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Chapter Title: Some Implications of Middleman Trade for Interpretation of Country Trade and Payments Records

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by special factors in particular situations, reflect also general developments in world industry and trade. Entrepôt, providing the services to producer and consumer country of a continuously functioning, single large market place, must have advantages sufficient to outweigh the extra cost of shipment and handling of merchandise, and its possible deterioration in storage. But, more and more, use of a single center has become awkward. Growth of industrialization in producing and final consuming countries, with development of transportation, communication, and facilities for storage and for minor processing, have reduced the need for use of a third country's facilities. Moreover, special requirements for particular qualities of formerly staple products have developed. And commodity exchanges, of course, further reduce the usefulness of the central entrepôt as a market place. Although these changes affect the middleman as a merchant, their effects on entrepôt activity are more immediate.

3. SOME IMPLICATIONS OF MIDDLEMAN TRADE FOR INTERPRETATION OF COUNTRY TRADE AND PAYMENTS RECORDS

Effect on Trade and Payments Records Generally

This study of the directional patterns of middleman trade suggests that the complexities of these activities result in serious distortion when trade and payments records of many countries are utilized for analysis of trade at the commodity level by direction of purchase-sale, and for analysis of a country's interregional current balance or interregional financial position. This hypothesis derives from evidence on the large volume of middleman trade, its high concentration in certain producing countries, certain commodities, and certain middleman countries, and from the fact that most countries report their trade on an origin-destination or consignment basis rather than on a purchase-sale basis. Producing countries may correctly report the country of sale when the middleman country is the country of consignment. But in the light of the data presented here, this type of middleman trade is relatively small; entrepôt trade and apparently other borderline types of reconsignment by major middleman countries (except the Netherlands) are minor. The hypothesis

must be qualified also for that part of entrepôt trade in the Far East and Africa which is controlled by middleman residents of entrepôt centers.

Discussion of the proposition that use of trade and payments records may distort analysis of intercountry and interregional current balances requires a brief review of the method of computing the balance of payments. About ten countries¹ — of which France, India, and Indonesia are probably most important — use exchange control records entirely; others, such as the U.K., use exchange control records in part for the merchandise account; and the remainder carry over their trade records into their payments accounts. Thus since exchange control records provide information only by broad currency areas, which must be supplemented by the trade records to obtain interregional current balances, and since few countries provide trade records on a payment basis or adjust them thereto, it appears that payments records are not adjusted for distortion caused by middleman trade.

Middleman Activity in Four Country-Commodity Trades

Part of this hypothesis can be tested further by studying the country-to-country trade data for individual commodities reported by the exporting and corresponding import countries. For some commodities, the known middleman countries do not record trade in the commodity and are not recorded as partner countries either by producing or consuming countries; in such cases it is obvious that the trade records of those countries for which middleman trade is important do not reflect the direction of their payments or receipts for international transactions. For other countries, where known middleman countries either report trade or are reported as trading partners of other countries, or both, testing of this hypothesis requires distinction between the role of the middleman country as a producer, consumer, or transit country, and its activity as a middleman. Additional information may be gleaned from a study of discrepancies between records of quantity of trade in a commodity provided by the producing and the final consuming countries. These sometimes indicate that only one or a few of the partners to a transaction are reporting the middleman country as their partner country, though factors other than variation in systems of reporting direction of trade are often responsible for substantial discrepancies between trade records.²

¹This is based on information supplied by Walther Michael, of the National Bureau, who has made a thorough study of the files of the International Monetary Fund for the year 1951.

²Quantity discrepancies may result from a number of other factors: the time lag between recording exports and imports for the same transaction when the amount

While it does not necessarily follow from this hypothesis that trade records of countries generally reveal the countries of production and consumption, there is often sufficient information available to adjust countries' quantity trade records of individual commodities to a production-consumption basis, even though there may be substantial middleman trade. I shall attempt to test these propositions for four major internationally traded commodities — petroleum, coffee, rubber and cotton.

Middleman Trade in Petroleum³

Activities of multinational producers, as noted earlier, are quite similar to offshore merchanting, and in petroleum the parallel is strengthened by the clear-cut nature of international financial transactions in this commodity. These were described by Cornelius J. Dwyer without qualification: "While the oil may be produced in the Middle East or Venezuela, it will be sold by U.S. or U.K. oil companies to the importing country, with payment made in dollars or sterling to New York or London."⁴

Dwyer's findings on petroleum alone point up the magnitude of the distortion involved in the utilization of trade and payments records to assess the intercountry or interregional financial position of countries. His preliminary estimates show that only 26.2 percent of the \$2.9 billion (f.o.b.) of U.S. petroleum sales in 1951 were exported from the continental U.S., while for the U.K. the corresponding figures in this year were 5.6 percent of \$1.8 billion. The aggregate of the estimated remainder of offshore sales in petroleum amounted to 5 percent of total world trade for 1951 in all commodities.⁵

For use in origin-destination analysis, middleman trade does not seriously distort country trade records in either crude petroleum or

of end-year exports changes between the year of report and the previous year; weight loss in transit; the crudeness of quantity conversion factors due to use of different quantity units by exporting and importing countries; the ever-present differences in commodity classifications preventing precise comparability; incomplete reporting of transactions for security reasons or for evasion; erroneous reporting of country of consignment or destination because of its confusion with a transit point; simple mistakes. It must also be noted that close agreement between records of exporting and importing countries may be the accidental result of offsetting discrepancies.

³Standard International Trade Classification groups 312 and 313.

⁴Cornelius J. Dwyer, "The Oil Trade in the International Balance of Payments in 1951," mimeo, National Bureau of Economic Research, December 1955, p. 5.

⁵Dwyer (*ibid.*) provided an estimate from company data, of the pattern of payments in petroleum on an interregional basis for 1951, and he is preparing similar estimates for other years.

petroleum products (except for the few countries reporting trade on purchase-sale basis), since for each of these commodity groups middleman activity is of the simple offshore pattern without reconsignment. Thus, for quantity of crude petroleum, Dwyer's tables show that the trade records of exporting and importing countries agree closely for the same transactions; the data, however, are limited to the level of interregional trade, and to the amount (approximately two-thirds) of crude petroleum trade reported by both exporting and importing countries.⁶

Middleman Trade in Coffee

Table 20 for coffee and the tables below for rubber and cotton show the trade recorded by exporting (row A) and importing (row B) countries for the same transaction for 1951.⁷ For coffee these matching records are in close agreement and clearly indicate that the records reflect an origin-consumption pattern. Yet, the data in Table 2 show a range of middleman activity in coffee (or, where this commodity is not identified, in beverages) between 14 to 50 percent for the selected importing countries. Moreover, a close examination of the discrepancies between exporters' and importers' records in Table 20 reveals little middleman trade in coffee by the U.K. This is so despite the fact that the data on which Table 2 is based indicate the U.K. to be by far the most important middleman in beverages, selling over 50 percent of the merchanted beverages to Germany, Norway, Sweden, and Finland; and despite the suggestion of another source that London coffee firms control, directly or indirectly, between one-quarter and one-third of total world trade in coffee.⁸

The major differences (row C) in Table 20 are those between Brazil and the U.S. and between Brazil and metropolitan nonsterling EPU. These reflect a postwar pattern of trade involving the switching of Brazilian exports to the U.S. via continental merchants, principally the Netherlands, as shown clearly in Table 21. The other discrepancies in

⁶This is based on the adjustment of Dwyer's Table 12 to exclude unmatched trade. A similar comparison cannot be made for refined products.

⁷These data were compiled from primary trade publications and classified by the U.N. Standard International Trade Classification (SITC) commodity groups or were obtained from the United Nations' *Commodity Trade Statistics*; values were converted into dollars at IMF exchange rates and quantities were converted into metric tons. In value, Table 20 covers about 90 percent of world coffee trade (SITC Group) as recorded both by the exporting and by the importing country. It includes all exports to (imports from) importing countries (exporting countries) referred to in the table headings if they amounted to \$1 million or more in 1951.

⁸Kathleen M. Stahl, *The Metropolitan Organization of British Colonial Trade*, London, Faber, 1951.

TABLE 20

Quantity (Q) and Value (V) of Coffee Trade between World Areas, 1951
(thousands of metric tons; millions of dollars)

EXPORTING AREA	IMPORTING AREA OR COUNTRY																		
	All areas			United Kingdom			Continental OEEC			United States			Canada			Other			
	Q	V	D%	Q	V	D%	Q	V	D%	Q	V	D%	Q	V	D%	Q	V	D%	
All reporting areas	A	1,675.6	1,814.1	61.1	53.7	437.6	449.8	1,117.2	1,246.4	27.7	31.4	32.8	32.0	32.8					
	B	1,632.6	1,815.3	41.5	36.9	373.2	415.1	1,157.4	1,291.6	34.3	39.5	26.2	26.2	32.2					
	C	-43.0	1.2	-19.6	-16.8	-64.4	-34.7	40.2	45.2	6.6	8.1	-5.8	-0.6	-0.6					
	D%	-2.6	0.1	-47.2	-45.5	-17.2	-8.4	3.5	3.5	19.2	20.5	-22.1	-1.9	-1.9					
Sterling O.T.'s	A	54.0	46.6	22.0	13.3	19.5	20.3	8.7	8.7	3.8	4.4	3.8	4.4						
	B	49.4	46.2	21.9	15.6	12.2	15.0	11.9	11.7	3.4	3.9	3.4	3.9						
	C	-4.6	-0.4	-0.1	2.3	-7.3	-5.3	3.2	3.0	-0.4	-0.5	-0.5	-0.5						
	D%	-9.3	-0.8	-0.6	14.7	-59.8	-35.3	26.9	25.6	-11.8	-12.8	-12.8	-12.8						
Dollar L.A.	A	492.3	577.6	24.6	30.7	24.6	30.7	459.8	537.5	7.9	9.4	9.4	9.4						
	B	494.1	578.6	27.3	35.1	27.3	35.1	454.2	528.3	12.6	15.2	15.2	15.2						
	C	1.8	1.0	2.7	4.4	2.7	4.4	-5.6	-9.2	4.7	5.8	5.8	5.8						
	D%	3.6	0.2	9.9	12.5	9.9	12.5	-1.2	-1.7	37.3	38.1	38.1	38.1						
Nondollar L.A.	A	940.4	1,011.6	24.6	26.9	237.5	252.0	630.3	682.3	16.0	17.6	17.6	17.6						
	B	910.7	1,006.0	12.7	14.4	193.6	219.2	660.0	719.9	18.2	20.3	20.3	20.3						
	C	-29.7	-5.6	-11.9	-12.5	-43.9	-32.8	29.7	37.6	2.2	2.7	-5.8	-0.6						
	D%	-3.3	-0.6	-93.7	-86.8	-22.7	-15.0	4.5	5.7	12.1	13.3	-22.1	-1.9						
Metropolitan O.T.'s	A	168.2	154.1	12.8	11.9	137.0	124.2	18.4	17.9	0	0	0	0						
	B	161.8	166.3	4.9	4.9	126.8	130.9	30.1	30.5	0	0	0	0						
	C	-6.4	12.2	-7.9	-7.0	-10.2	6.7	11.7	12.6	0	0	0	0						
	D%	-4.0	7.3	-161.2	-142.9	-8.0	5.1	38.9	41.3	0	0	0	0						
Other	A	20.7	24.2	1.7	1.6	19.0	22.6	0	0	0	0	0	0						
	B	16.6	18.2	2.0	2.0	13.2	14.9	1.3	1.3	0	0	0	0						
	C	-4.1	-6.0	0.3	0.4	-5.8	-7.7	1.3	1.3	0	0	0	0						
	D%	-24.7	-33.0	15.0	20.0	-43.9	-51.7	100.0	100.0	0	0	0	0						

A = Exports matched by imports B = Imports matched by exports C = B - A D = C/B

Source: *Commodity Trade Statistics, 1951*, United Nations, or primary trade publications of countries.

TABLE 21

United States Imports of Brazilian Coffee via Europe, 1952-1954
(thousands of metric tons)

YEAR	NETHER- LANDS	BELGIUM	GERMANY	ITALY	OTHERS	TOTAL
1952	20.6	9.0	1.8	1.1	2.0	34.6
1953	6.6	3.4	0.9	0.3	0.6 ^a	11.9
1954	7.2	3.3	0.2	0.3	1.1 ^a	12.1

^aIncludes England.

Source: *Annual Coffee Statistics*, 1952, 1953, 1954, Pan-American Coffee Bureau, pp. 56 and 58. Data are not available before 1952.

Table 20 are probably explained largely by merchenting of Angola coffee by U.K. middlemen for sale to the U.S., and merchenting of dollar L.A. coffee by U.S. middlemen for sale to Canada.

In short, since the pattern of middleman activity in coffee is probably largely simple offshore merchenting, the customs trade records of quantity of coffee traded can be used, without great adjustments, for the analysis of coffee trade by the origin-destination approach. For origin-destination analysis the values recorded appear to be quite accurate in coffee, taking into consideration the c.i.f.-f.o.b. problem and some offsetting valuation problems in the dollar L.A. exports to the U.S. But the customs trade records are quite inadequate for analysis by the purchase-sale approach.

Middleman Trade in Rubber

The scale of middleman activity in rubber is extensive; the data in Table 2 for Germany, Finland, and Scandinavia, which include rubber products as well as crude rubber, indicate a range of total trade in rubber controlled by middlemen of 20 to 92 percent with only one country reporting less than 40 percent. The data underlying this table show that more than two-thirds of the middleman activity is carried on by the U.K. for Germany, Norway, Sweden, and Finland, and most of the remainder is controlled by Dutch middlemen. British middlemen control between 80 and 90 percent of Ceylon exports of rubber, though a part of this trade (less than half, according to Stahl) is handled by British rupee companies.⁹ For Malayan rubber, 70 percent of the total planted area was controlled by non-Asiatic public limited liability companies in 1940, and the majority of these were registered in Great

⁹*Ibid.*, pp. 169, 171 and 172. The rupee companies have head offices in Ceylon.

TABLE 22

Quantity (Q) and Value (V) of Rubber Trade between World Areas, 1951
(thousands of metric tons; millions of dollars)

IMPORTING AREA OR COUNTRY

EXPORTING COUNTRY		<i>All areas</i>		<i>United States</i>		<i>Malaya</i>		<i>United Kingdom</i>	
		Q	V	Q	V	Q	V	Q	V
Total world	A	1,862	1,802	571	577	436	301	373	405
	B	1,904	1,933	602	644	480	333	356	433
	C	42	131	31	67	44	32	-17	28
	D%	2.2	6.8	5.1	10.4	9.2	9.6	-4.8	6.5
Indonesia	A	750	618	165	155	436	301	33	34
	B	794	680	193	200	480	333	32	40
	C	44	62	28	45	44	32	-1	6
	D%	5.5	9.1	14.5	22.5	9.2	9.6	-3.1	15.0
Malaya	A	923	992	366	378			287	313
	B	922	1,055	365	393			274	335
	C	-1	63	1	15			-13	22
	D%		6.0		3.8			-4.7	6.6
Ceylon	A	80	93	21	23			32	36
	B	78	95	26	31			29	35
	C	-2	+2	5	8			-3	-1
	D%	-2.6	+2.1	19.2	25.8			-10.3	-2.9
Other	A	109 ^a	99	19	21			21	22
	B	110	103	18	20			21	23
	C	1	4	-1	-1			-10	1
	D%	0.9	3.9	-5.6	-5.0			-200	4.3

A = Exports matched by imports.

C = B - A

B = Imports matched by exports.

D = C/B

^aIncludes Indochina (51), U.S. (27), Nigeria (17), Belgian Congo (11), Belgium (2), Netherlands (1).

Britain and directed from head offices in London.¹⁰ Yet, as for the other commodities discussed, the substantial middleman trade is not reflected in country records of trade with the major middleman countries (Tables 22 and 23).¹¹

The trade records for rubber, however, unlike those for the other commodities discussed, contain distortions not only when considered as records of purchase-sale but also when considered as records of origin-destination. The distortion results in part from the combination of a large amount of offshore merchanting by the industrial middleman

¹⁰*Ibid.*, pp. 101 and 102.

¹¹Data in these tables cover close to 80 percent of the world rubber trade (SITC Group 231). Calendar year value and quantity data were unavailable for the following importers: Hong Kong, Australia, and the Soviet bloc. Thailand was omitted on export side for lack of value data.

TABLE 22, concluded

EXPORTING COUNTRY		IMPORTING AREA OR COUNTRY							
		West Germany		Netherlands		Other Continental OEEC		Other	
		Q	V	Q	V	Q	V	Q	V
Total world	A	75	76	56	59	207	237	144	147
	B	93	97	13	14	207	244	153	168
	C	18	21	-43	-45		7	9	21
	D%	19.4	21.6	-330.8	-321.4		2.9	5.9	12.5
Indonesia	A	16	16	49	51	23	25	28	36
	B	23	25	11	11	25	30	30	40
	C	7	9	-38	-40	2	5	2	4
	D%	30.4	36.0	-345.5	-363.4	8.0	16.7	6.7	10.0
Malaya	A	46	47	7	8	125	146	92	100
	B	57	61	2	3	128	150	96	113
	C	11	14	-5	-5	3	4	4	13
	D%	19.3	23.0	-250.0	-166.7	2.3	2.7	4.2	11.5
Ceylon	A	10	12			12	16	15	6
	B	8	10			10	13	5	6
	C	-2	-2			-2	-3		
	D%	-25.0	-20.0			-20.0	-23.1		
Other	A	3	1			47	50	19	5
	B	5	1			44	51	22	9
	C	2				-3	1	3	4
	D%	40.0				-6.8	2.0	13.6	44.4

Source: Primary trade publications of countries or *Commodity Trade Statistics, 1951*, United Nations.

countries with reconsignment from Far East entrepôt centers, and in part from entrepôt activities handled by local residents of the Far East. Malayan rubber imports, of which only a part are shown in Table 22, are entirely for re-export.¹² The close agreement between importing and exporting countries in Table 22, therefore, indicates that countries are reporting on a consignment basis rather than origin-destination basis.¹³

¹²The excess of Malayan imports over Indonesian exports shown in Table 22 has been persistent in recent years. For 1951 and most other recent years the International Rubber Study Group has taken this to reflect nonreporting by Indonesian small holders, though some transshipment to Hong Kong was believed to be included in 1953-1954 (see their *Rubber Statistical Bulletins*).

¹³Despite the incomplete coverage of Table 22, it appears likely that many countries consider Malaya to be the country of origin for their imports of Indonesian rubber. Rubber exports of Indonesia to Malaya were almost equal to the total quantity of rubber imports of all countries omitted from the table. Moreover, the effect of the time lag between export and import was probably an understatement of imports of rubber from Malaya in 1951 by countries shown in the table.

TABLE 23

Quantity (Q) and Value (V) of Unmatched Rubber Trade between Reporting World Areas, 1951
(thousands of metric tons; millions of dollars)

EXPORTING COUNTRY		All areas		United States		Netherlands		West Germany		Other Continental OEEC		Other	
		Q	V	Q	V	Q	V	Q	V	Q	V	Q	V
Total world	A	24.6	26.4										
	B	55.4	38.6	20.2	6.4	6.7	7.8	1.6	1.6	12.4	15.9	3.9	1.1
Malaya	A	10.0	12.7										
	B	3.5	4.2					6.2	4.6	25.5	23.4	3.5	4.2
Ceylon	A	9.1	11.0										
	B	5.5	2.7							10.0	12.7	3.5	4.2
Other	A	5.5	2.7										
	B	51.9	34.4	20.2	6.4	6.7	7.8	1.6	1.6	2.4	3.2	3.9	1.1
								6.2	4.6	25.5	23.4		

A = Exports unmatched by a reporting importing country.

B = Imports unmatched by a reporting exporting country.

Source: See Table 22.

TABLE 24

Quantity (Q) and Value (V) of United States Water-Borne General Imports of Rubber Laden in Major Countries Other than Country of Origin, 1953 and December 1951^a

(thousands of metric tons; millions of dollars)

COUNTRY OF LADING	C O U N T R Y O F O R I G I N							
	<i>Indonesia</i>		<i>Malaya</i>		<i>Thailand</i>		<i>Indochina</i>	
	Q	V	Q	V	Q	V	Q	V
<i>Malaya</i>								
1953	63.1	27.6			61.9	30.8	4.0	1.8
Dec. 1951	1.9	1.7			2.0	2.4		
<i>Netherlands</i>								
1953	1.6	1.3						
Dec. 1951 ^b	1.9	1.7						
<i>Indonesia</i>								
1953			3.8	1.9	3.8	1.9		
Dec. 1951			0.8	0.9	0.04	0.05		
<i>U.K.</i>								
Dec. 1951			1.2	1.1				

^aUntil 1953, these data are available only on a monthly basis. The expense of compiling the data for December 1951 prohibited extending this compilation out for the rest of the year. But the data for this one month are included for their interest.

^bAccording to Netherlands transshipment records, this was 9,000 metric tons for the entire year.

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

This interpretation does not apply without qualification to the close correspondence between the U.S. imports from Malaya and Malayan exports to the U.S. In this case, the close agreement occurs despite a difference in the method of reporting by the U.S. and Malaya. On the one hand, Malayan records of total rubber exports to the U.S. include re-exports of produce originating in Indonesia, Thailand, and Indochina, as shown in Table 24, while the U.S. attempts to record these imports by country of origin. On the other hand, Malaya evidently treats the U.K.,¹⁴ and possibly Indonesia, as country of consumption for rubber exports that are destined for the U.S., and which are recorded by the U.S. as originating in Malaya.

Of the unmatched imports from those exporting countries for which some data were obtained (Table 23), a total of 35,000 tons does not

¹⁴U.K. re-export data alone show almost 4,000 metric tons of rubber destined for the U.S. in 1951.

TABLE 25

Quantity (Q) and Value (V) of Cotton Trade between World Areas, 1951
(thousands of metric tons; millions of dollars)

EXPORTING AREA OR COUNTRY	IMPORTING AREA OR COUNTRY										
	All areas		United States		Canada		United Kingdom				
	Q	V	Q	V	Q	V	Q	V	Q	V	
Total world	A	2,280.9	2,526.4	222.6	182.0	118.2	97.9	432.2	536.6		
	B	2,092.0	2,611.6	50.7	43.2	95.9	90.3	452.4	678.7		
	C	-188.9	85.2	-171.9	-138.8	-22.3	-7.6	20.2	143.1		
	D%	-9.0	3.3	-339.0	-321.3	-23.2	-8.4	4.5	21.1		
United States	A	1,125.4	1,085.4	..	..	118.2	97.9	124.0	106.5		
	B	957.6	937.9	..	..	95.9	90.3	131.7	113.8		
	C	-167.8	-147.5	..	..	-22.3	-7.6	7.7	7.3		
	D%	-17.5	-15.7	..	..	-23.2	-8.4	5.8	6.4		
Mexico	A	208.6	133.9	171.5	109.1	..	..	3.2	1.4		
	B	165.0	213.5	4.0	1.1	..	..	28.4	39.9		
	C	-43.6	79.6	-167.5	-108.0	..	..	25.2	38.5		
	D%	-26.4	37.3	-4,187.5	-9,818.1	..	..	88.7	96.4		
Nondollar L.A. ^a	A	224.1	289.4	2.3	2.8	..	..	100.0	135.7		
	B	247.2	340.9	2.1	2.7	..	..	105.1	154.6		
	C	23.1	51.5	-0.2	-0.1	..	..	5.1	18.9		
	D%	9.3	15.1	-9.5	-3.7	..	..	4.8	12.2		
Egypt	A	224.7	415.4	21.2	51.5	..	..	58.0	101.0		
	B	212.0	432.7	20.8	26.4	..	..	33.6	121.6		
	C	-12.7	17.3	-0.4	-25.1	..	..	-24.4	20.6		
	D%	-5.9	4.0	-1.9	-95.1	..	..	-72.6	16.9		

Anglo-Egyptian Sudan	A	92.8	130.5 ^b	1.0	1.4	75.4	106.3
	B	91.6	187.6	c	c	75.5	156.8
	C	-1.2	57.1	-1.0	-1.4	0.1	50.5
	D%	-1.3	30.4			0.1	32.2
India	A	53.5	46.4	18.3	14.9	15.7	11.5
	B	52.7	40.9	19.8	11.8	15.2	11.8
	C	-0.8	-5.5	1.5	-3.1	-0.5	0.3
	D%	-1.5	-13.4	7.6	-26.3	-3.3	2.5
Pakistan	A	121.2	165.1			17.7	25.5
	B	131.6	191.7			21.4	29.1
	C	10.4	26.6			3.7	3.6
	D%	7.9	13.9			17.3	12.4
Belgian Congo	A	41.3	41.4			7.4	7.6
	B	37.5	38.5			10.6	10.8
	C	-3.8	-2.9			3.2	3.2
	D%	-13.3	-6.0			18.9	29.6
Kenya, Uganda	A	60.6	78.1			21.5	27.5
	B	61.9	81.2			21.2	28.4
	C	1.3	3.1			-0.3	0.9
	D%	2.1	3.8			-1.4	3.2
Other ^d	A	128.7	140.8	8.3	2.3	9.3	12.6
	B	134.9	146.7	4.0	1.2	9.7	11.9
	C	6.2	5.9	-4.3	-1.1	0.4	-0.7
	D%	4.9	4.0	-107.5	-91.6	4.1	-6.0

(continues with other importing areas on next pages)

TABLE 25, concluded

IMPORTING AREA OR COUNTRY

EXPORTING AREA OR COUNTRY	Continental OEEC				Spain		India		Japan	
	Q	V	Q	V	Q	V	Q	V	Q	V
Total world	A	933.5	1,051.4	64.4	72.4	212.8	268.5	297.2	318.5	
	B	927.4	1,083.9	45.8	46.5	166.5	236.9	353.2	431.7	
	C	-6.1	32.5	-18.6	-25.9	-46.3	-31.6	56.0	113.2	
	D	-0.6	3.0	-40.6	-55.7	-27.8	-13.4	15.8	26.2	
United States	A	515.4	519.1	39.0	39.2	121.4	126.7	207.4	195.9	
	B	460.6	476.2	22.9	21.4	68.3	71.3	178.2	164.7	
	C	-54.8	-42.9	-16.1	-17.8	-53.1	-55.4	-29.2	-31.2	
	D	-11.9	-9.0	-70.3	-83.2	-77.7	-77.7	-16.4	-18.9	
Mexico	A	30.9	21.0					3.0	2.4	
	B	64.4	70.8					68.2	101.7	
	C	33.5	49.8					65.2	99.3	
	D	52.0	70.3					95.6	97.6	
Nondollar L.A. ^a	A	93.8	115.7	9.3	9.4	2.6	3.4	16.0	22.3	
	B	97.2	125.5	7.7	7.8	4.8	7.2	30.2	43.1	
	C	3.4	9.8	-1.6	-1.6	2.2	3.8	14.2	20.8	
	D	3.5	7.8	-20.8	-20.5	45.8	52.8	47.0	48.2	
Egypt	A	83.0	149.4	8.8	14.0	44.7	84.6	9.0	14.8	
	B	90.2	161.9	8.9	10.4	45.8	91.5	12.6	20.9	
	C	7.2	12.5	0.1	-3.6	1.1	6.9	3.6	6.1	
	D	8.0	7.7	1.1	-34.6	2.4	7.4	28.6	29.2	
Anglo-Egyptian Sudan	A	2.8	3.7			13.6	19.1			
	B	1.0	1.7			15.1	29.1			
	C	-1.8	-2.0			1.5	10.0			
	D	-180.0	-117.6			9.9	34.4			

India	A	8.3	6.1	11.2	13.9
	B	9.5	7.6	8.3	9.7
	C	1.2	1.5	-2.9	-4.2
	D	12.6	19.7	-34.9	-43.3
Pakistan	A	47.7	63.2	7.3	9.8
	B	48.9	65.9	6.3	6.9
	C	1.2	2.7	-1.0	-2.9
	D	2.4	4.1	-15.9	-42.0
Belgian Congo	A	33.9	33.8		
	B	26.9	27.7		
	C	-7.0	-6.1		
	D	-26.0	-22.0		
Kenya, Uganda	A	8.6	16.0	30.5	34.7
	B	8.2	15.0	32.5	37.8
	C	-0.4	-1.0	2.0	3.1
	D	-4.9	-6.7	6.2	8.2
Other ^d	A	109.1	123.4	2.0	2.6
	B	120.5	131.6	0.7	1.9
	C	11.4	8.2	-1.3	-0.7
	D	9.5	15.2	185.7	36.8

A = Exports matched by imports. C = B - A

B = Imports matched by exports. D = C/B

^aIncludes Argentina, Brazil, and Peru, totals for all of which show excess of imports in value, and either excess of imports in quantity or close agreement.

^bF.a.s. values. The Anglo-Egyptian Sudan adds 25 per cent to total merchandise exports to reach f.o.b. values (*Balance of Payments Yearbook, 1954*).

^cLess than \$1 million.

^dIncludes France, U.K., Turkey, Mozambique, French Equatorial Africa, and Canada.

Source: See Table 20.

represent middleman trade but results from nonreporting of synthetic rubber exports by Canada. Most of the remainder of the unmatched imports is probably middleman trade by the U.K., part of which is reflected also in unmatched exports from Malaya to these final importing countries. Some unmatched imports result from the importing country's correct reporting of country of purchase, either because it uses a purchase-sale system (Denmark) or because of a confusion between transit point and country of origin (Austria). However, it is clear that correct reporting of country of purchase and country of sale represents only a small part of middleman trade in rubber.

*Middleman Trade in Cotton*¹⁵

A glance at the cotton matrix shown in Table 25¹⁶ makes clear that there were sizable discrepancies between exporters' and importers' records of quantity traded in this commodity in 1951. But there is little indication in the table that importing countries reported on other than an origin basis. For cotton alone among the commodities considered, a major middleman country — the United States — is also a major producer. It appears, however, that importers did not report the U.S. as country of sale for cotton produced in other countries since U.S. exports, which exclude re-exports, exceed imports of all partners except the U.K., shown in Table 25.¹⁷

These quantity discrepancies between U.S. exports and partner country imports, apart from Canada, can be explained largely by the imposition of restrictions on U.S. cotton exports in 1950 and the relaxation of these restrictions in 1951. If we assume an average time lag of one month between recording of U.S. exports and corresponding imports, the excess of U.S. December 1951 exports over December 1950 exports of 123,000 metric tons (excluding Canada) is fairly close to the discrepancy between U.S. exports and corresponding imports of 145,000 metric tons (excluding Canada) in 1951.¹⁸

¹⁵SITC Group 263.

¹⁶These data cover about 80 percent of world cotton exports as estimated by the Food and Agriculture Organization, including in the estimate all exports of non-reporting countries. FAO found it possible to give estimates only for about 90 percent of the trade on a country-to-the-world basis (*Monthly Bulletin of Agricultural Economics and Statistics*, Rome, Food and Agriculture Organization of the United Nations, May 1953).

¹⁷U.S. exports to the Continental OEEC countries exceed imports of all partners except Denmark, which reports on a purchase-sale basis, and Austria, which reports a small excess of imports.

¹⁸Monthly cotton trade of the U.S. is obtained from *Cotton — Quarterly Statistical Bulletin*, International Cotton Advisory Committee, June 1952, p. 41, and March 1953, p. 58. The excess of U.S. exports over Canadian imports is probably entirely

Reported imports, matched or unmatched, from other middleman countries are a tiny fraction of world cotton trade. If the German data underlying Table 2 are at all representative, the U.K. and Belgium are important middlemen in world cotton trade; together they account for almost all of the 15.7 percent of German imports purchased from middlemen in 1952. But total imports of cotton reported as originating in the U.K. and Belgium in 1951 were only 16,000 metric tons valued at \$23 million c.i.f. And reported imports from other middlemen countries shown in Table 4 were very much smaller.

Most of the discrepancies between trade records of cotton-producing countries and those of their markets may be explained by the peculiar pattern of Mexican cotton trade. The large variance in records of Mexican exports and of imports of foreign markets results from the fact that Mexico is one of the few major exporters of primary products to report its exports on a sales basis. As Table 25 indicates, Mexico sells almost all of its cotton to the U.S. for resale in its capacity as a middleman. This and other Mexican cotton is then transshipped in U.S. ports mainly to Japan and Western Europe as shown in Table 26.¹⁹ When we exclude Mexico and the U.S. from exporting countries, discrepancies between export records of producing countries and import records of their markets are small in the aggregate, as shown in Table 27 and the last column of Table 25. A small amount of middleman trade is indicated in the excess of Egyptian exports over U.K. imports, and in the excess of Belgian Congo exports over imports of Continental OEEC countries (in this case Belgium). The other notable percentage variations — those involving Pakistan and Japan — are probably the result of underreporting by the sources.²⁰

Thus, the substantial importance of offshore middleman trade coupled with reporting by most countries on an origin-destination or consignment basis makes trade records for cotton, like those for the other commodities examined, inadequate for a study of the changing interregional financial

accounted for by a commodity classification difficulty, Canada does not distinguish between cotton waste (SITC 263-03) and other textile waste (SITC 267), while the U.S. does. The excess of Canadian imports over U.S. exports in the latter category (SITC 267) is more than sufficient to explain the discrepancy in cotton.

¹⁹It appears that the final consumers (except Denmark) may incorrectly report the U.S. as the country of origin for part of the Mexican cotton. However, other factors such as time lag may also be involved.

²⁰For these countries it was necessary to use adjusted data that may not include all of SITC 263. Data for Pakistan were converted to calendar year in *The Commonwealth and the Sterling Area, 74th Statistical Abstract, 1950-1953* (London, Board of Trade, 1955). Data for Japan were adjusted from a mixed date of shipment and date of clearance basis to a consistent date of clearance basis in *Foreign Trade of Japan, 1951* (Tokyo, Ministry of International Trade, 1952).

TABLE 26

Transshipments of Mexican Cotton through United States Ports, 1950-1955
(thousands of metric tons^a)

AREA OR COUNTRY OF DESTINATION	1950	1951	1952	1953	1954	1955
All areas	164	189	218	183	184	246
United Kingdom	17	44	14	15	21	35
Continental OEEC ^b	76	85	91	66	88	127
Belgium	33	14	20	22	26	24
West Germany	2	10	16	17	25	45
Netherlands	5	2	14	15	20	26
Other Continental OEEC	36	59	41	12	17	32
Spain	8	3	21	15	4	0
Japan	40	53	78	76	66	70
Other	23	4	14	11	5	14

^aConverted from bales of 500 pounds gross.

^bExcludes Greece and Trieste.

Source: Data were provided by the Cotton Division, Foreign Agriculture Service, Dept. of Agriculture and are based on official records of the Dept. of Commerce.

TABLE 27

Quantity and Value of Cotton Imports by World Areas from All Countries except the
United States and Mexico, 1951

(thousands of metric tons; millions of dollars)

IMPORT AREA	Q U A N T I T Y				V A L U E			
	Exports (A)	Imports (B)	B-A (C)	$C \div B$ $\times 100$ (D)	Exports (A)	Imports (B)	B-A (C)	$C \div B$ $\times 100$ (D)
All areas	946.9	969.4	22.5	2.3	1,307.1	1,460.2	153.1	10.4
United States	51.1	46.7	-4.4	-9.4	72.9	42.1	-30.8	73.1
United Kingdom	305.0	292.3	-12.7	-4.3	427.7	525.0	97.3	18.5
Continental OEEC	387.2	402.4	15.2	3.8	511.3	536.9	25.6	4.8
Spain	25.4	22.9	-2.5	-10.9	33.2	25.1	-8.1	-32.3
India	91.4	98.2	6.8	6.9	141.8	165.6	23.8	14.4
Japan	86.8	106.8	20.0	18.7	120.2	165.3	45.1	27.3

A = Exports matched by imports

B = Imports matched by exports

position of countries on merchandise account. Middleman trade also creates some (relatively small) difficulties in use of these records for study of trade on a production-consumption basis, but there is generally sufficient information available for adjustment of data to this basis.