

I N T E R N A T I O N A L   T R A D E   I N   S E R V I C E S  
S T A T I S T I C A L   I S S U E S

by

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International Trade in Services

Statistical Issues

**Introduction**

International trade in services has gained particular attention over the last few years since its inclusion on the agenda of the GATT negotiations in November 1982. In contrast to merchandise trade, data on trade in services are relatively scarce and not adequately organized. Data are available mostly at very aggregate levels, using the Balance of Payments (BOP) framework defined by the International Monetary Fund (IMF). Moreover, in addition to the difficulties in capturing data on services, there is also widespread uncertainty as to what is meant by services.

In the final analysis, the classification of products into goods and services is, in fact, an analytical construction, not unlike the distinction between durable, semi-durable and non-durable goods. Such distinctions are made for a specific purpose. Over the years services have evolved considerably. They no longer have the same content they had traditionally and their economic ramifications are not the same either. In a broader perspective, we might even ask ourselves whether the distinction between goods and services still serves the same purpose that it has traditionally served. This having been said, however, there is no question that in practice distinctions will continue to be made, so it is important that there be agreed upon classifications for collecting and compiling data.

This paper begins with some considerations for the development of a statistical base, covering definitional issues, measurement problems as well as issues related to the organization of the statistical database. The paper then provides a review of work undertaken at international levels.

## I. Considerations for a Statistical Framework

The current focus on the area of international trade in services, both at the national and international levels, constitutes the first major attempt to develop an adequate and detailed database. Like any major project, the initial steps are difficult and time consuming with no immediate rewards. While significant progress is being made at international levels<sup>1</sup>, there remains considerable work to be done. Some considerations for improvements are examined here.

### A. Definition of Services

Although the definition of services is currently being debated at international levels, no agreed-upon definition has yet been produced. While services appear to be complex and hard to define, further efforts have to be made to confine them so as to arrive at a classification and hence, to minimize the uncertainty which has prevailed in the past.

<sup>1</sup>See Part II, Section B, of this report: Activities in Progress at the International Level.

## 1. General

What was assumed to be a simple and common understanding of services has proved to be a complex issue. Definitions contemplated to date have been complex and not conclusive. Most of the explanatory definitions for services include criteria or attributes such as: intangible; direct or close contact between the producer and the consumer; specificity; simultaneity of production and consumption; invisible; non-transferable; non-storable, etc. Furthermore, some of these qualifications have been supplemented by further explanations and by exceptions. This is often related to the complex nature of certain products.

The complexity arises from the dual nature of certain types of products which have both tangible and intangible characteristics. Definitions used are not sufficient to cover the variety of such products which have emerged, particularly with the progress of technology. For instance, computer discs with embedded software incorporate tangible and intangible features. Another example is the fabrication and installation of artificial teeth by dentists. It is not always clear whether these types of products are services or goods. Even within intangible products, which are universally defined as services, some of the attributes do not apply. For example, transborder data flows which are intangible and hence, a service, do not require a direct or close

contact between the producer and the consumer. Specificity which appears to be a major feature of most services, does not apply to a service such as pay-T.V. networks, as the program being viewed by various individuals is the same. One attractive criterion, which appears to cover many of the features of services, is transferability. Services could be considered as non-transferable products. The criterion seems to cover all intangibles and does not exclude those controversial products which have both tangible and intangible characteristics. The purpose here is not to provide an unequivocal definition, but rather to confine and classify services. Conventions may have to be adopted to handle specific products which remain border-line cases. In the following, we will examine more closely these controversial products which for our purposes here are grouped into three categories. These categories might not encompass all controversial types of products.

The first category includes products such as video-movie cassettes, computer discs with embedded software, books, periodicals, postcards, etc. This category of products has the following features: the tangible characteristics of the products serve as a vehicle for the storage and the transmission of the embedded intangible. They are meant for wide distribution and commercialization and, hence, are mass produced. This implies, among other things, that their tangible characteristics do not only serve as a vehicle for the transmission of the intangible, but also as a means for their

wide distribution. Each time the products are used, there is simultaneous production and consumption of an intangible. A similarity exists between these products and final goods whose ultimate purpose is to produce or provide services. Video-movie cassettes are mass produced, purchased by retail stores and subsequently rented to their customers; they represent investment goods for retailers; the viewing of these cassettes translates into the production and the consumption of a service (a movie). Goods such as automobiles present comparable features: automobiles purchased by taxi drivers constitute investment goods and produce a transportation service each time they are used. Also, books and periodicals are produced in mass and provide services as is the case with consumer goods. Products in this category are meant for wide distribution and mass production; they are transferable. Applying the criterion of transferability suggests they should be treated as goods.

The second category comprises products such as reports and studies prepared by consultants, lawyers, accountants, and also products such as photographs, etc. Their main features are: as in the previous category, the tangible characteristics of all these products allow the storage and transmission of an embedded intangible. In contrast to the previous category of products, they are not meant for wide distribution or commercialization and hence, are not mass produced. The only function of the tangible component of these products is the transmission of the embedded intangible from the producer to a specific consumer. The intangible is the product purchased and

its entire cost is reflected in the price of the product. These products present strong similarities with intangible products; they are not transferable. Application of the transferability criterion suggests they should be treated as services.

The third category of products, of a more controversial nature, includes products such as artificial transplants by surgeons, the fabrication and installation of artificial teeth by dentists, the installation of nail tips by estheticians, etc. While surgeons, dentists and estheticians are classified in the service industries, some of their products (examples above) incorporate both tangible and intangible characteristics. These products present similarities, but also important differences with the previous categories. They do not have a tangible component which serves as a vehicle for the storage and the transmission of an embedded intangible. As in the case of products included in the second category, they are not meant to generate a commercial activity, as they are specific to each customer involving a close and direct relation between the producer and the customer. They are, in fact, physically integrated to their immediate environment. They tend to remedy a defective condition or improve appearance and, hence, present similarities with the concept of repairs. Specialized professional skills are the dominant feature of these products, and reflect overwhelmingly their price. They are not transferable. The application of the transferability criterion suggests they, too, should be treated as services.

## 2. Definitional issues in international trade in services

An agreed upon distinction between goods and services will also apply to international trade. The interpretation of certain international transactions has been controversial and is currently being debated at international levels. Some of the issues are of a general nature and affect the concept of services. There are, however, definitional issues specific to international transactions.

The nature of an international economic transaction or activity may sometimes depend on whether the transaction or activity is actually carried out abroad directly by a resident company itself, or through its subsidiaries and branches in another country. In the latter case, subsidiaries and branches are economic residents of the host country where they have lasting interests (direct investment). The parent company is remunerated in this case through remittances of profits from its subsidiaries and branches abroad. In the case where the company does not possess such affiliates abroad and hence, performs directly the economic activity, the essence of the product provided is a service in the development of a specific project. We believe that this distinction between trade in services and direct investment should be kept for two reasons. The activity performed directly by a construction firm is similar to other contractual services such as consulting, and differs from direct investment as it does not involve a lasting investment in an entity abroad.

Other issues relate to: processing, repair, revenue of self-employed, travel, etc. It should be noted that these do not represent an exhaustive list of definitional issues.



It has been argued that major processing activities affecting the conditions or the nature of a good could be treated as goods. In the same line, it has also been proposed that repairs of investment goods be considered as merchandise transactions. The IMF treats all processing and repairs as services to the extent that there is no change of ownership for the merchandise being processed or repaired. These activities do not generate merchandise but rather improve the conditions of an existing good. We agree with the IMF treatment.

Revenues of self-employed persons are included as factor income (labour income) by some countries and as services by others. We concur with the prevailing international interpretation which treats self-employed persons as small firms producing services.

With respect to international travel, there is in some cases a tendency to assimilate international travel to a commodity. In fact, travel receipts and payments correspond to an analytical concept rather than to a commodity or industry. Travel is not a homogeneous product or industry as such, but rather an amalgamation of products and industries serving travellers.

#### B. Measurement Problems in International Trade in Services

The measurement of services, in general, has been a major preoccupation for statisticians and national accountants. Prices, real output and productivity have been relatively difficult to measure in comparison to goods. Similarly, the measurement of international trade in services, in real terms, presents serious difficulties.

We shall not address the issue of prices here, but rather focus on the Balance of Payments current value measurements of international trade in services. There are measurement problems specific to international trade in services. We shall try to illustrate this through our experience in the following selected areas:

- . Coverage
  - . Services related to merchandise trade
    - Freight and shipping, insurance, commissions
    - Trucking transportation
    - Processing and repairs
  - . Services directly conducted abroad
    - Consulting and other professional services
  - . Service transactions between subsidiaries, branches and parent companies
    - Management and administrative services
- . Franchises.

#### 1. Coverage

The current account balance is an important and sensitive item in the Balance of Payment accounts. Among other things, it can affect exchange and interest rates. It is, hence, essential that it is estimated adequately. Even in cases where the volume of trade in services is relatively small compared to merchandise trade, the size of its balance might still be as sizeable or even larger than the merchandise trade balance. If an important service contract occurring during a period is missed, the impact on the current account balance could be significant. While we do not want to unnecessarily burden our respondents, at the same time we must be extremely careful to avoid serious over-estimations or under-estimations of the balance.

Customs documents provide the basis for the monthly release of detailed commodity and geographic breakdown of merchandise trade. In contrast, trade in services data are available on a quarterly or annual basis, and commodity and geographic breakdowns are far less detailed than in the case of merchandise trade. Estimates on trade in services are based on quarterly and annual surveys as well as on other sources. With the annual survey our objective is the universe of significant transactions, whereas the quarterly survey covers a smaller number of companies. One of the major challenges is to keep abreast of changes in a market where transactions are not regular. A systematic monitoring of international transactions is necessary as international transactions in services are less regular than some other economic transactions and hence, their behaviour does not submit to standard sampling procedures. Consulting services, for example, take place on an irregular basis as contracts are signed. As such a systematic monitoring of international transactions is essential, it allows the capture of transactions of a company not included in the survey, helps update the list of companies covered in the annual survey, and assists in the editing of transactions reported.

## 2. Services Related to Merchandise Trade

Three problems have been experienced in respect to services related to merchandise exports and imports:

- . Double counting of freight and shipping, insurance, commissions in total receipts and payments of trade estimates (including merchandise and services);

- . Measurement problems in trucking transportation;
- . Measurement of processing and repair services for goods crossing the border with no change in ownership.

. Double counting: In the Canadian System of National Accounts and Balance of Payments, both exports and imports of merchandise are on FOB (plant) basis. Accordingly, Customs documents require that merchandise exports and imports be reported on FOB plant basis. However, this is not always the case, thus resulting in a double counting of freight and shipping receipts and payments. Customs trade data might also include other items such as insurance or commissions. In addition, in some cases export values of some products are not recorded net of discounts. It is very difficult to monitor these issues, particularly in an environment where business practices change. Selected products are monitored through some surveys, contacts with the exporters or importers, newspapers and through supply and demand analysis.

. Measurement of trucking transportation: Except for trucking, freight and shipping receipts and payments are captured through surveys of transportation companies. In the case of trucking, estimates are based on merchandise exports and imports. It is assumed that our exports are carried by Canadian truckers and inversely, our imports by U.S. truckers. This estimation procedure needs to be reassessed, particularly with the recent deregulation of the transportation industry in both the U.S. and Canada.

. Processing and repair of goods: Given that Customs data reflect the physical movement of goods, these data have to be adjusted to exclude goods for which there is no change of ownership. However, to the extent that the latter goods cross the border for processing and repair, a service should be recorded. In practice, it is difficult to identify goods which cross the

border just for processing and repair without a change of ownership. In Canada, the approach adopted for processing consists of surveying Canadian companies engaged in this activity. These firms provide information on their revenues from processing as well as on the foreign ownership, timing and value of the cross-border movements. The latter information is checked against individual trade documents in order to adjust the Customs data. Information is not available for goods processed abroad. In the case of repair, however, the Customs documents specify the values of both the goods and the repair. Although only the latter value is entered in Canada's trade, it is currently classified as merchandise rather than services.

### 3. Consulting and Other Professional Services

Consulting and other professional activities abroad generate revenues as well as expenses in the host country where the services are provided. These expenses include purchases of materials, rents, labour, etc. For the measurement of service exports corresponding to these activities, receipts should be reported on a net basis, after deductions of purchases made by the company from non-residents. We have been facing some problems in this regard as our survey forms do not provide sufficient explanatory notes. In addition, the comparison of our survey results with others showed that companies might include revenues from the operations of their subsidiaries and branches abroad unless instructions are provided not to do so. We do not seem to have this type of problem in our survey, largely because of the close contact we try to keep with the companies. It would be desirable to provide such instructions in the questionnaires. While we plan to review our questionnaires, we would like first to have a better understanding of certain issues related to services so that our respondents are not unduly disrupted.

#### 4. Management and Administrative Services

In Canada, the bulk of payments and receipts for management and administrative services occurs between subsidiaries, branches and their parent companies. It is not clear, in this context, to what extent this item is measured properly as it might include a mixture of services such as research and development, computer services, etc. Furthermore, the reporting of the receipts and payments may be conditioned by changing fiscal conditions between countries. These transactions should be interpreted in a broader perspective as they might be affected by inter-company operations.

#### 5. Franchises

Franchises could be viewed as income from intellectual property. However, the franchisor sells not only the right of usage, but also connex services such as advertising, management, 'accounting, etc. For practical reasons, and to the extent that payments and receipts are dominated by connex services, they should be classified under services.

#### C. The Organization of the Statistical Database

The ultimate objective of any statistical system is its use in the decision making process. This implies the collection of relevant statistics and their adequate organization. The latter point is of considerable importance. It is fundamental for analytical studies which are prerequisites for decision making. Multitudes of statistics are collected but their use is often limited as they are not properly organized. Definitions should be comparable or reconcilable; micro-databases should be linkable; micro-data collected should be organized in a flexible way to allow different aggregations.

What is being measured needs to be defined and classified in a coherent and integrated perspective. A phenomenon cannot be analysed and explained totally in isolation from its environment. Relationships must be explored both in terms of past behaviour and in terms of other socio-economic variables. This implies comparability or reconcilability between various databases. For example, the definition and classification of services should be the same when comparing international trade in services to output or to domestic sales of services. Similarly, this would also apply when comparing employment and output in services. Work currently underway at the international level for the revision of the SNA and the BOP, and more importantly for their harmonization, is moving forward in this direction. The harmonization of the various economic classifications is also of particular importance for the purpose of comparability. While these developments are essential for comparability of various databases and for economic analysis, further improvements are still required in the organization of the statistical system.

For a better understanding of the causes and effects of economic events, we must take a step further from a "static" analytical approach towards an examination of the "dynamics" of these events. For example, in analysing international trade, one might express its growth pattern over time in comparison to the performance of the total economy or to total services or to merchandise trade, etc. Further insight could also be gained by examining the characteristics of the exporting and importing firms: to what extent is trade in services performed by direct investment or foreign-controlled firms? Do

they export or import merchandise? What are their total sales of services, including domestic sales? What is the share of small firms in total trade? Linkages between related surveys at the micro level would allow such analysis.

Finally, micro data collected should be organized in a flexible system so that it is possible to aggregate and classify them in different ways for analytical purposes. For example, if rental of transportation equipment is classified in rentals, it might be desirable when examining the transportation sector to bring together both transportation services and rental of transportation equipment.

These types of analysis are now possible with the introduction and the development of computer technology. They represent a bridge linking together macro and micro analysis. They do, however, require that the statistical base be organized accordingly.

## **II. A Review of the IMF Framework and Work Undertaken at International Levels**

This part includes three sections. The first section describes the IMF framework which forms the basis for the collection of statistics on international trade in services. The second section examines current activities at the international level. The third section elaborates on the need for a joint co-ordinated short-term and long-term approach for the development of international trade in services statistics.



### A. The IMF Framework

International trade in services is captured through the Current Account of the Balance of Payments. The conceptual and definitional framework for the latter is provided by the IMF Balance of Payments Manual. While services appear in the IMF tables, they are not identified separately from goods and income. Also, the IMF does not provide a general definition of services. The following table illustrates the way services are reflected in the IMF standard Balance of Payments table. The "standard components" represent the minimum detail required by the IMF from countries reporting BOP data.

Services are spread throughout four of the main aggregates in the IMF standard table: Shipment; Other Transportation; Travel; Other Goods, Services and Income.

**Table 1**  
**Standard Components of the Balance of Payments<sup>1</sup> - IMF -**  
**Current Account**

A - Goods, Services and Income
. Merchandise
. Shipment
. Other Transportation
Passenger services
Port services, etc.
. Travel
. Investment Income
Direct investment income*
Other*
. Other Goods, Services and Income
Official
Inter-official
Other, resident official
Other, foreign official
Private
Labour income, n.i.e.
Property income, n.i.e.
Other
 B - Unrequited Transfers
. Private*
. Official*

(1) Source: Balance of Payments Manual, Fourth Edition, IMF 1977.

\* Sub-components included in the standard IMF table are not shown here.

The content of each of these items is defined in the IMF Manual. Business services, which make up a significant part of international trade in services, are embedded in "Other". Goods included in the latter component are those which are not recorded in merchandise trade and include: newspapers and periodicals under direct subscription; "goods acquired and relinquished within the same recording period without crossing the frontier".

Further breakdown of the "standard components" is left to the discretion of member countries. "The individual types of transactions that are covered by a Balance of Payments statement are numerous, and it is not feasible to recommend, as an international standard, that each country should compile and report separate series on every type, including some that may be important only for a few countries..... The issuance of a standard, of course, is not intended to derogate from a country's freedom to collect and publish other information on its balance of payments."<sup>1</sup>

When defining the "standard components", the IMF Manual provides examples of the types of services to be included in a specific standard category. While these examples assist in classifying services, the list is not exhaustive and does not form a classification system for services. "This component (Other Goods and Services) covers all goods and services that are not specifically allocated to other items. Some of the main kinds that are appropriate to this item are listed below."<sup>1</sup> To the extent that they are available and indeed reported to the IMF, these non-standard services categories are published in the IMF "Balance of Payments Statistics, Yearbook". The list is, however, very limited and varies from one country to another.

<sup>1</sup>Balance of Payments Manual, Fourth Edition, IMF 1977, page 58.

The following table is generated from the standard service components in the IMF Manual (current account table) as well as from related service sub-categories in the descriptive text of the Manual:

**Table 2**  
**Services Related Categories in the IMF Manual**  
**including Standard and Non-standard Categories.**

(Items in bold characters refer to standard components)

- <b>SHIPMENT</b>
Freight
Insurance
Other services
- <b>OTHER TRANSPORTATION</b>
<b>Passenger services</b>
<b>Port services, etc.</b>
Port services
Charter of carriers
Miscellaneous transportation
- <b>TRAVEL</b> <sup>1</sup>
- <b>OTHER GOODS, SERVICES AND INCOME</b>
<b>Official</b>
Inter-official <sup>2</sup>
Other, resident official <sup>2</sup>
Other, foreign official <sup>2</sup>
<b>Private</b>
<b>Other goods and services</b>
Non-merchandise insurance
Communications
Advertising
Brokerage
Management
Operational leasing, other than charters
Processing and repair
Merchanting
Professional and technical services
Other

(1) Detailed by type of travellers.

(2) Detailed by type of institution (embassies, military units), by type of transactions (labour income of local staff hired, other expenditures of embassies, receipts or contributions under joint military arrangements).

## B. Activities in Progress at the International Level

Various activities relating in one form or another to services are currently underway at the international level. These activities with various degrees of coordination include:

- The revision and the harmonization of the U.N. System of National Accounts (SNA) and the IMF's Balance of Payments Manual.
- The concurrent development of industry and commodity classifications systems by the U.N. This project will not be covered in this paper as it will be introduced by others.
- Work at the European Economic Community (EEC).
- Work at the OECD in response particularly to the data needs of the GATT negotiations on international trade in services.

### 1. The Revision and the Harmonization of the SNA and of the BOP Frameworks

The present UN-SNA framework, written in the mid-sixties, is currently being updated. Originally in 1982, only the U.N., Eurostat and the OECD were involved in the preparation of the new SNA. Later the group was enlarged to include the IMF and the World Bank. The latest edition of the IMF Balance of Payments Manual was published in 1977 and work is underway for its revision as well. There have been two significant developments affecting the services sector in this process. The first is the special effort being made to harmonize the SNA-BOP frameworks, and the second is the attention being given to services. It should also be added here that the concurrent development of international classification systems for industries and commodities is of significant importance in the above context. It is, indeed, hardly

conceivable that the revisions and harmonization of the SNA-BOP can be done in isolation without addressing the basic distinctions between goods, services and income.

The following table shows the standard categories of transactions for the external sector in the present SNA:

Table 3  
Standard Categories of Transactions  
External Sector - SNA<sup>1</sup>

Exports, Imports of merchandise
Transportation and communication
. Freight
On merchandise imports
Other
. Passenger services
. Other transportation and communication
Insurance service charges
. Insurance of international freight
Insurance on merchandise imports, services by non-residents
Insurance on merchandise imports, services by residents
. Other insurance services
Direct Purchases by Extra-Territorial Bodies
Miscellaneous Commodities
Adjustment for Ownership Basis (Merchandise)
Total Exports, Imports of Goods and Services
Compensation of Employees
Property and Entrepreneurial Income
Current Transfers
Total Current Receipts
Surplus, Deficit on Current Transactions
Capital Transfers
Purchases of Intangible Assets
Net Lending on Borrowing Position

(1) Source: A System of National Accounts, United Nations, New York 1968.

A significant portion of services, such as business services, is included in "miscellaneous commodities". The standard categories are defined and further detailed in the SNA Manual. The detailed breakdown of services shown in Table 5 is generated from the standard SNA tables and from explanatory notes contained in the SNA guidelines.

Table 4  
Detailed Breakdown of Services Related Transactions,  
External Sector - SNA

Transport and Communication
Freight
On merchandise imports
Other
Passenger services
Other transport and communication
Insurance Services
On international freight
On merchandise imports
services by non-residents
services by residents
Other
Other insurance services
Against fire, theft and damage
Re-insurance of international freight
Against casualties to persons
Life insurance and participation in pension and similar funds
Direct Purchase by Extra-Territorial Bodies
(Non-resident civilian and military bodies stationed in countries)
Miscellaneous Commodities
Repair
Merchanting
Management and consultation
Fees and handling charges on non-industrial gold
Machinery, equipment, film and similar rentals
Advertising fees
Rent for office and other outlays reimbursable by the employer,
paid by non-resident commercial travellers
Direct subscription to newspapers and magazines
Profits or losses on arbitrage transactions on foreign exchange
with non-residents
Gifts in kind sent, and received from, abroad by resident
households
Migrants' household and personal goods and effects
Transactions in other goods and services

As in the case of the IMF standard BOP accounts, services are not clearly distinguished from merchandise in the external sector account of the SNA. The distinction is, nevertheless, required for the building of other segments of the SNA - such as input-output tables. Nevertheless, a clear distinction between services and factor income is made in the SNA.

There are important differences in the breakdown of external transactions between the SNA and the BOP (Tables 2 and 4). There are also definitional or methodological differences affecting items such as financial leasing, travel, insurance, processing, reinvested earnings on direct investment, etc. While the harmonization of the SNA and the BOP is not a new issue, it would appear that a concentrated effort is being made at this time to minimize the difference between the two systems. As a result of such efforts, it is expected that the standard table in the BOP and the external sector account in the SNA will most likely show services as a distinct component from merchandise and income transactions. Agreements also seem to have been made in respect to existing differences of a definitional or methodological nature. However, there is as yet no agreement on the degree of detail for the classification of international trade in services.

## 2. Work Being Done by Eurostat<sup>1</sup>

An internal work program was initiated by Eurostat in 1983 to improve and develop data on international trade in services. Eurostat has also been actively involved in: the revision and harmonization of the SNA-BOP; the development of economic classification systems by the U.N.; and the work at the OECD in the area of international trade in services. The work undertaken

<sup>1</sup>The statistical agency of European Economic Community.

at Eurostat is of both short-term and long-term nature. Activities in these two directions are, however, coordinated and hence, intended to be compatible and complementary.

In the short-term, the main objective is mainly to:

- . distinguish services as such from investment income;
- . disaggregate the item "other services";
- . improve the geographical distribution allowing for greater comparability of data among the EEC's member countries;
- . explore the possibility of estimating service activities of foreign direct investment firms.

Projects of a longer-term nature include:

- . the development of a classification system for international transactions in invisibles;
- . the development of direct investment statistics, particularly in relation to service activities.

A link with the U.N. classification (CPC) is provided in the Eurostat classification.

### 3. OECD Activities

The lack of an adequate and internationally comparable statistical base for data on international trade in services has constituted a major problem for governments involved in the GATT negotiations. In late 1982, OECD member countries decided to address this issue on an urgent basis. Consequently,



the Trade Committee Working Party (TCWP) was expanded to include statistical experts. The task of the Working Group of statistical experts is to develop a database for international trade in services. This is the first attempt by an international organization to focus on international trade in services statistics.

The Balance of Payments accounts have been adopted as the basic conceptual framework to gather such statistics. There are two reasons for this approach: BOP accounts constitute the major source of information on international trade in services; they also provide a common conceptual framework for international transactions, forming the basis for international comparability of data. As the data needs of the trade negotiators may well likely expand to include information requirements on items such as tariffs, direct investment, production, employment, etc., it was agreed to tackle these needs through the expanded framework of the satellite accounts. It should also be underlined that while the main focus has been on short-term statistical needs, longer-term issues continue to be a constant preoccupation of the Working Group. The Working Group has made a number of recommendations to the OECD Secretariat in this respect on the need:

- . for greater exploration of and involvement in related work underway at other international organizations - namely, the IMF and the U.N. (Eurostat is already part of the Working Group).
- . for stronger co-ordination between the various international organizations and, more particularly, for closer involvement with the IMF in devising a detailed classification of international trade in services.

- . for a tighter coordination within the OECD between various groups involved in one form or another in work on services.

It is within this overall approach that the OECD Secretariat in conjunction with the Working Group have been:

- . assembling and assessing historical data and definitions on international trade in services. This represents the first time that such information has been put together by an international organization;
- . exploring and collecting information available in other OECD bodies and enforcing coordination between these bodies;
- . promoting coordination at the international level.

A draft classification and definition of international trade in services is also currently under examination. The classification is organized around analytical principles. A link is established between this classification, the Central Product Classification and the IMF classification. A general definition of services is being explored as well at the OECD.

#### C. A Joint Short-term and Long-Term Approach

As examined earlier, there are currently two international developmental activities underway affecting international trade in services. One is of a long-term nature, including the harmonization of the SNA and the BOP, and the update of economic classification and their harmonization. Other activities are mainly short-term and involve work underway at the OECD and Eurostat to respond to current needs for data on international trade in services.

These two types of activities might appear to be and in fact, could be in conflict in terms of substance and in terms of resources. If, however, the activities are well co-ordinated, the outcome could be of considerable benefit for the improvement of international trade in services data. The involvement of the OECD and Eurostat in the projects undertaken by the UN and the IMF is clearly a positive step in this direction. The advantages of strong links between the short-term and long-term projects include: a lasting benefit from the resources allocated to short-term activities; considerable contributions that could be provided to long-term projects by the expertise provided through actual work done in the short-term. These contributions would be beneficial for definitional, methodological and classification issues addressed within the long-term projects, and could help expediate them. As well, the organization of the existing statistics would help in the provision of data for use in the upcoming economic classifications, and the revised-harmonized SNA-BOP.

In this respect, work, in the short term, should further exploit existing statistics, identify current definitional, methodological and classification differences, and rationalize the organization of the existing statistics so that differences between countries are minimized and long-term issues are taken into consideration. The following provides some illustrations in this respect.

Part of the definitional differences among countries could be eliminated or minimized depending on the availability of additional information in the countries' statistical system. For instance, data on passenger transportation

services (fares), currently included in travel receipts and payments of certain countries could, in the case of Canada, be made available. At first glance, it also appears that it should be possible to isolate postal services or developmental aid from the government services category where some countries classify these transactions. In certain cases where it is not possible to disaggregate the information, some categories may be presented in aggregate as well as in more detailed forms. For example, an aggregate category, "construction, engineering and consulting", provided by most countries and including three sub-categories (construction, engineering, consulting), could be envisaged. All these possibilities should be further explored on an individual basis. Also, from a short-term perspective, more information is required on definitions used in the measurement of some services. For example, are consulting services receipts tabulated on a net or gross basis (including associated expenses in the country where the services were provided)? We believe such receipts should be on a net basis. In regard to the classification of international trade in services, the current work done by the OECD, Eurostat and the U.N., constitutes, in our mind, a good basis to arrive at a commodity classification. We think, however, that this classification should avoid putting much emphasis on analytical classifications. There are various ways of aggregating commodities for analytical purposes. Unless there are immediate specific needs, what is essential for the time being is the establishment of a commodity classification.

These considerations should further help the short-term objectives of improving the database for international trade in services. Furthermore, as previously noted, the findings from the short-term activities would help to address long-term issues.