

## USES OF FOREIGN TRADE STATISTICS BY IMPORTERS AND EXPORTERS

*By*

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To look back to a moment of decision forced by a critical situation is always a source of satisfaction. And this personal experience has a particular bearing on the subject of this paper, as it illustrates the use and value of statistics to a businessman.

I was an importer when the import and exchange controls were established in 1949 and 1950. From a study of statistics, I realized in 1951 that the international reserve of the Central Bank was dwindling to such a low level that my foreign exchange quota as an importer was bound to be cut drastically.

Then I thought of engaging in the export business, a new field to me. I found an importer in Japan who was in the market for base metals. Frankly, I didn't know what a base metal was. The only thing I knew about bases was about baseball bases and the military bases in Clark Field and Olongapo. I started digging into the statistics of the Bureau of Mines and the Bureau of the Census and Statistics on the production and exportation of base metals. After finding out that there was room for development and expansion of the base metal industry in the Philippines, I investigated my prospective market. I gathered from Japan statistics on importation, consumption and uses of this particular product.

Only after arriving at a clear picture of the business, both from the production and distribution ends, thanks to statistics, did I decide to engage in base metal mining and exportation.

My friends, it is a pleasure to be asked to speak on the uses of foreign trade statistics by importers and exporters. My

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only regret is that I cannot speak on the subject from the technical point-of-view, as I am not a statistician, but only from the practical viewpoint of the businessman.

There is an oft-repeated witticism about statistics which can be repeated here because of its pertinence. I belong to that group of people who do not have much love for figures except those with curves.

It has also been said that some persons lean on statistics like a drunk person leaning on a lamp post, not for illumination but for support. This seems to be true with some of our economic debaters who use the same figures to prove their points. How they can use the same figures and yet differ entirely in their conclusions completely floors me. Perhaps, it can be explained by the saying that even the devil can quote the Scripture.

Even more scathing is the statement that figures don't lie but liars figure.

Indeed, there are a great number of us who would use figures not for knowledge or illumination but merely to prove our point however erroneous it may be.

Be that as it may, we are now beginning to realize the importance of statistics not only for government but also for private use. Until a few years ago, hardly a few thought in terms of statistics. But since 1950, when import and exchange controls were instituted, there has been a growing interest and demand for statistics both in the government and in private business.

Growing interest in statistics has shown the inadequacies of our present statistical services. It is a good thing, however, that our government, as well as businessmen, business colleges and technical associations, are waking up to this realization and are making efforts to improve our statistics and statistical methods not only for government but also for private use.

It has been said that the object of business statistics is to provide information as a basis for action. This is true because recommendations based upon statistical evidence carry great

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weight. These recommendations are based upon unbiased facts and are not, like the experience of individuals, limited to incomplete and oftentimes deceptive observation.

No one is so well qualified to interpret statistical data and to make recommendations for action as the statistical investigator. He knows, or should know, the meaning and degree of accuracy of the original data; he is familiar with the way in which they have been manipulated; and he is aware of their limitations.

The last few years have witnessed a steadily growing serious interest in our foreign trade. The exacting demands of independent nationhood made our people more responsive to almost all aspects of our national economy in the hope that in the coming years we could provide to it the full measure of stability.

In the field of foreign trade, both government and private sectors watch closely our international balance of payments position. Businessmen cast concerned eyes on our international reserve, feel keenly the fluctuations in prices in the world markets, and scout seriously for new outlets of our products.

And because we seek reliability, accuracy and comparability in our stock of information on these matters as a sound basis for intelligent planning and business operation, we turn to foreign trade statistics. For whether we like it or not, these statistics, properly collected, presented, analyzed and interpreted, serve as reliable guideposts to our approaches to our foreign trade problems.

The exporter first studies statistics on Philippine exports to foreign countries—both geographical and commodity distribution.

After seeing the volume of exports of different products, the exporter can see what are the major and minor export products of the country. He shall find out which of these products he can export to advantage, but his decision will be determined by the availability of local supplies. He will inevit-

ably turn to local production figures—actual production and the extent to which the production can be expanded. In other words, he should know how much the local supply can fill the demand which could be developed abroad.

There have been many cases, particularly local handicrafts, of exporters who found ready and willing buyers in foreign countries, at prices agreeable to both parties, only to find out later that they could not fill the entire demand regularly and uniformly because of inadequate, sporadic and non-standardized supplies at our end.

His next approach is the problem of competition. What other countries export the same product? How does the local product compare in quality and prices? Can the local products be improved? Can production costs be reduced to face competition in the world markets?

Knowing the countries of destination of Philippine exports, the exporter can investigate if these markets are saturated or open to expansion and which markets can be tapped.

It is unfortunate, however, that our available records on destination of Philippine exports are not as accurate as may be desired. Particularly in the case of the non-dollar countries and free ports, what appears in our foreign trade statistics as countries of destination of so much exports are not accurate because of transshipment or re-exportation.

In the case of exports to Germany, for instance, according to the commercial counsellor of the German Legation in the Philippines, Germany imported from the Philippines three times more than the value of the goods the country exported to the Philippines in 1955, whereas our foreign trade figures indicated that we imported more from Germany than what we exported to that country in the same year. The explanation to this is transshipment, because a great portion of German imports of Philippine products were transshipments from the Netherlands. It could be seen from our foreign trade statistics that our export figures for the Netherlands are rather big. Much of these exports could have been transhipped to other European countries.

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This could be true in the case of other non-dollar countries. Because of dollar shortage and other currency problems, some soft-currency countries could not import direct from the Philippines but through cartels. The reexportation of our exports from free ports, like Hongkong, could also result in misleading figures on Philippine exports as regards countries of destination.

From the standpoint of the over-all export picture, these discrepancies may not be important. But from the point of view of the local exporter who desires to investigate the present and potential markets for his products, our foreign trade data are rather unreliable and may be altogether misleading.

I believe that something should be done to correct these discrepancies by gathering statistics from the countries with which the Philippines is trading so that our foreign trade statistics could be correlated to present a true picture of the distribution of Philippine exports.

The use of foreign trade statistics to exporters has assumed new importance with the implementation of the barter provision of Republic Act No. 1410. The present barter rules provide that major export products are entitled to only 15 per cent barter, while minor export products are entitled to 100 per cent barter privilege, and that minor export products become major export products upon reaching the P1 million level.

The exporters of minor export products have to watch closely the trend of export of their products to determine when their volume of exportation will reach the major export level and thereby lose the 100 per cent barter privilege. He could then adjust his business program accordingly.

The life of a Philippine importer depends upon the status of our country's dollar reserve. By watching the figures on export receipts, balance of payments and dollar reserve, the importer can foresee where his business will stand in the light of the present import and exchange control regulations of the government. He can thereby map out his business program well in advance in accordance with the dollar reserve position.

and the concomitant policy or control regulation of the government.

The importer will have to know the present and potential local demands of import products. He can see this to a certain extent from past import statistics, although in regard to potential demand, he can determine this more from his own personal investigation of the market.

He may do well to refer to present local production figures and compare them to past import statistics, know the production investment trends and government policies, tariffs and actual import banning of these products, study population trends, and investigate local demand potentialities and consumer preferences in order to arrive at a sound estimate on the current and future demands of certain import products.

What products are banned from importation? The importer could easily know these from laws and government rules and regulations. What products may be banned from exportation? The importer could foresee this by finding out what products are being imported heavily which could be produced here or are being contemplated to be produced locally to replace the imports. He can view this problem in the light of the economic policies of the government.

After seeing the past and present sources of Philippine imports, the importer could find out what may be the other possible sources of imports which could supply at more advantageous prices and comparable or better qualities of goods.

Considering the international trade agreements of the country, such as the Laurel-Langley Agreement with the United States, and the policy of the government to diversify foreign trade to cushion the shock of the termination of the preferential agreement, the importer could see the trend of shift to other countries as import sources and thereby explore the other markets to his advantage.

By studying the changing pattern of sources of Philippine imports, the importer will be led to investigate the causes of the shift and follow the trend if it is to his benefit. Competi-

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tion is perennially keen in international trade and some countries gradually replace other countries as sources of imports.

### PROBLEMS

The problems of foreign trade statistics are also the problems of statistics in general. All these problems bear upon the validity of the data gathered. Foremost of these problems is the problem of source. Right now, there are a number of sources of Philippine foreign trade statistics, namely, the Bureau of the Census and Statistics, the Central Bank, the Bureau of Customs, and the National Economic Council. Also, there are a number of private organizations which peddle statistics. This is well and good. The unfortunate thing, however, is that there is no uniformity of figures. In many instances, the statistics of the government entities keeping track of our foreign trade are different from one another. The question, then, to determine is, which are the more reliable data? No wonder, our planners in the government and our traders in private business are throwing up their hands in despair.

To give you an idea of the degree of discrepancies in the foreign trade statistics of different government offices, the following figures are presented:

#### FOREIGN TRADE STATISTICS, 1955

<u>Office</u>	<u>Exports</u>	<u>Imports</u>	<u>Total</u>	<u>Balance</u>
Bureau of Census and Statistics (a)	P838,511,694	P1,072,682,622	P1,911,194,316	P234,170,928
Bureau of Customs (b)	823,086,013	1,009,907,740	1,832,993,753	186,821,727
Central Bank (c)	801.3	1,085.2	1,886.5	283.9

Sources: (a) Philippine Foreign Trade, published by the Bureau of Census and Statistics (1955)

(b) Article — of Customs Commissioner Manuel Manahan, Fookien Times Yearbook, 1956.

(c) Central Bank Statistical Bulletin, June, 1956.

Some discrepancies are serious to the point of being ludicrous. In the 1956 issue of the Fookien Times Yearbook, Secretary Oscar Ledesma of the Department of Commerce and In-

dustry and Commissioner Manuel P. Manahan of the Bureau of Customs had articles on Philippine foreign trade. The two articles carried two sets of almost entirely different statistics on exports and imports.

Secretary Ledesma's figures for 1940, for instance, showed imports of P269,462,542 and exports of P311,849,047, or a *favorable* balance of P42,386,505. On the other hand, Commissioner Manahan's statistics, for the same year, were P289,171,128 for imports and P226,824,008 for exports, or an *unfavorable* balance of P62,347,120.

Again, for the year 1951, Secretary Ledesma's data showed imports of P959,032,606 and exports of P831,484,057 or an *unfavorable* balance of P127,548,549 as against Commissioner Manahan's figures of P742,759,998 imports and P871,062,504 exports, or a *favorable* balance of P128,302,506!

These discrepancies could not have been mere typographical errors, because Commissioner Manahan mentioned the figures in the text of his article and even gave the reason for the favorable balance of trade in 1951. Moreover, the discrepancies are varying and are not indicative of typographical mistakes.

Again, in 1954, the Central Bank statistics (Central Bank Statistical Bulletin, June 1956) showed an unfavorable balance of P155 million, while the figures of the Department of Commerce and Industry (Fookien Times Yearbook, 1956) registered a negative balance of P79,089,801, while the Bureau of Customs figure was P49,574,615 unfavorable balance.

A businessman or researcher who goes over and compares these conflicting figures will undoubtedly doubt the veracity of all of them. Indeed, woe to the courageous man who dares to delve into Philippine foreign trade statistics!

We inquired from the officials of the Central Bank and the Bureau of the Census and Statistics (source of data of the Department of Commerce and Industry) as to the causes of the discrepancies in their respective foreign trade statistics, but they could not give any plausible explanation. We sought



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an explanation from a noted Filipino statistician and economist who does not belong to any of the two offices and he gave us the confidential information that the Census figures are more reliable because they are duly corrected and refined. But certainly the Central Bank will stick to its own figures for its own purpose, especially if it deals with importers' dollar quotas!

Our own personal investigation revealed the following methods of these offices in gathering data. The Bureau of Customs does not collect and compile statistics for public distribution but simply furnishes the raw materials in the form of shipping manifests, from which representatives from the Central Bank and the Bureau of the Census and Statistics gather and compile data individually for their respective offices. Until the Bureau of the Census and Statistics took over all the statistical work of the government, this job was done by the Bureau of Customs itself, during which the foreign trade statistics were at least uniform if not necessarily accurate. Sometimes manifests come too late or cannot be located.

The confusion in our statistical system is perhaps due to the fact that while the Bureau of the Census and Statistics has been designated by law as the central administrative statistical agency, yet the government has not given it the proper budgetary support, thereby vitiating its effectiveness. Some government offices requiring statistics find the Census figures inadequate and have considered it necessary to supply their own statistical requirements. Hence, the out cropping of statistical units in other offices.

This problem is now, fortunately, being gradually solved with the creation of a coordinating office in the National Economic Council. I understand that among the functions of this office is the delineation of the areas of responsibility of each statistical administrative unit and the coordination, where possible, of all statistical activities. This office has all the opportunity to maximize statistical efficiency and rationalize our entire statistical system.

Another problem of foreign trade statistics in this country is the competence in the processing of the data. We might

have the raw materials, but if the people who work on the statistics are not properly trained, the reliability of the data is thus affected.

Fortunately, again, there has been organized the Statistical Training Center, one of whose aims is to develop technically trained statisticians. Once we have enough technically qualified personnel, this statistical problem would be solved.

Still another problem confronting foreign trade statistics users is government control of exports and imports. Unless there is a correlation between foreign trade statistics and policy, any forecast in foreign trade would be useless. As it is now, we do not know exactly what the government policy is with respect to controlling imports and exports, and unless this policy is sufficiently spelled out, any user of foreign trade statistics would be unable to forecast with accuracy and validity with the materials at his command.

### *CONCLUSION*

We might summarize our thesis by saying that foreign trade statistics are of a great help to foreign traders, but his utility is conditioned by certain factors, namely, the validity of the data, the reliability of the methodology, the technical skill of the processors and analyzers or interpreters of the data, and the amount of government control of our foreign trade. Under ideal conditions, when the above-named factors are favorable to the researcher, it is possible to plan with some measure of assurance and achieve some confidence in forecasting.

Finally, the deficiencies of our foreign trade statistics should be recognized, but it is a healthy sign that these deficiencies are a matter that depends to a very great extent upon people such as this distinguished group before me, who have taken it as their lifetime job to work with statistics.

