

**MULTILATERAL TRADE
NEGOTIATIONS
THE URUGUAY ROUND**

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Group of Negotiations on Services

GNS AND STATISTICS

Note by the Secretariat

Attached is a background note prepared by the Secretariat which contains information on work being undertaken in various international fora in the area of services statistics.

GNS AND STATISTICS

At the meeting of the Group of Negotiations on Services (GNS) on 22-25 March 1988, the Chairman stated that there was need for further contacts by the GATT Secretariat with international organizations covering particular services sectors to establish what statistical information was available. It was also necessary, he said, to keep abreast of work done in other international organizations to improve services statistics and to ensure that the needs of the GNS could be made known in the context of this work. The Chairman also said that the GATT Secretariat should be ready to reproduce or synthesize sectoral statistical information available in different organisations. It had been furthermore suggested that technical assistance was needed for developing countries to improve their services statistics which were in many instances very incomplete. To this end, available statistical information should be shared among participants (see MTN.GNS/14, paragraph 37).

The present note provides some information concerning work undertaken in other organizations as well as in the GATT Secretariat.

1. Work done in other international organizations

1.1 Background

Intensive short, medium and long-term work is being undertaken at the international level to improve statistics on international trade in services. In the short-term, emphasis is being placed on the reorganization of existing information that could be useful in meeting immediate needs. Such statistics might be both available and relevant in the context of the Uruguay Round. The medium-term efforts are directed towards improving the methodology behind the classification of statistics on services. In the long-term, the main objective is the incorporation of the new services classifications into traditional classification systems. These efforts are part of a wider objective to improve and harmonize the traditional economic classification systems.

Various economic classification systems are relevant for measuring services activities. Most of the effort to improve services statistics has centred on four main classification systems - the System of National Accounts (SNA), the Balance of Payments (BOPs), the International Standard Industrial Classification (ISIC) and the Central Product Classification (CPC). They are described below.

The SNA classifies economic activities of the domestic economy on a sectoral basis and is the primary source of data on the share of services in GDP and employment. Under the SNA, gross domestic product is divided into nine sectors, based on the ISIC (see below). Services are normally considered to be that part of gross national product which is not agriculture, forestry, fisheries, mining, quarrying, manufacturing, construction and utilities. The External Sector of the SNA contains information on merchandise and non-merchandise trade. The non-merchandise trade contains information on service transactions such as transportation, communications and insurance. Also, a clear distinction is made between "services" and "factor income".

The BOPs statistics gathered by the International Monetary Fund (IMF) are collected for balance of payments accounting purposes and are the primary source of data on international transactions on services. The reporting is presently in accordance with the 4th Edition of the IMF Balance of Payment Manual of 1977. The BOPs accounts traditionally comprise two parts: the current account (i.e. merchandise trade and invisibles) and the capital account (i.e. transactions of a purely financial nature). "Invisibles" are often further subdivided into so-called "factor services" (i.e. direct investment income and other investment income), "non-factor services" (i.e. shipment, other transportation, travel and other goods & services) and "unrequited transfers". Both SNA and BOP Manuals are at present being revised (see below).

Since its creation in 1968, the ISIC has been used widely, nationally and internationally for statistics on, for example, output, value-added, and employment in various industrial categories. The ISIC is structured so that each item corresponds to an industry (e.g. textiles, clothing). Service activities have traditionally been included in five of the nine sectors covered. The ISIC is now being revised for its third time and its final version, including further details on services, should be adopted by the U.N. Statistical Commission by February 1989.

The CPC, unlike the industry based ISIC, is a product based classification system. The products include, for example, agricultural services, mining services, transport and communications services. The CPC is still under development and follows closely the revisions of the ISIC. As originally conceived, the CPC should have a very close relationship to the ISIC.

The reason for concentrating on these classifications is two-fold: first, since they are currently in operation and widely used, a considerable improvement of the available data might be possible in the relatively short-term; second, these classification systems contain many elements which if adapted (e.g. disaggregated) and standardized could provide a more useful statistical classification of services through a greater degree of international comparability. Whereas both the BOPs and the SNA are more general and focus on the overall distinction between services and other economic categories (such as goods and factor income), the ISIC and the CPC are more specific as to the industrial branch or product in a particular service sector. Thus, the complementarity of these systems is important, and the improvement of international services statistics should be a by-product of the broader objective of improving and harmonizing the four economic classification systems.

Even though the usefulness of this exercise is widely accepted, some qualifications remain regarding the treatment of services. As indicated by the representative of the IMF to the GNS, for example, the balance of payments which is at the core of the harmonization efforts might not be the most appropriate vehicle for presenting the detailed data on international trade in services (see MTN/GNS/W/9, p.9). Just as commodity detail is not contained in the balance of payments but in external trade statistical

publications reporting on the basis of, for example the Customs Co-operation Council Nomenclature or the Standard International Trade Classification, services should perhaps be incorporated in satellite accounts and not in the balance of payments statement proper.

1.2 Short-Term

The short-term improvement of available information has been via the development of databases and undertaken mainly by the Statistical Office of the European Communities (SOEC), the OECD and UNCTAD.

EEC

Statistical information currently available at the Statistical Office of the European Communities (SOEC) is to a large extent based on the standard headings of the 4th edition of the IMF Balance of Payments Manual (1977) but with some additional details. In developing its data-base, the SOEC has as objectives: drawing a distinction between services and investment income; disaggregating the item "other services" in the BOPs which aggregates many important services activities (see MTN/GNS/W/9); improving the comparability of data among EEC's member countries; and exploring the possibility of estimating service activities of foreign firms and developing direct investment statistics for such activities. The SOEC also has circulated a questionnaire on International Trade Statistics among EC member states to facilitate the collection and reorganization of existing information.

OECD

The Trade Committee Working Party has the responsibility for developing a database for international trade in services for the OECD. The Balance of Payments accounts of the OECD countries have been adopted as the basic conceptual framework to assemble and assess historical data and definitions on international trade in services. The Working Party has been exploring and collecting information available in other OECD bodies and promoting coordination both within and outside the OECD. As data needs are expected to expand, satellite accounts are being developed for certain service and service related transactions.

UNCTAD

Work at UNCTAD has been described in document MTN/GNS/W/5/Add.2. The UNCTAD database draws on existing statistical information (e.g. employment data of the ILO, production data from the World Bank and trade in services data from the balance of payments of the IMF) to permit the secretariat to analyse the rôle of services in the process of structural change. As stated in MTN/GNS/W/9, the data currently available, for example, could be used to interpret general trends with respect to the rôle of services in the international division of labour. The data base can also assist in acquiring an improved understanding of the contribution of services to the process of economic development. An objective is also to assist countries in analysing the rôle of services in their own economies.

Other

A technical report on the collection, availability and use of service statistics is currently being prepared by the UNSO at the request of the Statistical Commission. The collection of information from national statistical offices took place in early 1988, and the publication of the final report is planned for 1989.

1.3 Medium-Term

There are several co-ordinated attempts to improve statistics on trade in services in the medium-term. In 1987, for example, a questionnaire was prepared by the UNSO and the IMF to collect information on national practices in the compilation of data on trade in services and to solicit views on various conceptual and methodological problems. This information will in turn be used to formulate international guidelines at a later stage. It was circulated to both national statistical offices and to balance of payment compilers. Two documents, summarizing the current knowledge on trade in services statistics were enclosed with the questionnaire. Since the OECD had carried out a similar enquiry earlier, only additional information was requested from OECD countries.¹

Also, the OECD and UNSO have placed emphasis on the preparation of quantity and price indices for services activities and additional questionnaires have been circulated by both organizations. The results of the OECD study are now available and the final findings of the UNSO enquiry will be summarized in 1989. A provisional version of this document will be presented, however, at the Wiesbaden meeting of the Voorburg Group on Services Statistics (see below) in October 1988.

1.4 Long-term

Various organizations are coordinating work on the long term improvement of services statistics in conjunction with the overall improvement and harmonization of economic classification systems.

IMF

As indicated in MTN.GNS/W/9, the revision of the fourth edition of the Balance of Payments Manual (BPM), in conjunction with the work on the revision of the SNA, has been one of the main concerns of the International

¹This questionnaire is contained in OECD, Working Party of the Trade Committee: Statistics on Trade in Services, TD/87.316 Paris, 14 September 1987, and the replies in OECD, Replies to the Questionnaire on the OECD Note "Standardizing Member Countries' Balance of Payments Statistics on Trade in Services", TC/WP(87)17, 1st revision, Paris, 19th October 1987.

Monetary Fund. Presently, the external sector of the SNA does not fully concord with the BOPs accounts. Following a meeting of the Expert Group on External Sector Transactions in March of 1987, further proposals regarding the harmonisation of the SNA and BOPs accounts were made at the Meeting of BOPs Compilers during November of the same year. Reflecting a recommendation from the March meeting, a proposed draft classification for international transactions in services which would harmonise the SNA and BOPs accounts was proposed. This proposal attempted to comply as much as possible with the proposed CPC. It was also considered necessary that in developing the CPC, particular attention be paid to the revision of the BOPs and SNA. The proposed BOP classification included the standard items from the fourth edition of the BPM and introduced increasingly important items such as financial services and communications.

UNSO

The overall harmonization of international economic classifications has been one of the priorities of the United Nations Statistical Office since 1976 when the Statistical Commission at its 19th session approved a programme devoted to that end. The development of the CPC, directly linked with the revision of the ISIC, has since been the main undertaking of the programme.

A recent UNSO document noted that the concept of services finally agreed upon for the purposes of the CPC should comply fully with the distinction drawn in the SNA between goods and services. It also noted that there is so far no widely accepted convention for distinguishing between services and goods and future conventions should be envisaged for borderline cases. It further indicated that there should be harmonization between the services concept used in compiling statistics on domestic and international transactions, and that the distinction between merchandise and non-merchandise flows² should not be confused with the distinction between goods and services.

These services-related concerns are expected to be given full consideration at the 25th Session of the Statistical Commission of the United Nations in February 1989. It is hoped that by then countries which have already contributed to the services part of the CPC will be in a position to make explanatory notes available. The final drafts for the ISIC and a provisional document for the CPC will be presented to the Statistical Commission at this meeting.

EEC

Since 1983, the Statistical Office of the European Communities has had an internal work programme to improve and develop data on international trade in services. Its long-term activities have involved the revision and harmonization of the SNA and the BOPs via their participation in the expert

²UNSO and IMF Bureau of Statistics, Special Problems of Statistics in International Trade in Services, Doc.II, Revised 12/28/87, New York/Washington DC, Dec.1987.

group referred to earlier and the development of economic classification systems by the United Nations. Furthermore, the SOEC has been elaborating a nomenclature on services - the classification of exchange of invisibles (CEI). This has been discussed several times with member states and there is now global agreement on this nomenclature.³ This classification attempts to be consistent with the proposed CPC, the revision of the Balance of Payments Manual of the IMF and the development of the SNA. The SOEC has worked closely with the OECD on this project since OECD is also developing a similar classification.

The SOEC has also worked closely with the UNSO in the Joint Working Group on World Level Classifications and at their last meeting in Luxembourg on December 1987, further work was undertaken towards the harmonization of the economic classifications. Although the initiative involves an overall revision of the ISIC and the development of the CPC, special emphasis was placed on the need to ensure a provision for the future evolution of new technologies and services.

OECD

Proposals for a general definition of services and for trade in services (i.e. services as distinct from goods and factor income) have been advanced in various OECD documents. Considerable attention has been paid to possible classifications of services derived from the CPC, the BOPs and OECD Countries' available data on trade in services. The New Standard for Member Countries Trade in Services Statistics and a following revised proposal in accordance with National Experts' views represent an effort at synthesizing the discussion at the international level.⁴ The proposal contains a tentative classification of services.

³ U.N. Statistical Office and Statistical Office of EC Joint Group on World Levels Classifications, The Central Product Classification and the External Trade in Services, UNSO/SOEC/6/8/9, 14 December 1987.

⁴ It takes account of the following documents: (a) Bureau of Statistics, IMF, Report of the Meeting of the Expert Group on External Sector Transactions for the Revision of the System of National Accounts, Washington, March 23 - April 2, 1987; (b) EUROSTAT, Classification of Exchange of Invisibles, doc. BP/87/3; (c) Voorburg Group of Services Statistics, Report from the Second Meeting in Stockholm, 2-4 November 1987; (d) Bureau of Statistics, IMF, Report on Meeting of BOPs Compilers, Paris, November 16-20, 1987; (e) UNSO and SOEC Joint Working Group on World Level Classification, Report of the Sixth Session of the Working Group, (Luxembourg, 14-18 December 1987; (f) OECD, National Experts' Views on Standardizing Member Countries' BOPs Statistics on Trade-in-Services, doc. TC/WP(88)13.

ANDEAN Group

An initiative on the part of developing countries to improve trade-in-services statistics is the project by the Council of the Cartagena Agreement for the Improvement of the Service Sector Statistics in the Andean Group. The project recognizes the increasing global relevance of services and undertakes, among other things, to provide for better regional services statistics through identification of common deficiencies, identification of common interests, the development of a technical assistance programme, and ultimately the creation of a harmonization programme for the region's services statistics.

Voorburg Group

The Voorburg Group on Service Statistics was initiated by Statistics Canada and meets on an ad-hoc basis. So far, two meetings have taken place, one in January of 1987 in Voorburg, Netherlands, another in November 1987 in Stockholm, Sweden. The members of the Group include representatives of both national and international statistical organizations. The objective is to contribute to the harmonization of economic classification systems. At its last meeting in Stockholm, Sweden in November 1987, papers were presented on both individual classification systems as well as on coordinating efforts among different organizations concerned. Proposals made at the second meeting in Stockholm were circulated to the UNSO/SOEC Group of Experts which met in December on the harmonization of economic classifications. The next meeting of the Group is foreseen in October 1988 in Wiesbaden (Germany):

2. The Work in the GNS

Pursuant to agreement reached by participants at the meeting of the GNS from 23-25 February 1987, the GATT secretariat circulated a questionnaire to fourteen international organizations. The questionnaire addressed five main areas of concern: to what extent the organization collected services statistics; the sources of data collected; the main problems concerning the compilation and quality of the data; the efforts undertaken towards the improvement of services statistics; whether the organization conducted technical assistance activities. The replies by all organizations were circulated in documents MTN/GNS/W/5 and Add.1 and 2.

Three of these organizations (IMF, UNSO and UNCTAD) were invited to participate in the GNS meeting of 29 June-3 July 1987. They were requested to submit a brief written statement where they explained their work on statistics in trade in services. Their submissions were circulated as documents MTN/GNS/W/9 and Add.1 and the subsequent replies to questions posed by the representative of Brazil were distributed in MTN/GNS/W/17.

3. The Work of the Secretariat

3.1 Vis-à-vis Other International Organizations

The Secretariat maintains contact with other international organizations on a continuing basis via its participation in various specialized meetings.

The Secretariat participated, for example, in the Voorburg Group meeting on Services Statistics in November 1987 in Stockholm. The Secretariat was also represented at the Sixth Session of the United Nations Statistical Office (UNSO)/Statistical Office of the European Communities (SOEC) joint working group on the classification of statistics at the world level in Luxembourg in December 1987. The Secretariat furthermore participates in the coordination meetings on service statistics organized by the SOEC. The first meeting took place in Luxembourg on 13-14 October 1987 and a second meeting has just taken place in Brussels on 6-7 June 1988.

Contacts with international organizations are also taking place in the annual meetings of the ACC Sub-Committee on Statistical Activities which reviews the coordination of statistical work in all international organizations. The meeting is chaired by the Director of the U.N. Statistical Office and attended by Chief Statisticians of international organizations. Most recently, the Secretariat participated in the ACC Sub-Committee on Statistical Activities meeting in Geneva on 6-10 June 1988.

Regular contact is maintained with other organizations so that papers, documents, or any other information of relevance is made available to the Secretariat. Contacts are also maintained with statisticians in other sectoral international organizations (e.g. ICAO).

In all such contacts the Secretariat attempts, to the extent possible, to promote an understanding of a number of aspects of the work of the GNS. This follows from the need to have the statistical requirements of the GNS reflected in the global effort to improve services statistics by means of, and in conjunction with, the overall harmonization of economic classifications.

3.2 Current Access to Available Statistics

The Secretariat is improving its access to relevant statistics and organizing the data to meet the needs of the GNS as they may arise.

General

The Secretariat has the possibility of accessing a number of primary data sets in machine retrievable form.⁵ For example:

⁵For more details of computerized data sets available to the GATT Secretariat see Inventory of Computerised Statistical Data Bases, Technical Working Group on Statistical Data Bases, ACC Sub-Committee on Statistical Activities, April 1988.

- (a) the data on domestic production of services from the U.N. Computer Tapes of National Accounts Statistics which contains data in the SNA framework for market economies and in the System of Material Product Balances framework for the socialist countries of Eastern Europe.
- (b) the international service transaction flows, debits and credits, from the IMF Balance of Payments Tape;
- (c) the industrial statistics according to the ISIC from the United Nations Statistical Office tapes;
- (d) the data on employment in services from the ILO Yearbook of Labour Statistics and the ILO/UNSO Labour Force Estimates, 1950-2000.

Sector Specific

There are technical considerations which limit the access to sectoral data on services in machine retrievable form. Such data are compiled by specialized agencies which have well-defined competence to avoid duplication in the collection and reporting of statistics. As such, these agencies have often developed their own standards for coding, storing and transmitting data to users.

Nevertheless, the Secretariat has access to some sectoral computerized data bases such as Air Transport Statistics Programme of the International Civil Aviation Organisation and is exploring the possibility of accessing others.

As a result of the discussions in the last GNS meeting, the Secretariat has written to the three international organizations which participated in the GNS meeting of 17-22 May 1988 (i.e. ITU, ICAO and UNCTAD). Each organization was requested to provide information on statistics for trade in services, in particular, that relating to the share in world trade of member countries.

Other non-computerized sector specific statistical information is being collected by the GATT Secretariat. To the extent possible data will be stored in a machine retrievable form to facilitate meeting any future requests from the GNS.

Data Limitations

It should be noted that the data to which the secretariat has access suffer from the same deficiencies which have prompted the work described above. In addition to often being incomplete and aggregated some data are incompatible between countries and sectors.

While it would be desirable to have data for analytical studies to be conducted as is done for goods, such an improved state must be considered a long-term goal. Furthermore, after such an improvement, complications

will remain that derive from the intangible nature of services activities and the many and varied ways in which services enter into international trade.

4. Technical Assistance

A number of countries participating in the GNS have expressed a willingness to provide technical assistance to countries wishing to improve their national statistics on trade in services (e.g. through making available their own technical improvements). Within available resources, the Secretariat is ready to provide support to this process, inter-alia, by acting as a channel for communication and for the dissemination of national information.