

**MULTILATERAL TRADE
NEGOTIATIONS
THE URUGUAY ROUND**

RESTRICTED

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Group of Negotiations on Services

GNS AND STATISTICS: RECENT DEVELOPMENTS

Note by the Secretariat

1. The document prepared by the Secretariat and entitled "GNS and Statistics" (MTN.GNS/W/41) provided information concerning work being undertaken to improve the quality and availability of service statistics in international organisations as well as the GATT Secretariat. The present document is an update of MTN.GNS/W/41 and focuses on recent developments as regards work by international organisations on service sector statistics and classification systems.
2. Two important meetings which have taken place in recent months and where the improvement of statistical classification systems for services was discussed were the third meeting of the Voorburg Group, which took place in October 1988, and the 25th session of the Statistical Commission of the United Nations, in February 1989. The Voorburg Group is a group of national statisticians working informally under the auspices of the United Nations Statistical Office, the goal being to develop international classifications of services and to recommend improvements for the collection of statistics on services.
3. Two subjects of interest to the GNS were discussed at the Voorburg Group meeting: the first being the revision of the International Standard Industrial Classification (ISIC) and the ongoing work on the Central Product Classification (CPC); and the second being the measurement of trade in services. Of the two classification systems discussed, the CPC is relevant to the work of the GNS, as the reference list contained in MTN.GNS/W/50 is based on it. Discussions during the meeting focused on possible distinctions between goods and services and on ways of measuring changes in real service output. There appeared to be a consensus that multiple criteria are needed to distinguish goods from services, and that the users of the CPC should determine for themselves which products should be regarded as services, and which as goods. No attempts would be made to define services. A flexible approach was also deemed necessary with respect to the measurement of service products. Possible indicators include receipts, turnover, gross output, value added, gross or net margins and volume indicators. Difficulties of measurement arise especially for distribution and financial services.

4. As far as international trade in services is concerned, it was agreed that it would be useful to develop guidelines as to the components of such trade, and that any conception of trade in services should be consistent with domestic classification systems such as the ISIC and the CPC. Ongoing work by the IMF, the OECD, and the EC on a possible nomenclature for services was discussed. All proposals maintain the approach that trade can only occur between a resident and a non-resident. Thus, sales by affiliates and transactions between residents and nonresidents that do not imply a cross-border transaction (flow of funds) will continue not to be registered in the balance of payments. The next meeting of the Group will take place in October 1989, at which time the GATT Secretariat will report on the statistical needs of the GNS and the implications for classification and data collection efforts.

5. The final draft of the third revision of the ISIC and a provisional draft of the CPC were presented at the 25th meeting of the Statistical Commission of the United Nations. Both classifications were adopted after taking into account various modifications reflecting the views of the Statistical Commission. Explanatory notes associated with the classifications were also adopted. Drafts of these notes were prepared by the United Nations Statistical Office (UNSO) and by participants in the Voorburg Group. The notes on the CPC are still in a provisional stage and will be revised in the coming months to take into account the comments of experts and various international organisations. As a result of its participation in the Voorburg Group, the UNSO has been made aware of the fact that a number of service products included in the reference list of sectors compiled by the GATT Secretariat appear not to be included in the CPC.

6. As reported in MTN.GNS/W/41, the Secretariat has access to various statistical databases in machine-readable form. These include data on value-added and gross output by country and region and on employment. All of these data are on a global basis and allow cross-country comparisons to be made. In particular, data on domestic production and employment allow the calculation of the relative importance of specific services in national economies and on a regional basis, as well as the evolution of shares over time. While these data are usually on an ISIC basis, they can be roughly related to some of the sectors contained in the list reported in MTN.GNS/W/50. Finally, information of this type allows the estimation of the size of the global market for these sectors as well as the relative importance of each sector in the world economy.

7. As far as trade data are concerned, much less detail is available. Balance of payments information on the components of non-merchandise trade is available on an aggregate basis, and on a sectoral basis for trade in shipping, civil aviation and tourism/travel. These data allow the calculation of national and regional shares in world transactions, as well as growth rates of world trade and shares. Information on international transactions is also available for several other sectors, although not necessarily on a balance-of-payments basis. Examples include film

distribution, insurance and construction. Thus, market share and size information are available for these sectors. The comprehensiveness and reliability of trade statistics on a sectoral basis varies greatly, depending on the sector and the characteristics of trade in that sector. For example, due to problems of intangibility and valuation, data on trade in telecommunications services is extremely limited.