouting by the original exporters after discovery of better markets; but a large part of it can be attributed to switch trade. Table 6 shows that except for Western European countries there are only a few important countries of lading for reshipment to the U.S. (aside from those reshipping merchandise of countries without ports). Moreover, not all of these are middleman countries. Lebanon, for example, is not a middleman for Saudi Arabia, since the transshipment is entirely petroleum.

Table 7 shows a commodity breakdown of 83 percent of U.S. imports from countries other than country of origin, exclusive of those with no ports. The high concentration in staple foods and raw materials is evident.

Middleman Activity from Point of View of Other Importing Countries

For relatively underdeveloped countries as final importers, there are no precise data on middleman trade. Concerning overseas territories, there is good evidence only that residents of the metropolises control a high percentage of O.T. imports. P. T. Bauer has noted, for example, that in 1949 about 85 percent of Nigerian import trade was handled by European firms, about 10 percent by Levantine and Indian firms, and about 5 percent by African firms.¹⁰ And he found the same pattern in the Gold Coast before it became the Republic of Ghana, though the share of African firms was probably somewhat larger. Thus, most of the imports of these countries and dependencies are bought from non-African traders, but it is possible

⁹In contrast to the U.S. report of \$72 million of German produce purchased by the U.S. as laden in the Netherlands in 1953, Germany reports sales to the Netherlands of only \$20 million of merchandise destined for consumption in the U.S. in the same year (*Der Aussenhandel der Bundesrepublik Deutschland, 1954*, Teil 3, p. 51). The German data may be too low, of course, since exporters do not always know the final destination of their produce.

¹⁰P. T. Bauer, *West African Trade*, University Press, Cambridge, England, 1954, p. 65. Bauer adds that since 1949 the African share has probably increased slightly.

TABLE 7

Selected United States Commodity Imports Laden in Countries Other than
Country of Origin, in Value and Percent of Total Such Imports, 1953
(*dollar amounts in millions*)

COMMODITY DESCRIPTION	V A L U E		Col. 2 as percent of column total
	<i>Includes country of origin with no port (1)</i>	<i>Excludes country of origin with no port^a (2)</i>	
<i>Total Selected:</i>			
Coffee	106.5	77.3	10.1
Tea and cocoa	36.6	36.3	4.7
Sugar and related products	16.9	16.9	2.2
Other animal and vegetable food products	23.4	23.1	3.0
Raw materials and other animal and vegetable products	429.2	306.3	39.8
Crude vegetable products, inedible, excl. fiber	82.6	82.6	10.7
Hides and skins	9.4	5.3	0.7
Other inedible animal products	11.2	9.6	1.2
Textile raw materials, incl. fiber	38.4	38.4	5.0
Copper ore and concentrates	53.8	3.4	0.4
Tin ore and concentrates	42.9	4.7	0.6
Other crude metals	131.3	112.7	14.7
Crude petroleum	59.6	49.6	6.5
Textiles, semifinished metals, nonmetallic minerals and manufactures	201.2	149.9	19.5
Textiles, manufactured	54.0	33.7	4.4
Rolled and finished steel mill products	45.4	45.1	5.9
Other metals and manufactures	77.0	59.4	7.7
Nonmetallic minerals and manufactures	24.8	11.7	1.5
Machinery and chemicals	49.1	29.6	3.8
Machinery and parts	15.7	4.1	0.5
Chemicals	33.4	25.5	3.3
Total selected commodities	862.9	639.4	83.1
Commodities not elsewhere specified	176.4	129.7	16.9
Total commodities ^b	1,039.3 ^b	769.1	100.0

^aIncludes shipments laden in the United Kingdom from landlocked countries.

^bIncomplete — estimated as 85-90 percent of total.

Source: Same as Table 5.

that a high proportion of this trade is direct trade. Bauer's classification of commodity groups by "expatriate" firms makes clear that part of their sales represented middleman trade, but it is not possible to estimate its magnitude.

As to the Far East, the importance of middleman trade is indicated by the re-exports of Malaya and Hong Kong (see Table 19). These re-exports include merchandise produced in highly industrialized countries and destined for South and Southeast Asia, and also produce of South and Southeast Asia destined for the industrialized countries. The middlemen are mainly British and Chinese.

In short, these data suggest the hypothesis that middleman trade plays an important part in total imports of those relatively developed countries which import primarily foods, raw materials, and semiprocessed goods, and is also of considerable importance in total imports of at least some of the relatively underdeveloped countries in Asia.

Middleman Trade by Major Middleman Countries

Looking at these data next from the standpoint of the middleman country, we see in Table 8 that middleman trade is a significant addition to the value of domestic exports of the major industrial middleman countries in trade with some (though not all) of the seven importing countries — 21 percent of domestic exports, in weighted average, for all selected middlemen. For the U.K. it averages 74.7 percent of domestic exports in trade with these seven countries and is, on average, above 24 percent of domestic exports except to Colombia. For five other major middleman countries it is above 16 percent of domestic exports with all of them, although the variation around the average is wide.

Several factors appear to be involved in the variation shown in the importance of middleman trade to the middleman countries in their trade with these seven countries; among these are diversity in structure of imports of final importing countries, geographic proximity, hardness of currency of the middleman countries and principal trading relationships of the final importing countries.

Middleman Trade in Exports by Country of Origin

In Table 9 the data supplied by the seven selected importing countries are used to show the importance of middleman activity to the countries of origin within area groups and to the areas of origin. For example, 22.2 percent of imports bought by Germany from *individual* countries in non-dollar Latin America in 1952 were purchased from countries other than the country of origin. And these purchases from middlemen were 20.0

percent of the total imports by Germany of merchandise originating in *all countries* of nondollar Latin America.

In general, a high percentage of imports originating in the relatively underdeveloped areas of the world were purchased from middlemen by each of the seven selected importing countries in 1952. The greatest middleman activity is shown for countries which are primarily petroleum producers, as we would expect from the well-known fact that almost all of their petroleum is sold by U.K. and U.S. multinational concerns. Apart from the exports of the major petroleum-producing countries, more than 50 percent of exports by Asia and Africa (exclusive of the sterling dominions and the Soviet bloc) and nearly 50 percent of exports of Canada and Greenland were sold on average by the industrial middleman countries to the selected importing countries of Western Europe and to Colombia.

Middleman countries are less active but still important in the sale of produce of Latin America and the overseas sterling areas, excluding colonies. For overseas sterling areas, except colonies, only Germany reports purchases from middlemen of less than 30 percent. For exports of dollar Latin America, middleman activity accounts for more than 20 percent of the purchases by each of the importers, except by Colombia. For non-dollar Latin America, several of the importers report middleman activity below 15 percent, and the percentages are still lower on the average for the Soviet bloc.

Middlemen countries also sell produce of the highly industrialized countries to third countries; the category "Continental OEEC, U.S., and Japan" accounts for about one-fifth in weighted average of total middleman trade, but that trade is a small percentage of total domestic or special exports of these countries.

Two of the final importing countries, Germany and Denmark, provide a cross classification of imports by country of origin and by middleman country. These data, shown in Tables 10, 11, 12, and 13, are classified to bring out the role of the major middleman countries in sale of produce of their own overseas territories or monetary areas.¹¹ Tables 10 and 11 reveal clearly that in trade with Germany and Denmark the metropole acts as a middleman in the sale of a high percentage of the exports of its own overseas territories; the exception in the case of the Netherlands is the result of the role of the U.K. and the U.S. in the petroleum exports of Dutch territories.

¹¹Tables 10, 11, 12, and 13 differ from Table 9 mainly in distinguishing between imports from overseas territories and from all other countries. Additional differences that may be puzzling are: the inclusion in Tables 12 and 13 of the U.K. in the sterling area while in Table 9 the U.K. is included with the industrial countries; and the inclusion of Japan in the Middle and Far East in Tables 12 and 13.

TABLE 8

Value of Imports Purchased from, but Not Produced in, Middleman Countries, by Selected Importers as Percent of Total Imports Originating in Corresponding Middleman Country, 1952
(percent)

IMPORTERS	MIDDLEMAN COUNTRIES										Total Middlemen	
	United Kingdom	Nether-lands	Belgium	United States	France	Switzer-land	Sweden	Soviet Union	Denmark	Other		
<i>Gross</i>												
Denmark	34.4	39.8	16.5	25.6	37.1	7.3	3.8	0			2.8	24.4
W. Germany	299.4	26.9	28.5	19.4	69.3	38.6	5.2	0	1.1		3.4	31.8
<i>Partly gross</i>												
Norway	24.3	12.9	7.6	13.5	7.4	11.8	0.7	0	37.8		0.8	9.6
Sweden	57.5	7.2	2.1	28.4	15.2	2.7		1.9	13.0		0.6	16.4
Finland	26.8	14.5	0.2	6.1	15.4	18.8	7.3	17.5	5.7		0.8	10.8
<i>Net</i>												
Yugoslavia	87.8	1.9	0	36.1	0	74.2	0	^a	0		0.9	12.4
Colombia	0	10.1	0	7.0	0	0	6.8	^a	11.5		11.1	5.5
Average	74.7	21.9	16.2	17.5	36.1	27.4	4.0	11.4	9.7		2.3	21.0

Gross equals imports purchased from, but not produced in, each middleman country.

Partly gross equals imports purchased from each middleman country minus imports originating there, computed by individual commodity group.

Net equals total imports purchased in each middleman country minus total imports originating there.

^aNo imports from middleman country.

Source: See notes to Table 1.

TABLE 9

Value of Imports by Selected Countries Purchased from Countries, within Area Groups, Other than Country of Production,
as Percent of Total Imports Produced in Each Area, 1952
(values in millions of dollars)

SELECTED IMPORTING COUNTRIES	CANADA & GREENLAND	LATIN AMERICA \$	NON-\$ ^a	OVERSEAS £ AREA ^b	OTHER ASIA ^c	OTHER AFRICA	SOVIET BLOC	OECD ^d U.S., & JAPAN	OTHER EUROPE ^e	PETRO- LEUM AREAS ^f	TOTAL
<i>Gross</i>											
Germany											
A	72.0	25.0	41.1	53.5	97.5	241.6	31.2	183.3	5.6	102.3	853.1
B%	56.1	23.7	22.2	25.9	57.2	86.6	41.8	7.8	2.9	79.1	
C%	56.1	23.7	20.0	25.9	57.2	86.6	41.8	7.8	2.9	79.1	
Denmark											
A	6.7	0.3	12.2	8.9	26.9	20.5	9.1	38.8	1.8	19.6	144.8
B%	60.4	21.4	27.1	71.2	80.7	71.8	19.5	7.8	5.3	93.1	
C%	43.2	21.4	27.1	71.2	80.5	71.7	19.4	5.4	5.2	92.9	
<i>Partly gross</i>											
Norway											
A	2.7	0.9	2.8	5.6	7.1	16.9	2.7	27.2	0.1	21.3	87.3
B%	6.9	87.6	11.2	53.9	67.0	71.6	8.0	4.0	0.4	84.4	
C%	6.9	87.6	11.2	53.9	67.0	71.6	7.1	4.0	0.4	84.4	
Sweden											
A	6.8	8.9	14.7	17.3	19.6	31.6	4.0	25.3	0.1	100.0	228.3
B%	44.6	57.4	13.8	36.6	73.9	67.6	4.3	2.1	0.3	88.6	
C%	44.6	57.4	13.8	36.6	73.9	67.6	3.7	2.1	0.2	88.2	
Finland											
A	1.3	3.0	16.4	9.9	4.4	8.5	15.0	15.7	1.8	0.1	76.1
B%	44.5	62.4	40.6	74.1	74.1	60.4	18.8	2.9	15.3	33.7	
C%	44.5	62.4	38.5	74.1	46.2	60.4	9.8	2.5	15.3	20.0	

TABLE 9, concluded

SELECTED IMPORTING COUNTRIES	CANADA & GREENLAND	LATIN AMERICA \$ non-\$ ^a	OVERSEAS £ AREAS ^b	OTHER ASIA ^c	OTHER AFRICA	SOVIET BLOC	OECD		OTHER EUROPE ^e	PETRO- LEUM AREAS ^f	TOTAL
							U.S., & JAPAN				
<i>Net</i>											
Yugoslavia											
A	15.9	0.7	0.7	1.9	0.3		13.8			1.3	34.6
B%	99.5	68.9	85.4	85.4	100.0		11.3			100.0	
C%	99.5	52.7	85.4	79.0	11.1		5.6			100.0	
Colombia											
A	7.6	0.4	0.5	7.0	0.5		5.4		0.1	0.2	21.8
B%	50.6	4.9	30.4	8.3	99.3		6.4		11.2	100.0	
C%	50.6	4.4	30.4	8.3	99.3		1.5		11.2	1.3	
<i>Total</i>											
A	113.0	38.5	96.4	164.4	319.9	62.0	309.5		9.5	244.8	1,446.0
B%	48.7	28.4	33.7	63.7	81.4	18.9	5.4		3.3	84.3	
C%	48.1	28.1	33.7	62.8	80.9	14.7	5.1		3.2	80.0	

For explanation of gross, partly gross, and net, and for sources, see notes to Table 1.

A = Value of imports produced, but not purchased from countries, within areas.

B = A as percent of total imports produced in corresponding countries within areas.

C = A as percent of total imports produced in the area.

^aIncludes Europe's overseas territories.

^bExcept colonies.

^cIncludes Oceania and Antarctic Region.

^dContinental OEEC.

^eExcept EPU.

^fPetroleum producing countries.

TABLE 10

Value of Imports by Germany and Denmark of Produce Originating in
Overseas Territories, by Country of Purchase, 1951 and 1952
(millions of dollars)

METROPOLE MIDDLEMEN	OVERSEAS TERRITORIES						Total
	<i>British</i>	<i>French</i>	<i>Dutch</i>	<i>Belgian</i>	<i>Portuguese</i>	<i>Others</i>	
	Imports reported by Germany						
U.K.							
1951	184.6	0.1	0.3	0.2	0	0	185.2
1952	191.2	5.3	0.7	0.1	0.7	0	198.0
France							
1951	0.1	62.5	0	0	0	0	62.6
1952	0	70.8	0	0	0	0	70.8
Netherlands							
1951	0.6	0.7	1.6	0	0	0	2.9
1952	2.1	1.1	1.9	0.8	0.2	0	6.1
Belgium							
1951	0	1.4	0.1	36.4	0	0	37.9
1952	0.3	0.2	0	49.5	0.1	0	50.1
Portugal							
1951	0	0	0	0	12.9	0	12.9
1952	0	0	0	0	11.4	0	11.4
U.S.							
1951	0.8	0.1	0	0	0.3	0	1.2
1952	1.5	0	0	0	0	0.1	1.6
Other							
1951	0.1	0.2	0	0.2	0	5.4	5.9
1952	0.6	0.7	0	0	0	10.7	12.0
O.T.'s							
1951							
1952							
Total							
1951	186.2	65.0	2.0	36.8	13.2	5.4	308.6
1952	195.7	78.1	2.6	50.4	12.4	10.8	350.0

TABLE 10, concluded

METROPOLE MIDDLEMEN	OVERSEAS TERRITORIES						Total
	<i>British</i>	<i>French</i>	<i>Dutch</i>	<i>Belgian</i>	<i>Portuguese</i>	<i>Others</i>	
	Imports reported by Denmark						
U.K.							
1951	25.4	0.1	4.9	0	2.6	0.3	33.3
1952	13.4	0.2	4.7	0	1.2	0	19.5
France							
1951	0	6.3	0	0	0	0	6.3
1952	0	7.9	0	0	0	0	7.9
Netherlands							
1951	0.2	0	0.1	0	0.2	0	0.5
1952	0.5	0.1	0.1	0.1	0.1	0	0.9
Belgium							
1951	0	0	0	2.2	0.1	0	2.3
1952	0	0	0	2.6	0	0	2.6
Portugal							
1951	0	0	0	0	2.3 ^a	0	2.3 ^a
1952	0	0	0	0	0.8 ^a	0	0.8 ^a
U.S.							
1951	0.3	0	16.3	0	0	0	16.6
1952	0.4	0	10.4	0	0	0.1	10.9
Other							
1951	0.3	0	0.2	0	0	3.8	4.3
1952	0.3	0.3	0	0.1	0.5	0	1.2
O.T.'s							
1951	3.1	2.6	0.3	0	0.2	5.4	11.6
1952	1.5	4.4	0	0	0.2	2.0	8.1
Total							
1951	29.3	9.0	21.8	2.2	5.4	9.5	77.2
1952	16.1	12.9	15.2	2.8	2.8	2.1	51.9

^aBased on assumption that own metropole sells all exports of overseas territories not sold by other middlemen listed by Denmark.

Source: See note to Table 11.

TABLE 11

Value of Imports by Germany and Denmark of Produce Originating in Overseas Territories, Classified by Percent Purchased from Own Metropole, Other Metropoles, and Country of Origin, 1951-1952 and, for Germany, 1953, 1954, and January-June 1955

(percentage distributions of value of imports)

COUNTRY OF PURCHASE	OVERSEAS TERRITORIES																		
	British			French			Dutch			Belgian			Portuguese			Other			
	Ger- many ^a	Den- mark	(1) (2)	Ger- many ^a	Den- mark	(3) (4)	Ger- many ^a	Den- mark	(5) (6)	Ger- many ^a	Den- mark	(7) (8)	Ger- many ^a	Den- mark	(9) (10)	Ger- many ^a	Den- mark	(11) (12)	
1951																			
Metropole	99.2	86.5		96.1	70.1		81.2	0.3		99.0	99.5		97.7	43.8 ^b		100.0	38.3 ^b		
Own	0.8	2.8		3.9	1.2		18.8	98.3		1.0	0.1		2.3	53.2 ^b		0	6.7 ^b		
Other		10.7			28.7			1.4			0.4			3.0 ^b			55.0 ^b		
O.T.																			
1952																			
Metropole	97.7	82.8		90.6	61.4		71.7	0.4		98.1	91.4		92.1	28.4 ^b		100.0	1.8 ^b		
Own	2.3	7.6		9.4	4.2		28.3	99.6		1.9	7.1		7.9	64.9 ^b		0	0.3 ^b		
Other		9.6			34.4			0			1.5			6.7 ^b			97.9 ^b		
O.T.																			
1953																			
Metropole	96.7			80.1			31.1			98.3			83.0						
Own	3.3			19.9			68.9			1.7			17.0						
Other																			
O.T.																			

TABLE 11, concluded

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
1954												
Metropole												
Own	94.4		87.9		33.6		97.7		69.6			
Other	5.6		12.1		66.4		2.3		30.4			
O.T.												
1955 ^c												
Metropole												
Own	90.2		70.5		14.4		95.5		53.4			
Other	7.1		15.7		75.6		3.3		43.3			
O.T.	2.7		5.8		10.1		1.2		3.2			

^aUntil 1955, all imports by Germany from overseas territories not bought from "other metropolises" were recorded as bought from "own metropole."

^bBased on assumption that own metropole sells all exports of overseas territories not sold by other middlemen listed by Denmark or by overseas territories.

^cFirst six months.

Source: *Foreign Trade of Denmark, 1951 and 1952* (Statistical Dept., Copenhagen); for Germany in 1951-1954, the yearbook *Der Ausenhandel der Bundesrepublik Deutschland, Teil 3* (Statistisches Bundesamt, Wiesbaden), and in 1955, unpublished data provided by P. Schmidt of the Statistisches Bundesamt.

Tables 12 and 13 show that the U.K. and the U.S. are the middlemen for the petroleum-producing countries. The U.S. is the major middleman for dollar Latin America, but it runs into competition by the U.K. for Canada and nondollar Latin America. Sterling area products are sold largely by the U.K.; the Netherlands tends to dominate in the Middle and Far East.

Middleman Trade Revealed in Netherlands Trade Records¹²

Although data on middleman trade provided in the entrepôt and transit trade records of the Netherlands trade statistics are difficult to interpret and inadequate as a measure of Dutch merchanting with any particular country, they, nonetheless, merit consideration.

Two major problems of interpretation are involved in the use of entrepôt and transit trade data: the distinction between exports consigned to the Netherlands and those passing through the country for shipment purposes only; and the distinction between consignment to Dutch merchants as principals and consignment to Dutch agents of foreign principals. As to the entrepôt data, it was assumed that in most cases the Dutch merchants acted on their own account; they acted in the capacity of agents for foreign principals for only an insignificant part of the goods placed in Dutch warehouses and later re-exported. To the transit trade records, however, a highly conservative approach was adopted to avoid the possibility of making serious errors. Transit trade was excluded if the trade route of the commodity could be considered economically reasonable, unless there was good evidence that Dutch merchanting was involved¹³ (despite the fact that Dutch merchants have operated as middlemen in much of the trade with Western Europe). In addition, that part of the cargo which might have been transshipped by British merchants was omitted.¹⁴

To estimate values from the quantity data provided in entrepôt and transit trade, unit values of the special export of the commodity in the finest classification given for that year were used, where possible. If the commodity did not pass through the special export record, special import unit values were used. Because this task was arduous only the major

¹²I am indebted to Herman F. Karreman for permission to abstract from his manuscript, "Dutch Merchanting Activities Revealed in Netherlands Trade Statistics, 1951" (unpublished, National Bureau of Economic Research, 1952), Tables 10 and 11 on Dutch entrepôt and transshipment trade, as well as their interpretation.

¹³This excluded goods transshipped in the Netherlands on the way to or from West Germany, Switzerland, Austria, Hungary, Czechoslovakia, East Germany, Finland, Sweden, Norway, and Denmark, as well as to eastern parts of Belgium and France.

¹⁴All cargo going via the Netherlands from the sterling area to the United Kingdom was excluded, and also rubber from Indonesia en route to the U.K.

TABLE 12

Purchases by Germany from Major Middleman Countries of Produce Originating in Areas or Countries Other than Overseas Territories, 1951 and 1952
(millions of dollars)

AREA OR COUNTRY OF ORIGIN		COUNTRY OF PURCHASE						All middle- men
		Imported from country of origin	Purchased from and originat- ing in country of origin	Country of origin merchandise purchased from middlemen countries				
				U.K.	U.S.	Nether- lands	Other	
United States	1951	647.3	637.3	2.0		4.8	3.2	10.0
	1952	595.8	509.2	43.4		31.5	11.7	86.6
Canada	1951	51.1	18.6	0.1	26.6	3.3	2.5	32.5
	1952	128.2	56.2	23.5	22.0	4.6	21.9	72.0
Dollar L.A.	1951	99.2	55.9	0.1	39.7	2.4	1.1	43.3
	1952	105.3	80.3	0.1	20.9	3.0	1.0	25.0
Nondollar L.A.	1951	218.2	189.7	1.6	15.1	4.1	7.7	28.5
	1952	204.0	167.0	5.5	9.3	3.8	18.4	37.0
Sterling Area	1951	377.0	282.3	64.7	8.4	12.4	9.2	94.7
	1952	335.8	268.8	24.1	2.4	4.8	35.7	67.0
Nonsterling EPU	1951	1,323.4	1,292.3	17.1	2.6	2.3	9.1	31.1
	1952	1,616.7	1,534.6	23.8	4.9	15.3	38.1	82.1
Soviet bloc	1951	102.0	44.1	24.9	0.9	2.3	29.8	57.9
	1952	74.6	43.4	17.6	0.5	2.5	10.6	31.2
Middle & Far East	1951	131.1	85.3	5.1	9.1	30.6	1.0	45.8
	1952	131.6	120.1	1.4	5.5	1.6	3.0	11.5
Mainly petroleum	1951	109.9	32.6	31.9	45.1	0	0.3	77.3
	1952	112.2	27.0	35.8	48.4	0.9	0.1	85.2
Other Europe	1951	135.2	131.5	0	1.4	0.7	1.6	3.7
	1952	191.2	185.6	1.7	0.1	0.8	3.0	5.6
Total	1951	3,194.4	2,769.6	147.5	148.9	62.9	65.5	424.8
	1952	3,495.4	2,992.2	176.9	114.0	68.8	143.5	503.2

Source: *Der Aussenhandel der Bundesrepublik Deutschland, 1951 and 1952, Teil 3* (Statistisches Bundesamt, Wiesbaden).

commodities in the entrepôt and in the transit-with-transshipment categories were valued. For the entrepôt trade, the data in Tables 14 and 15 provide about 80 percent of the value of goods released from the warehouses and destined for foreign countries in 1951. For transit trade the percentage is probably much lower and also represents only a particular kind of merchandising.

Table 14 shows that the sources of the goods for merchandising are the

TABLE 13

Purchases by Denmark from Major Middleman Countries of Produce Originating in Areas or Countries Other than Overseas Territories, 1951 and 1952
(millions of dollars)

AREA OR COUNTRY OF ORIGIN		COUNTRY OF PURCHASE						
		<i>Imported from country of origin</i>	<i>Purchased from and originat- ing in country of origin</i>	<i>Country of origin merchandise purchased from middlemen countries</i>				<i>All middle- men</i>
				U.K.	U.S.	Nether- lands	Other	
United States	1951	89.0	80.8	2.8		0.8	4.6	8.2
	1952	71.4	61.7	3.7		1.7	4.3	9.7
Canada	1951	6.5	2.0	0	4.5	0	0	4.5
	1952	11.1	4.4	2.7	3.3	0	0.7	6.7
Dollar L.A.	1951	2.7	1.4	0.1	1.0	0.1	0.1	1.3
	1952	1.4	1.2	0.1	0.1	0	0	0.2
Nondollar L.A.	1951	43.3	31.2	7.2	1.0	0.4	3.5	12.1
	1952	43.9	32.8	4.3	0.8	0.1	5.9	11.1
Sterling Area	1951	193.7	180.3	11.1	0	0.9	1.4	13.4
	1952	211.2	200.6	7.6	0.4	0.4	2.2	10.6
Nonsterling EPU	1951	430.6	405.7	23.0	0	0.1	1.8	24.9
	1952	451.6	424.3	22.5	0.1	0.8	3.9	27.3
Soviet bloc	1951	80.0	69.2	2.2	0.4	0.4	7.8	10.8
	1952	46.8	37.7	3.0	0	0.1	6.0	9.1
Middle & Far East	1951	29.2	12.5	3.1	0.1	11.1	2.4	16.7
	1952	31.8	11.1	2.4	0	14.4	3.9	20.7
Mainly petroleum	1951	13.1	0.7	8.8	3.6	0	0	12.4
	1952	5.5	1.7	1.1	2.7	0	0	3.8
Other Europe	1951	49.8	48.0	1.4	0	0	0.4	1.8
	1952	33.1	31.2	1.3	0	0.4	0.2	1.9
Total	1951	937.9	831.8	59.7	10.6	13.8	22.0	106.1
	1952	907.8	806.7	48.7	7.4	17.9	27.1	101.1

Source: *Foreign Trade of Denmark, 1951 and 1952* (Statistical Department, Copenhagen).

relatively underdeveloped areas of the world and the major destinations are the highly developed industrial countries. Also, expectedly, the major source of the supply for the Netherlands is the Far East, primarily Indonesia.

Surprisingly, the dollar area was not an important destination for entrepôt trade, practically all of this trade going to Western European countries. In the transit trade, however, exports to the United States were large. Of these more than half was coffee, mainly from Brazil, with Indo-

TABLE 14

Countries of Provenance and of Destination of Major Commodities Exported
by Netherlands Merchants from Entrepôt and
Transit-with-Transshipment, 1951
(millions of dollars)

AREA OR COUNTRY	PROVENANCE			DESTINATION		
	<i>Entre- pôt</i>	<i>Transit with trans- shipment</i>	<i>Total</i>	<i>Entre- pôt</i>	<i>Transit with trans- shipment</i>	<i>Total</i>
United Kingdom	0.3	1.3	1.6	4.7	16.7	21.4
Sterling O.T.'s	8.5	24.7	33.2	0.6	1.0	1.6
Other Europe		0.1	0.1	1.3	1.8	3.1
Other sterling	11.1	4.7	15.8	0.1	1.6	1.7
Total sterling	19.9	30.8	50.7	6.7	21.1	27.8
Continental OEEC						
Northwest	0.9		0.9	73.0		73.0
Mediterranean	1.8	2.2	4.0	3.9	18.1	22.0
O.T.'s	3.0	10.0	13.0	2.3	2.6	4.9
Total Continental OEEC	5.7	12.2	17.9	79.2	20.7	99.9
United States	11.0	3.7	14.7	6.6	46.1	52.7
Dollar L.A.	3.5	5.7	9.2		0.5	0.5
Nondollar L.A.	22.2	28.4	50.6	2.2	2.8	5.0
Far East	34.7	43.9	78.6	0.8	1.2	2.0
Soviet bloc	0.8	1.5	2.3	1.9	26.3	28.2
Other	4.4	1.8	6.2	4.7	9.6	14.3
Total	102.2	128.0	230.2	102.1	128.3	230.4

Source: See note to Table 15.

nesia the second source; 23 percent was rubber, mainly from Indonesia; and about 7 percent was wool, primarily from Iran. Other important markets were engaged as the Netherlands transshipped to the U.K. tea from Indonesia, hides and skins from non-OEEC Europe, the U.S., OEEC Europe, the Middle East, and the Soviet bloc. The transshipments to the Soviet bloc were almost exclusively rubber and tin.

The values of commodities shown in Table 15 substantiate the earlier findings of a high concentration in more or less refined foods and materials for middleman trade. It should be noted, however, that the unusually high concentration in a few products, particularly for the transit trade, is partly the result of the method of selection employed.

In addition to these data on entrepôt and transshipment the processing activities of the Netherlands should be taken into account. In computing the balance of payments the Netherlands deducted about \$150 million

TABLE 15

Estimated Value of Major Commodities Exported by Netherlands Merchants
from Entrepôt and Transit-with-Transshipment, 1951
(millions of dollars)

COMMODITY	ENTREPÔT	TRANSIT-WITH- TRANSSHIPMENT	TOTAL
Oils and fats	49.5	5.7	55.2
Coffee	7.2	30.1	37.3
Rubber	2.0	30.9	32.9
Tobacco	19.7	4.1	23.8
Tin	1.1	21.2	22.3
Hides and skins	5.7	10.5	16.2
Tea	10.0	5.1	15.1
Cotton	3.8	5.4	9.2
Cocoa	2.8	4.1	6.9
Oilseeds	0.4	5.6	6.0
Wool		5.5	5.5
Total	102.2	128.2	230.4

Source: *Statistiek van de in-, uit- en doorvoer van Nederland, 1951* (Centraal Bureau voor de Statistiek) pp. 48-105. *Maandstatistiek van de in-, uit- en doorvoer per Goederensoort, December 1951* (annual; Centraal Bureau voor de Statistiek).

from the special trade records for processing.¹⁵ Assuming that these deductions for processing are based on a value-added approach, they would include tin (about 40 percent),¹⁶ cocoa (about 20 percent), and oils and fats (almost 20 percent).

Tentative Estimation of World Middleman Trade

By using the data presented earlier and drawing also to some extent on a study of the components of middleman trade,¹⁷ it is possible to make a rough estimate of world middleman trade for 1952. A preliminary estimate of the range of middleman trade can be based on the data in Tables 1, 2, and 3. As previously noted, the dispersion around the average per-

¹⁵*Balance of Payments Yearbook*, International Monetary Fund, Vol. V, 1954. The value of the deduction for processing is included in a broader category of deductions for gold, silver, and parcel post that the IMF *Balance of Payments Manual* requests countries to remove from the merchandise account of the balance of payments.

¹⁶A considerable part of this trade would not be considered merchanting by most usages. Tin, of course, would be excluded if the classification suggested above is used, since after processing it moves from one SITC group to another. Note that petroleum refining is omitted from this analysis.

¹⁷See below, section 2.

centage of imports purchased by these seven countries from middleman countries can be partly explained by the concentration of middleman trade in primary and semimanufactured products. Countries with a relatively small (great) proportion of manufactured imports have a relatively great (small) proportion of imports from middlemen. If we now compare the commodity structure of our seven countries with those of the world as a whole for 1953, we find that Germany with 24 percent of her imports in manufactured goods categories (SITC Sections 5-8) was below the estimated world average of 39 percent of imports in manufactured goods categories (SITC Sections 5-8),¹⁸ while the other six countries were above it (ranging from 50 percent for Yugoslavia to 80 percent for Colombia). Thus, on the basis of commodity composition of imports, it appears that the 22 percent (Table 1) of Germany's imports purchased from middlemen is excessive as a measure of world imports purchased from middlemen; and — at the other extreme — the 5 percent of Colombia's imports purchased from middleman countries is low as a measure of world imports purchased from middleman countries. The weighted average of 16 percent (Table 1) for all these countries thus appears reasonable.

However, apart from the crudeness of these calculations, other weaknesses in the estimate must be kept in mind. The middleman trade of these seven countries, unrepresentative of world middleman trade in commodity composition, is also not typical in other ways. Omission of all major middleman countries from the list of final importers probably tends to give the estimate an upward bias because middleman countries would be less likely to use middleman facilities of other countries in securing their imports. Omission of the relatively underdeveloped countries may also cause an upward bias because overseas territories tend to buy heavily from their own metropolises (though there is probably a high percentage of middleman trade in the residue). In addition, the highly erratic switch trade, discussed below, may have been particularly important in the imports of Western Europe.

Some of these weaknesses in the above estimate can be reduced by making use of the weighted average of imports purchased from middlemen as percentages of total imports classified by areas of origin as shown in Table 9. If we weight the value of exports to the world of each of these areas of origin by the above percentages, we take into account to some extent the concentration of middleman trade in primary and semimanufactured products, which is reflected in the higher weights for the underdeveloped areas. The higher percentages for these regions also reflect in part the tendency of middlemen trading in O.T. produce to sell to coun-

¹⁸*International Trade 1953*, Contracting Parties to the General Agreement on Tariffs and Trade, Geneva, 1954, Table I, p. 142.

tries other than middleman countries. By using this approach we are also able to correct for the probably very slight middleman trade between certain countries of origin and final destination. Thus, in calculating middleman trade it seems reasonable to reduce the highly weighted O.T. trade figures by subtracting the O.T. exports to the corresponding metropolises and the exports of the metropolises to their overseas territories. I have also excluded trade between the U.K. and the sterling area, trade between the U.S. and other Western Hemisphere countries, and petroleum exports to the U.S. and the U.K.

The estimate of total middleman trade obtained by this method is 13.2 percent of world trade for 1952, and the proportion of this trade contributed by each exporting region is shown in Table 16.

This estimate must be qualified because of three factors (for which we can provide only rough orders of magnitude) whose net effect is probably quite small. First, re-exports by Western Europe of own O.T. produce and re-exports by the U.S. of Western Hemisphere produce are clearly not zero, as assumed in column 2 of Table 16. But the limited available data on these transactions indicates that they comprise only a small part of middleman trade. Rough calculations based on U.K. and U.S. re-export data, coupled with substantial allowances for continental OEEC re-exports, indicate a downward bias in our estimate that can hardly exceed 1.5 percent-points.¹⁹ A second factor, probably largely offsetting the first, is the upward bias in our estimate resulting from the inclusion of trade between neighboring countries. The dispersion around our average regional weight (lines C of Table 9), particularly for Colombia, appears to be partly accounted for by relatively low intraregional middleman trade between neighboring countries which may be responsible for an upward bias of 1 to 2 percentage points in our estimate of world middleman trade. Third, there is the special category of middleman transactions resulting from postwar foreign aid programs. Thus, the U.S. government has acted at times in middleman capacity by purchasing commodities abroad and transferring them, as part of its foreign aid, to the country of consumption. This type of activity may have formed part of the U.S. offshore paid commodity shipments under economic assistance programs of the Mutual

¹⁹Total 1952 U.K. re-exports were \$403 million, of which overseas territorial produce re-exports, weighted by our regional weights (Table 16), were only \$155 million. Total 1952 U.S. re-exports plus transshipment of Mexican cotton amounted to \$250 million. Thus, with the assumption of a high average regional weight for these re-exports, the adjustment to our estimate for these two major middleman countries is less than 0.5 percentage points. And, since the total exports of the continental O.T.'s to their own metropolises was only a little over a billion dollars in 1952, they can hardly add more than 1 percentage point to our estimate of world middleman trade.

TABLE 16

Tentative Estimate of World Middleman Trade for Countries of Production within Area Groups, 1952
(dollar amounts in millions)

AREAS OF PRODUCTION	VALUE OF EXPORTS TO WORLD ^a (1)	COL. 1 ADJUSTED FOR DIRECT TRADE (2)	REGIONAL WEIGHT (LAST ROW OF TABLE 9) (3)	WORLD MIDDLEMAN TRADE	
				Col. 2 × col. 3 (4)	Col. 4 as % of col. 1 (5)
Petroleum-producing countries	\$3,548.8 ^b	\$2,623.8	80.0%	\$2,099.0	59.1
Other Africa, excl. independent sterling	3,735.6	1,659.3	80.9	1,342.4	35.9
Other Asia, excl. independent sterling	2,997.5	2,348.1	62.8	1,474.6	49.2
Canada and Greenland	4,397.3	2,023.0	48.1	973.1	22.1
Overseas sterling	5,578.7	3,696.6	33.7	1,245.8	22.3
Dollar L.A.	2,508.1	748.9	28.1	210.4	8.4
Nondollar L.A.	3,119.5	1,836.5	20.3	372.8	12.0
Soviet bloc	1,414.3	1,414.3	14.7	207.9	14.7
Continental OEEC, U.S., Japan	43,178.5	30,561.7	5.1	1,558.6	3.6
Other Europe	1,372.5	1,304.1	3.2	41.7	3.8
Total	71,872.8	48,216.3		9,526.3	13.2

^aAdjusted to exclude re-exports where possible.

^bAdjusted to f.o.b. by NBER factors.

Source: Value of exports was obtained from *Direction of International Trade*, annual issue (Series T, Vol. VI, No. 10).

Security Agency, which in the fiscal year 1951-1952 amounted to \$456 million.²⁰ But very little of this sum can be considered middleman trade, since in general the U.S. did not assume control of commodities moving from country of production to country of consumption.

Finally, it must be noted that these generalizations still reflect mainly middleman trade for one year as reported by seven countries which may be unrepresentative for reasons that I have not identified or taken into consideration.²¹

²⁰*Paid Shipments*, Mutual Security Agency, Division of Statistics and Reports, June 30, 1952.

²¹One factor leading to an overestimate is that these particular countries may have reported trade on both the purchase and origin basis because the former was particularly important to them. However, this does not appear to be likely for the Scandinavian countries, Denmark, or Colombia which have provided data on a purchase basis for many years.