

**MULTILATERAL TRADE
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The following statement, made by the delegation of Brazil at the meeting of the Group of Negotiations on Services on 15 September 1987, is circulated at the request of that delegation to the members of the Group.

Preliminary Reflections about
Definitional and Statistical Issues

The exchange of views we had during the meeting dedicated to the gathering of information on statistics on trade in services, as well as the documentation prepared by the UNSO, UNCTC, UNCTAD and IMF (including their answers to Brazilian questions)* showed clearly the precariousness of statistical data on trade in services, on the activities of transnational enterprises dealing with services, as well as on foreign direct investment in services, and consequently the impossibility of establishing international comparisons. Statistical data on trade in services are conceptually imprecise, highly aggregate and conducting to erroneous conclusions if utilized in such comparisons. Besides, information on services in balances of payments originate from a great number of variable sources in each country which causes them to be estimated with a large margin for error.

We have to take into account, in this Group, that without a minimal basis of statistical knowledge and information on international trade in services and specially the situation of developing countries as far as that trade is concerned, it will not be possible to correctly evaluate the impact of any negotiation on the flows of trade in services. When one tries to establish definitions for services and trade in services, one immediately notes that services are more heterogeneous than agriculture or industry and thus do not allow sectorial generalizations. There is a tendency to try to utilize general concepts like intangibility or "non-storage" of services,

* Please refer to documents MTN.GNS/W/9, 9/Add.1, 17, 17/Add.1, and MTN.GNS/9.

but there has been no sufficiently comprehensive classification to include everything that cannot be considered a good and, therefore, by exclusion, would be a service. Yet there are studies which demonstrate that the utilization of broad or restricted classifications during negotiations in this field would lead to quite different consequences for the economies of developing countries.

If the restricted classification were to be used, it would include only the economic activities which present intangible final products and are in the hands of the private sector. This definition would exclude construction, power, water and gas services, public administration, social services and defence, besides obviously agriculture, mining and manufacture. International comparisons would still be difficult, as in many countries the private sector supplies services which in others are administered by the State.

If that definition were broadened in order to include public utilities, the difficulties would nevertheless be the same. In many countries these services are either furnished by State-owned companies or by monopolies controlled by the public sector. The definition could be broadened even more in order to include public administration and defence. The comparability of these data would be improved by the elimination of the notion of ownership as a factor of classification, including services supplied, as well by the private as by the public sector. Finally, the definition could be even more broadened, in order to include construction, even though there would persist the difficulty to distinguish between the service component and the good component of the construction.

It should be noticed also that the scope of the definition of trade in services would lead to different consequences for the course of negotiations. If, for instance, the restricted definition of trade in services is used, exports and imports of services will refer only to transactions between residents and non-residents when the services in question are traded across international borders. This definition would not only exclude all transactions between subsidiaries of transnational enterprises, done inside national borders, but also expenditures in a country by non-residents (international tourism, port and airport costs).

The inclusion of other items in the definition of services will certainly have implications on the terms of negotiation. The inclusion of transactions done by multinational corporations in the definition of trade in services, for instance, would necessarily lead to the inclusion of issues like restrictive business practices and codes of conduct for transnational corporations and for the transfer of technology.