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STATISTICS ON TRADE IN SERVICES

At the eighth meeting of the Group of Negotiations on Services held on 29 June - 2 July 1987, the delegation of Brazil invited the representatives of the United Nations Statistical Office (UNSO), the United Nations Centre on Transnational Corporations (UNCTC), the United Nations Conference on Trade and Development (UNCTAD) and the International Monetary Fund (IMF) to supply written replies to a list of questions concerning statistics on trade in services.

In response to this request, the following replies have been received from the IMF and the UNSO respectively. The replies from UNCTC and UNCTAD will be circulated in an addendum to this document.

ANSWERS TO QUESTIONS POSED BY THE BRAZILIAN DELEGATION

1. Question: Which are, in the view of the Organization you represent, the main problems for the identification and processing of international statistics on trade in services?

1.1 Answer from the United Nations Statistical Office (UNSO)

Data on international transactions in services are generally gathered by countries as an integral part of compiling balance-of-payments statistics or in compiling data on the external transactions account of the overall system of national accounts. While it is possible that, in some countries, the compilation of the balance of payments and the external transactions account of the national accounts is not coordinated, it should be mentioned that, in the generality of cases, balance-of-payments statistics are used, with some modifications, in compiling data for the external transactions account.

The major problems confronting countries, especially the vast majority of developing countries, in collecting and providing the requisite details on service transactions are budgetary limitations, inadequate manpower, and lack of adequate expertise to undertake a variety of urgent statistical tasks.

1.2 Answer from the International Monetary Fund (IMF)

We do not have a generally agreed upon definition of services to be applied in the measurement of trade in services. Exports and imports of services are difficult to observe and the coverage of trade in services statistics seems to be deficient even in many countries with developed statistics. The whole project should start by collecting information on national practices.

2. Question: What is the definition of "services" and "trade in services" used by your organization? Is the definition you have been using considered satisfactory? If not, which would be the main shortcomings perceived and the possible means to overcome them? Is your Organization planning to overcome these difficulties, either in terms of critic evaluation or of alternation in the gathering of information on trade in services?

2.1 Answer from the IMF

Definitions relating to the services components of the balance of payments and those of the external sector of the national accounts are contained in the Fund's Balance of Payments Manual (BPM) and the United Nations' A System of National Accounts (SNA), respectively. Work is underway to revise and harmonize these guidelines. In both systems a distinction is drawn between merchandise, services, and income. The term "services" is used to denote nonfactor services as opposed to income flows representing the remuneration for the supply and use of factors of production.

Currently, the BPM distinguishes the following standard components relating to international transactions in services:¹

1. Shipment
 2. Other transportation
 - 2.1. Passenger services
 - 2.2. Port services, etc.
 3. Travel
 4. Other services
 - 4.1. Official
 - 4.2. Private
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¹In economic statistics, including the national accounts and the balance of payments, the borderline between merchandise and nonfactor services is traditionally delineated in such a way as to include, in the latter, certain transactions in goods that have a greater affinity to the service item in which they are included rather than to merchandise proper.

In developing the list of standard components of the balance of payments, including the components pertaining to services, the following considerations have been taken into account:

- (a) The item should show a distinctive behavior, indicating that it is influenced by a different set of economic factors when compared to other transactions, or that it responds differently to the same factor or factors.
- (b) The item is significant in the balance of payments for many countries; the significance or importance of the transaction or item may be a function of behavior (unusual variability, for example), or may be related to absolute size.
- (c) On the basis of the standards set forth as in item (b) above, statistics for the item should be obtainable without undue difficulty.
- (d) The item should be needed separately for other purposes, such as incorporation into or reconciliation with the national accounts.
- (e) The list of standard components should not be unduly long, in view of the fact that a very large number of countries, including many that are statistically less advanced, are required to report uniformly on them.

The following reviews the standard components:

The item "shipment" is defined to cover international transactions in services related to freight, insurance, and other distributive services performed on the movement of goods.

"Other transportation" pertains to activities of the domestic and foreign transport industries other than the acquisition of carriers, the carriage of goods, and the carriage of passengers within an economy of which they are not residents. The two components are (a) passenger services, mainly the international carriage of passengers, and (b) port services, etc., mainly the acquisition of goods and nonfactor services from other industries for use in the industry's own production (but not the acquisition of commodities that are classified as merchandise, i.e., carriers, and insurance services, which are included in other services).

"Travel" covers goods and services acquired from an economy by nonresident travellers during their stay in that economy and for their own use. Travel excluded international passenger services, which are included in "other transportation."

The "other services" category covers a miscellany of services that are not specifically included in shipment, other transportation, and travel. The official portion covers general government and central bank transactions; it includes transactions by the government agencies of the compiling economy and their personnel abroad with nonresidents and also transactions by private residents with foreign governments, and with foreign government personnel stationed in the compiling country.

The main types of private transactions in services encompassed in the "other services" category include services relating to nonmerchandise insurance, communications, advertising, brokerage, management, merchandising, processing and repair, operational leasing of nontransportation equipment, and professional and technical services.

Although the list of standard components in respect of the service items is restricted to the categories described on page 2, a large number of countries have been compiling and reporting data to the Fund on the details of the standard components. These are described below.

In case of shipment services, for example, approximately 16 industrial countries and some 38 developing countries furnish a breakdown between freight and insurance services relating to movement of commodities. In addition, about five countries provide further details in terms of the mode of transport involved in international freight.

With regard to the sub-component "passenger services," only the United States provides any breakdown; these denote mainly the revenues derived from the different mode of passenger transportation. In the case of the sub-component "port services, etc." details are furnished by 8 industrial countries and 28 developing countries; these relate primarily to a breakdown between port disbursements proper and other services related to transportation, e.g., repair of carriers, towage, chartering of vessels, etc.

Few countries provide additional details on the travel item. The few that do, differentiate the credit and debit flows in terms of the purpose of travel, e.g., business, student, medical, official, etc.

With regard to the official component of other services, only 11 countries provide additional details; these relate mainly to a distinction between military and nonmilitary expenditures in the compiling countries by foreign military and nonmilitary establishments. In other instances an identification is made of services provided to international and regional organizations located in a particular country.

Since the private components of other services cover a miscellany of categories of transactions, there is considerable variation in the degree of detail provided by countries. Certain countries furnish separate data in respect of such services as communications, nonmerchandise insurance, agency services, processing and repair activity, banking services, technical services, construction services, and management services. However, the bulk of the breakdown of private services (credit) is provided by most of the industrial countries, i.e., Austria, Belgium-Luxembourg, the United States, France, Netherlands, Italy, Switzerland, and Japan. Among the developing countries, only a few countries are in a position to provide the data in any reasonable degree of detail. These include countries such as Costa Rica, Cyprus, Colombia, Korea, India, Cote d'Ivoire, Jamaica, Israel, El Salvador, and Trinidad & Tobago. As for the debit flows, details are provided mainly by the industrial countries.

The collection of data on international transactions in services by the Fund, and their publication in Balance of Payments Statistics, have been integral to its analytical and operational work. From the Fund's perspective of analyzing the balance of payments developments in individual countries and in the formulation of policies to correct balance of payments disequilibria, the existing classification of trade in services, in terms of standard components and additional supporting details, generally meets its needs.

Nonetheless, in recognition of the growth in the services sector in many countries and in response to a heightened interest in several international and regional agencies, the Fund would like to cooperate and provide assistance whenever feasible in improving the data base on international transactions in services. The Fund is planning to undertake a revision of the fourth edition of the BPM in conjunction with the work on the revision of the SNA. In this connection, the Fund had sponsored an expert group meeting on external sector transactions, which met at Fund headquarters during March 23-April 2, 1987. The meeting, which was attended both by national accounts experts and balance of payments experts and representatives of the EEC, the OECD, the United Nations, and the World Bank discussed a wide range of issues pertaining to the external sector, including the question of classification of services. In connection with the latter issue, the meeting took note of the draft proposals that had been formulated by the EEC and the OECD against the background of the existing classification of services as reflected in the Fund's BPM. While it was recognized that the list of standard components contained in the BPM in respect of services is quite short and that developments since the fourth edition was issued have increased the desirability of incorporating some new details, views were divided on the extent to which the list should be expanded. The expert group agreed, however, that a standard list of services items be used as the basis of a harmonized presentation of statistics on international trade in services, both in the balance of payments and in the national accounts. These items would include the traditional items shown under service--transportation, travel, etc.--and also those items that are becoming increasingly important as international transactions, such as financial services and communications. The details to be shown should be consistent with the Central Product Classification (CPC), preferably at a high level of that hierarchy.

In light of the conclusions reached in the aforesaid meeting, the Fund will prepare some tentative proposals on the classification of services in the balance of payments for consideration at the meeting of balance-of-payment compilers scheduled to be held in late 1987. On the basis of the conclusions of this meeting and those of the expert group meeting on external sector transactions, work will be initiated on the revision of the BPM, which will, *inter alia*, address the question of the classification of services in the context of the balance of payments. In developing a classification scheme for the services items, account will be taken of the proposals initiated in this area by the EEC and the OECD as well as the work on the revision to existing economic classification schemes that are being undertaken by the EEC and the United Nations.

2.2 Answer from the UNSO

In national accounting - which is the core of economic statistic - services are relatively well-defined as distinguished from income type payments ("factor services") and transfers. The System of National Accounts (SNA) definition on resident economic units provides a good basis for distinguishing external trade transaction from other transactions. However, there is no elaborated definition in statistics clarifying the distinctions between services and goods. (SNA treats goods and services together, and external trade statistics distinguishes merchandise trade from non-merchandise trade which is not exactly a goods-services distinction.) It should be noted that the SNA definition gives a narrower scope on services (more precisely on goods and services) than on services as defined in a number of recent studies connected with GATT Negotiations. According to the SNA, royalties, licence fees, interests, dividends, earnings from affiliates located abroad, workers' remittances are not services.

3. Question: Taking into account that national agencies are the principal source of information on international trade in services, how does your Organization evaluate the present situation of available statistics in view of the need to identify the economic importance of trade in services? Would your Organization consider that there is sufficient homogeneity of concepts and a measurement system in order to permit an adequate comparative analysis of the flow of trade in services?

3.1 Answer from the IMF

The availability of statistics on international transactions in services in the context of balance-of-payments data is indicated in the response to Question 2. While the BPM provides definitions for each of the standard components relating to services with a view to promoting uniformity in the reporting of data on these components, it is recognized that countries may often deviate from these guidelines due to differences in data gathering systems that are in place in the various countries as

well as the need to address national analytical concerns. Known deviations from the BPM's definitions are described in the notes to country pages in Part I of the Yearbook issue of the Fund's publication Balance-of Payments Statistics.

3.2 Answer from the UNSO

We do not have direct comprehensive information on national practices in respect of trade in services statistics. However, from the indirect and partial information we have, it seems that trade in services data for most countries are deficient both in coverage and details. We think that substantial improvement is feasible. However, owing to observation difficulties we cannot expect very precise data in this field.

4. Question: Does your Organization consider that there are means to quantify "efficiency" patterns in the area of trade in services? If you do how could this quantification be improved, particularly as far as international trade is concerned?

4.1 Answer from the IMF

While some studies have been undertaken in the Fund regarding effective protection on trade in services, we do not have a view, at this juncture, regarding further improvements in this area of research.

In terms of a time frame for the revision of the BPM, the Fund hopes, to the extent feasible, to synchronize the issuance of a revised BPM with the issuance of the revised SNA.

4.2 Answer from the UNSO

We are not sure that we understand this question correctly. If the question is to be interpreted as to whether profitability differences among service areas can be compared, our answer is yes in principle. However, we doubt that reliable data in this respect can be obtained in the near future.

5. Question: In the view of your Organization could one consider that the economic characteristics of the possible services sector are sufficiently known in order to permit the evaluation of the existence or not of restrictive business practices, that is to say, of the market organization in the services sector?

5.1 Answer from the IMF

The Fund's data base on international transactions in services does not lend itself to an evaluation of the existence or not of restrictive business practices.

5.2 Answer from the UNSO

Whether a given amount of information is sufficient or not to make evaluations, to draw conclusions, is a policy question which is beyond the competence of the United Nations Statistical Office. It is another matter to say that in our opinion service statistics in general, and trade in services statistics in particular are relatively underdeveloped and that there are many areas in which considerable improvement can be made.

6. Question: Could you enumerate the efforts undertaken by your Organization (or by others), in order to improve the quality of data on the international trade in services?

6.1 Answer from the IMF

The Fund provides technical assistance to developing countries, *inter alia*, in the field of balance-of-payments statistics. These efforts are directed that the establishment of systematic compilation procedures as well as effecting improvement in existing statistical methodologies.

Efforts at improving the quality of data on international transactions in services constitute an integral part of the technical assistance. The Fund's technical assistance activity is augmented by training provided to national officials through Courses on Balance-of-Payments Methodology organized under the aegis of the IMF Institute.

6.2 Answer from the UNSO

The United Nations Statistical Office started a project in 1985 on promoting service statistics by collecting information on national practices and in convening informal meetings of countries who voluntarily offered to prepare discussion papers on the improvement of service statistics. More details on this are given in our paper submitted to the GNS meeting.

7. Question: Are there any statistics of trade in services which take into account the level of participation of enterprises?

7.1 Answer from the IMF

Currently the Fund's data base on international transactions in services does not provide for the identification of the level of operation or participation of the enterprise concerned.

7.2 Answer from the UNSO

Not to our knowledge. (We are not sure that we understand this question well.)

8. Question: Is it possible to determine the trade volume generated by each enterprise and its share in the total transactions in terms of trade in services?

8.1 Answer from the IMF

Fund data on the services components of the balance of payments do not provide for the separate identification of the operations of each enterprise. It is possible that such details are available with the national compilers but secrecy requirements would preclude public disclosure of such information.

8.2 Answer from the UNSO

Theoretically yes, but we doubt that such data can be obtained in practice.

9. Question: It is possible to indicate the time-frame which has been covered by statistics of different countries, within each item of the sector?

9.1 Answer from the IMF

The fund's data base on balance-of-payments statistics, including data on services, covers data for about 140 countries and carry annual data for all countries beginning with 1965 or later; quarterly data for nearly 50 countries, including all but two of the industrial countries beginning with 1970 or later; and half-yearly data for some developing countries.

9.2 Answer from the UNSO

We do not have this information.

10. Question: In which periodicity could your Organization circulate the aggregate information on services?

10.1 Answer from IMF

On a monthly basis.

10.2 Answer from UNSO

We can circulate annual data only. At present the main problem is not periodicity but coverage and detail.

11. Question: How does your Organization envisage the possibility of obtaining quantifications which could eventually provide ways to compare the different levels of efficiency of a same sector, within different countries, in the field of services?

11.1 Answer from IMF

Data on services that are reported to the Fund as part of the individual countries' balance-of-payments statistics are expressed in value terms only. There are numerous conceptual and practical problems in deriving constant price measures for the services industries as a whole regardless of whether they are rendering services domestically or internationally. The SNA, which is under review at present, would, doubtless, provide guidelines for the construction of constant price measures of service flows.

11.2 Answer from UNSO

We do not envisage efficiency comparisons for service sectors. Neither do we envisage efficiency comparisons for goods-producing industries.

12. Question: How does your Organization envisage the possibility of making compatible the different aspects regarding the gathering of data and the nomenclature among transactions involving the internal and external market?

12.1 Answer from IMF

Efforts are underway under the auspices of the United Nations Statistical Office and the Statistical Office of the European Communities to develop a Central Product Classification (CPC) which would, *inter alia*, be harmonized with the various economic classifications such as SITC and ISIC. In revising the BPM, the Fund would, *inter alia*, endeavour to develop a classification scheme for service transactions (in the context of the balance of payments) within the broad framework of the CPC.

12.2 Answer from UNSO

One of the main objectives of the present work of the United Nations Statistical Office is the "integration of statistics", i.e. to increase the consistency among various statistics. This is the reason why our work started as general improvement of service statistics, in close collaboration with national accounting and classification systems and not just as improvement of trade in services statistics.

13. Question: Yesterday some delegations requested that developing countries were invited to forthcoming informal meetings on services statistics and classifications. Besides this initiative, would it be possible for your Organization to provide technical assistance to developing countries in order to help local authorities in collecting and processing data on trade in services?

13.1 Answer from IMF

See response to Question 6.

13.2 Answer from UNSO

The United Nations is providing substantial technical assistance to developing countries to promote their statistics. However, how the resources available are distributed among the different fields of statistics

depends to a large extent on the relative importance attached to the various objectives of national statistical offices. According to our experiences statistical offices of developing countries, in general, do not attach high priority to the development of services statistics. (However, this may change.) Thus, our answer: yes, we are able to provide technical assistance to developing countries to improve their trade in services statistics. However, this depends to a large extent on the relative importance national statistical offices attach to this objective.