



Measuring International Trade in Services and New Demands on the Family of Classifications

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Overview

- New Manual on Statistics of International Trade in Services
- Associated development work
- Shown need for adequate classifications of services in BOP, products, activities
- Need for stronger links between them
- Software case study
- Attempts to measure trade related movement of people is creating new interest in certain social classifications

New Manual on Statistics of International Trade in Services

- Developed by 6 Agencies and many national contributions/ advice and comments
- Agreed by UNSC now in UN publication process but available
- Seeks greater detail about types of service
- Not just services in balance of payments
- Considers modes by which services are delivered in practice
- New data needs partly due to GATS agreement and ongoing negotiations
- Manual provides a framework to address these needs and to compile statistics

What is trade in services?

- Conventional view based on SNA93 and BPM5
- comprises service transactions between residents and non-residents of an economy
- Manual looks at how services can be delivered internationally:-
 - Mode 1 cross-border trade
 - Mode 2 consumption abroad
 - Mode 3 commercial presence
 - Mode 4 presence of natural persons

What is the difference between conventional and Manual's view ?

- BPM5 trade in services broadly covers:-
 - modes 1, 2, a significant, but indeterminate part of 4 and a small part of 3.
- To cover mode 3 more fully must include activity of foreign controlled enterprises providing services.
- To cover mode 4 well must include individuals moving abroad as employees of service enterprises
 - on a non-permanent basis.

The Statistical Framework

- BPM5 framework elaborated - Extended Balance of Payments Services Classification
- MSITS Annex III provides correspondence between the EBOPS, CPC, and GATS list
- New framework for foreign affiliates trade in services
- FATS trade classified mainly by activity ISIC Categories for Foreign Affiliates
- Rough correspondence between ICFA and EBOPS
- Only crude indicators for mode 4 based on BPM5 employment related income and transfers

Main service groupings in four services classifications

BPM5/EBOPS main categories	CPC groupings (CPC numbers)	ICFA services (ISIC numbers) main categories	GNS/W/120 main categories
Transportation	Construction services (54)	Construction (45)	Business services
Travel	Distributive trade services (61-62)	Distributive trades and repair(50-52)	Communication services
Communication services	Lodging food and beverage serving services (63)	Hotels and restaurants (55)	Construction and related engineering services
Construction services	Transport and postal services (64-68)	Transport storage and communications (60-64)	Distribution services
Insurance services	Electricity, gas and water distribution services (69)	Financial intermediation (65-67)	Educational services
Financial services	Financial and insurance services (71)	Real Estate Activities (70)	Environmental services
Computer and information services	Real estate services (72)	Renting of machinery and equipment (71)	Financial services
Royalties and license fees	Leasing or rental services without operator (73)	Computer and related activities (72)	Health related and social services
Other business services	Research and development (81)	Research and development (73)	Tourism and travel related services
Personal cultural and recreational	Professional scientific and technical services (82-83)	Other business activities (74)	Recreational cultural and sporting services
Government services not included elsewhere	Telecommunications and information retrieval (84)	Education (80)	Transport services
	Support services (85)	Health and social work (85)	Other services not included elsewhere
	Production services on a fee or contract basis (86)		
	Maintenance and repair services (87)	Sewage and refuse disposal (90)	
	Public administration (91)	Activities of membership organizations n.e.c. (91)	
	Education (92)	Recreational, cultural and sporting activities (92)	
	Health and social work (93)	Other service activities (93)	
	Sanitation and other environmental services (94)		
	Recreational cultural and sporting activities (95)		

Classification issues raised I

- BPM5/EBOPS not entirely product based
- almost half of G7 trade in services cannot be related to products or activities
 - problem categories:- travel, government, related services, royalties
- Otherwise EBOPS link to CPC (and ISIC) is informal and fuzzy
- CPC products generally linked to particular ISIC categories
- Implementing the FATS classification ICFA is greatly hampered by poor take up of ISIC around the world.
- Environmental services descriptions are different in the various classifications
- Business services - large and fast growing category and needs splitting
- Health services need further delimitation

Software study and classification issues

- Software has become an important commodity in national accounts since SNA93
- Different national treatments can affect measures of growth significantly
- Trade in software split between software goods, computer services and royalties & licenses
- No separate identification of software license fees in EBOPS or CPC
- Software licenses are an important component of software trade

table 1 Analysis of software trade

Trade summary	Australia		Canada		Denmark		Greece		US	
	Import	Export	Import	Export	Import	Export	Import	Export	Import	Export
Software in:	1998-99	US\$m	1998	US\$m	1997	US\$m	1998	US\$m	1992	US\$m
Software goods	518	68	290	47	131	78	157	64	100	2000
Computer services	250	421	212	493	74	63	209	173	200	1400
Software royalties	218	185	N/A	884	289	33	218	15	100	1100
Total software	986	674	501	1423	493	174	584	252	400	4500
Royalties as percentage of total trade in software	22	27	N/A	62	59	19	37	6	25	24

Classification issues raised II

- Natural persons supplying services on the move- Mode 4
- Independent service suppliers and service employees
- At present ill-defined
- Temporary nature of movement
- Temporary not defined
- Several countries have made commitments in terms of type of occupation
- Need information about movement of people

More classification issues raised II

- May need type of migrant UN
- type of occupation ISCO
- level of education ISCED
- type of service product EBOPS/CPC
- service activity ISIC/ICFA
- and some cross-classification

General Conclusions

- Important trade in services development>> heightened need for international comparability
- need to improve a range of classifications and strengthen links
- EBOPS links to CPC and ISIC should be strengthened
- ISIC convergence very important
- More attention to environmental and health services classification
- Split out prof and technical services from business services?
- Software is a product - needs better identification in trade and BOP
- Priority is for software royalties to be identified in EBOPS and CPC
- mode 4 is bringing together work on social and economic classifications