Economic Importance of Cross-border Trade in Services-Recent Developments
Cross-border supply

Mode 1: service transactions

In statistical terms, trade between residents and non-residents is recorded in the *Balance of payments* of a country.
Balance of Payments Main Components

Commercial services:

1. Transportation
2. Travel
3. -10. Other commercial services

11. Government services
   (not in GATS)

3. Construction services
### Statistical coverage of modes of supply

<table>
<thead>
<tr>
<th>Mode of Supply</th>
<th>Relevant Statistical Domains</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Mode 1: Cross border supply</strong></td>
<td>BOP: services categories excluding <em>travel</em> and <em>construction services</em></td>
</tr>
<tr>
<td><strong>Mode 2: Consumption abroad</strong></td>
<td>BOP: <em>Travel</em></td>
</tr>
<tr>
<td><strong>Mode 3: Commercial presence</strong></td>
<td>FATS statistics</td>
</tr>
<tr>
<td></td>
<td>BOP: FDI data, <em>construction services</em></td>
</tr>
<tr>
<td><strong>Mode 4: Presence of natural persons</strong></td>
<td>Insufficiently covered</td>
</tr>
<tr>
<td></td>
<td>BOP: parts of commercial services components (excluding <em>travel</em>)</td>
</tr>
<tr>
<td></td>
<td>Additional BOP Statistics: labour-related flows</td>
</tr>
</tbody>
</table>
## Sales by GATS Modes of Supply: Statistical Approximation

<table>
<thead>
<tr>
<th>Mode of Supply</th>
<th>Estimated share</th>
</tr>
</thead>
<tbody>
<tr>
<td>cross-border</td>
<td>35 %</td>
</tr>
<tr>
<td>consumption abroad</td>
<td>10 – 15 %</td>
</tr>
<tr>
<td>commercial presence</td>
<td>50 %</td>
</tr>
<tr>
<td>presence of natural persons</td>
<td>1 – 2 %</td>
</tr>
</tbody>
</table>
Commercial services exports 1980-2004
Balance of Payments

Billion US$


Commercial services exports

of which
“Cross-border” exports

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Cross-border commercial services exports by economic group 1995-2004

Developed economies

Developing economies
LDCs commercial services exports 1995-2004

Commercial services exports

of which “cross-border” exports

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Growth of cross-border commercial services exports by economic group 1995-2004 (%)
Growth of cross-border commercial services exports by economic group 1995-2004 and 2000-2004 (%)
Cross-border commercial services exports by economic group

2003

- Developed economies (excluding intra-EU 15): 69%
- Transition economies: 5%
- Developing economies: 26%
Cross-border commercial services exports by region

### 2000

- Developing Asia: 70%
- Middle East: 9%
- Latin America: 13%
- Africa: 8%

### 2004

- Developing Asia: 74%
- NICs (6): 66%
- China: 16%
- Other developing Asia: 18%

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Services Cross-Border Supply Estimated Flows Between Developed and Developing Economies

<table>
<thead>
<tr>
<th>Year</th>
<th>Developed</th>
<th>Developing*</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999</td>
<td>30%</td>
<td>70%</td>
</tr>
<tr>
<td>2002</td>
<td>26%</td>
<td>74%</td>
</tr>
</tbody>
</table>

* Includes transition economies

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World Estimated Structure of Cross-border Services Exports, 2003

- Transportation: 33%
- Other business: 35%
- Communications: 4%
- Financial services: 8%
- Insurance: 4%
- Royalties and license fees: 8%
- Computer and information: 6%
- Personal, cultural and recreational: 2%
Telecommunication infrastructure, 1995-2003

Source: ITU
Telecommunications - International payments and traffic, 1995-2003

BOP exports and imports

International telephone traffic

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Computer and information and Other business services exports 1998-2003

Developed
Developing
Transition economies

Billion US dollars

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Offshoring and international statistics

- How to measure the share of off-shoring in international transactions (BOP)?
- Through bilateral transactions (upper limit), but
- bilateral data are only scarcely available
- asymmetries in reporting and under-reporting of imports contribute to incomplete measures (sectoral misallocation, export data better than import data)
- In addition, difficult to record internal across-border transactions of large multinationals (FATS statistics?)
Offshoring and international BOP statistics

• Example for Asymmetry:

India’s exports in software services totals 11.3 bn$ in 2003 of which some 6.8 bn$ are bound for the US market.

US imports (affiliated plus unaffiliated) from India are 1.1 bn $.

• That is only some 16% (import/export coverage)
Where to go from here?

• Improve reporting coverage of individual services sectors

• Provide bilateral trade flows

• Document deviations from international standards (metadata) and include economic analysis

• **However**, improved data require capacity building and technical assistance

• Inter-agency Task Force provides forum for developing guidance on improving these statistics