

STATISTICS ON TRADE IN SERVICES

IN ASIA

by

Dr. Zoltan E. Kenessey ¹

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¹ The author (formerly Assistant Director, UN Statistical Office, New York) is Senior Economist, Board of Governors of the Federal Reserve System, Washington, D.C. as well as Adjunct Professor, University of the District of Columbia and Research Professor, Florida International University. The views expressed are solely his and should not be attributed to the organizations mentioned so far or hereafter. Nevertheless, heartfelt thanks are expressed both to the UN Statistical Office (Director: William Seltzer) and to UNCTAD (in particular Mr. Aziz Taj) for the support received for the paper. Mr. Taj's initiatives, assistance and interest were indispensable for carrying out the work; from the UNSO the very extensive help received from Ms. Maria Dunavolgyi was of key importance in all phases of preparing the paper.

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INTRODUCTION

This study is concerned with three topics, of which the first and second are reviewed more briefly, while the third is covered in more detail:

(1) The current status of international service trade statistics, with special regard to Asian countries (in particular: Hong Kong, India, The Republic of Korea, Singapore, Sri Lanka and Thailand);

(2) The evaluation of these statistics regarding coverage, breakdowns applied, missing information, adherence to international standard, and usefulness for policy analysis; and

(3) The improvements desirable in statistics of the international trade in services, including recommendations for data development and for priorities to be adopted in this field of statistics.

The relatively brief treatment of the first two topics is feasible, because they can be dealt with on the basis of the preceding overall report prepared by Maria Dunavolgyi of the United Nations Statistical Office [see Dunavolgyi, 1991] among the BIBLIOGRAPHICAL REFERENCES appended to this text]. The Dunavolgyi report relied on personal visits to the countries mentioned above.

Other materials utilized in summarizing the status and evaluation of the existent statistics on international trade in services included the more detailed individual country reports (mainly by Dunavolgyi) and other pertinent materials of the UN Statistical Office and the International Monetary Fund's Bureau of Statistics, in particular those relevant to the joint IMF/UNSO questionnaire on statistics on trade in services prepared in 1987.

The focus of the paper

The focus of this paper is topic (3), with particular regard to statistical recommendations and priorities for statistics on international trade in services. In discussing the relevant issues, beyond the materials already mentioned, this paper also relied on materials from some other countries, such as Pakistan, the Philippines, and the United States.

As will be shown, statistics of the international trade in services in our days is explored in several directions. One of the directions is the more traditional one: it is mainly related to those service flows which are intimately related to the international trade of goods, especially their transportation, insurance, etc. Another direction of statistical developments in respect of the international trade of services is related to a more recent concern: the measurement of the activities of subsidiaries of firms, whose 'mother' or 'headquarter' activities are centered in another country. Still another area of measurement, relevant to

the international trade in services, are services rendered to business visitors and tourists during their trips to countries, where they may purchase goods by local retail and other establishments and utilize other services during their sojourn. Also, in connection with the international trade of services, usually considerable attention is paid to the statistics depicting the movements in international factor income payments. And, depending on the circumstances of various countries, statistical issues may be important regarding such flows as international and multilateral assistance, spending of students studying abroad, medical costs of one country's residents in another country, and others.

Our paper will touch upon the statistical issues related to such issues, and on the setting of priorities for improving the various areas. One factor in determining the desirable priorities, it will be suggested, should be the present and the expected importance of the various items within each country.

The general significance of the topic

Today, it is not any more necessary to dwell on the reasons, why the statistics on the international trade in services deserve wider attention. The general circumstances leading to the increased need for such data are well known. In the 20th century, and especially in recent decades, there has been a very large increase in service production in the world: at the beginning of the 1990's about 76 percent of total employment and about 72

percent of the Gross Domestic Product in the United States were related to service producing industries (that is outside agriculture, mining, construction and manufacturing). The number of countries where the output of services, in GDP by industrial origin, is over 50 percent, or even over 2/3 of the total, is considerable. Another general factor is the vastly increased economic interaction among nations since the Second World War. Without the increased international division of labor and the much enlarged volume of international trade, the overall postwar economic advances could not have occurred. International trade in goods, of course, was a key element of the general expansion in economic interactions among the national economies of the world. However, international trade in goods could not have progressed without an enhanced and modernizing machinery of transportation, insurance, banking, and other services. And today, international trade in services has become an important field of economic interaction on its own. Thus the attention to the field of statistics discussed in this study is linked to these two major international economic developments of our century: the growth in service activities and the growth in trade.

The international statistical context

In addition to the general economic factors mentioned, and more specifically, the paper is linked to developments in international statistics in recent years. Without going into details,

beyond the field of international trade statistics, efforts to improve balance of payments statistics and national accounts were of particular importance the subject of this paper, including the desire to provide for the harmonization of all these fields of statistics. Work on the latest revision of the overall framework of economic statistics, the UN System of National Accounts and the attention paid to further improvements in the Balance of Payments Manual provided various specific stimuli to the study of international trade statistics of services as well.

I. CURRENT STATUS: EVALUATION AND PERSPECTIVES.

As already mentioned, the evaluative overview provided in this paper utilizes preceding reports and materials on the subject, especially the description of the results of a recent statistical mission to six Asian countries [Dunavolgyi, 1991]. Those reports, and other materials available suggest that statistics on the international trade on services are not as underdeveloped as sometimes it is feared. Yet, the quantitative information available on this topic is uneven and should benefit considerably from improvements required in this area of statistics. National statistical experiences also suggest that such improvements are feasible to undertake, albeit they will require persistent attention to these matters over the years to come.

It is of particular importance, that statistical services

in countries already pay considerable attention to international recommendations existent in the field, such as guidelines from the IMF Balance of Payments Manual (BPM) and from the UN System of National Accounts (SNA).

As regards the basic concepts involved, 'international trade in services' need to rely on the international statistical conventions relevant both to 'international trade' and to 'services', and the appropriate references can be drawn from the IMF BPM and the UN SNA. In respect of the former, the BPM concept of 'current account', and regarding the latter the SNA concepts of 'resident economic unit' and the distinction of 'goods and services' ought to be mentioned. Of course, there is more than one way to define goods versus services.¹ One way is to define them on the basis of the classification of producing industries with reference to the UN International Classification of All Economic Activities (ISIC).

Probably the most important development in respect of trade in services have been conceptual clarifications and the separation of certain major components of the balance of payments for purposes of service trade statistics. These items, in the main, belong to current account transactions, such as data on the trade of goods (merchandise), the trade in services, the unrequited transfers (mainly unilateral transfers by governments, private remittances and other transfers). But they also involve items identified in the capital account, especially regarding investments and incomes connected to them. These capital account items can be

discussed together with data on the international trade in services, when the topic is considered in the broadest context. While all of these components can have major effects on the balance of payments, the data on the trade in merchandise, the flows connected with unrequited transfers, and the information on factor returns (such as investment incomes) are not the main concerns for the statistics on trade in services, which is the focus here.

Just as on other continents, the statistics on trade in services have various levels of articulation in the Asian countries. This can be illustrated with a few remarks about the situation in the countries involved in this review. They are presented in alphabetical order by the name of the countries, usually in order to highlight some feature of interest, but without providing a comprehensive picture for any of them.

In Hong Kong, the data on international trade in services are published in the annual national accounts of the country [see, for information, Estimates of Gross Domestic Product 1966 to 1989, 1990]. The Hong Kong data is discussed in some detail below in Section III. of this paper which deals with the quantitative evidence available on international service trade flows. While a complete balance of payments of Hong Kong is not presented, the data on trade in services is very well articulated and can be of interest for information about the subject in general. (This is the reason, why in this paper the Hong Kong data, together with information about U.S. statistics on the topic, have been utilized to indicate the magnitude of service trade relative to the trade in

goods, as well as regarding the share of the main components of services' trade.) Unlike in countries with foreign exchange regulations and related reporting arrangements (which are, among others, the bases for collecting statistics on the relevant transactions) in Hong Kong there is an annual survey of imports and exports of services. This covers all establishments involved in such trade. There is also a stratified sample survey of tourism. Two circumstances affecting Hong Kong's data with some significance are the Vietnamese refugees, and the large transactions connecting China with the rest of the world via Hong Kong. The refugees are treated, in line with IMF recommendation (one-year residence rule) essentially as residents. The merchandise transiting through Hong Kong to and from China are treated as exports and imports; thus the processing involved in the transactions is not recorded as trade in services but in goods. This is the case in the other countries reviewed as well; however Hong Kong has the largest amount of processing interrelated with its trade in goods.

In India, similarly to Hong Kong but to a lesser degree, the balance of service trade was positive in 1978/79. Quarterly statistics are furnished regarding travel, transportation, insurance, investment income, governmental items, and a miscellaneous category; and work is in progress to develop a more detailed presentation in the balance of payments. In line with the strict foreign exchange regulations, service trade related data is collected from the authorized dealers. These are supplemented, especially regarding governmental transactions, from other

(governmental) sources. As there is no exchange control with Nepal, India's transactions with Nepal cannot be separated on that basis. The balance of payments are compiled by the Reserve Bank of India, mainly on the basis of the aforementioned reports to its Exchange Control Department by the Authorised Dealers in the country. Two other units of the Reserve Bank of India (its Department of External Investments and Operations and its Deposit Accounts Department) as well as other Indian governmental agencies in India and abroad provide the information needed on the foreign exchange transaction of the official sector. [Reserve Bank of India Bulletin, January 1990]. The Reserve Bank also utilizes a sample survey on freight and insurance earnings related to exports.

In The Republic of Korea, the trade in services was also positive in 1987 and 1988. Balance of payments statistics are available from The Bank of Korea on a monthly basis, usually with a lag of less than one month. The data separates out shipment: freight and insurance; other transport: passenger fares, port services, charter of carriers; investment income; other items - government, non merchandise insurance; miscellaneous services such as construction; and unrequited transfers: private, official. The underlying information provides further geographical detail and category subdivisions. On the whole, the statistical collections are related to the arrangements for foreign exchange controls.

In Singapore, the balance of service trade was also positive (significantly so in 1989 and 1990), unlike the trade balance, which has shown a deficit, leading to an overall positive

balance on the current account in both 1989 and in 1990. The annual 'Economic Survey of Singapore' presents the data on the balance of payments, separating out entries on shipment, travel, investment income, official transaction, and on other transportation and services n.e.c. Unlike in countries with major controls of foreign exchange transactions, in Singapore mostly annual surveys provide the statistical sources: on services; on foreign investments in Singapore; on overseas investments; on financial institutions. There is also a Survey of Overseas Visitors to Singapore, conducted by the Singapore Tourist Promotion Board. In this survey personal interviews are conducted, on a daily basis (in five languages) with departing visitors. The survey provides data on the visitors by country, sex, income, travel pattern (purpose, duration), visitors' experience, and visitors' expenditures. In the latter regard information is sought on accommodation expenditures, purchases of food and beverages, sightseeing, local transportation, shopping, entertainment and recreation, and miscellaneous outlays. The returns suggest that in 1988 and 1989 the share of shopping was nearly 65 percent of all visitors' spending in Singapore.²

In Sri Lanka, the balance of service trade was also slightly positive (1989-1990), while the balance of trade was negative. The Central Bank is the publisher of quarterly balance of payments data, which separates out: freight and merchandise insurance; other transportation (passenger fares, port expenditures, other items); travel; investment income (direct investment,

other); government expenditures; other services (non-merchandise insurance, other). Trade in services data is mainly obtained on the basis of reports concerning foreign exchange control operations. The threshold of reporting obligation is US\$ 500, which circumstance - coupled with the fact that surveys are not applied to collect information on tourism - suggests the existence of serious limitations of information on the latter. In respect of movement of people a wide-ranging study of services in the economy of Sri Lanka [Wanigaratne, 1989] highlights the emigration of skilled manpower in the 1980's as related to service 'factor exports'.

In Thailand, the balance of trade in services was also positive in both 1987 and 1988 and the exports of services were equivalent nearly to 30 percent of goods. Owing to the existence of wide foreign exchange controls, the statistics on service trade are based mainly on sources connected with those activities. Yet, with liberalization steps in the controls (establishments of foreign currency accounts for persons and institutions), the effects on data availability are not uniformly negative. The details in which the reporting is available have been decreasing, but motivation for non-reporting has also decreased. Other data sources include the annual report of the Tourism Authority of Thailand, which is based on official records kept and on surveys. The International Visitors' Expenditure Survey (undertaken typically every other year) utilizes a sample size of about 10,000. The Labour Department of the Ministry of the Interior collects data

regarding outgoing travellers working abroad. The Bank of Thailand publishes quarterly data on services trade in the balance of payments (freight and insurance on merchandise; other transportation; travel; investment income; government; other services).

The evidence available regarding the countries mentioned permits a short overview of the perspectives on service trade statistics in the area. On the whole, the perspectives are not discouraging. There can be little doubt that - generally - there is a certain initial basis for the further development of the statistics on international trade in services already extant in these countries of Asia. Very importantly, certain major international conceptual guidelines, such as the IMF BPM methodology and the UN SNA, are already underlying much statistical work in these countries. Nevertheless, the situation is rather diverse on various points, owing to special circumstances, national regulatory practices, the particularities of statistical organization and the specific statistical traditions in each country. Therefore, the further development of internationally comparable statistics in this field - one that can yield analytically meaningful quantitative information in the required detail and in a timely fashion - is not unpromising but will require energetic efforts in the coming years.

Specifically, regarding the scope and coverage of statistics on international trade in services, notwithstanding the general reliance on IMF or UN recommendations, the ¹international comparability of country data sets is as yet far from perfect. And

even if such perfection is not the main goal of the work, the value of the national data will be greatly enhanced by increased international comparability. Without going into the details, the wide problems in the international comparability of balance of payments data by countries is reflected in the discrepancies found in international transactions measured from national sources of data. The IMF in the 1980's extended a major study of this problem [IMF, September 1987]. A report on the world current account discrepancy highlighted, that "after 1979, the available statistics on the world current account began to show a large negative discrepancy, indicating that either the deficits of some countries and areas were being overstated, or that surpluses were being understated. Concern that such discrepancies could lead to inappropriate policy reactions was heightened in 1982, when the excess of the reported debits exceeded \$100 billion - a very large amount when scaled against the recorded deficits of major world areas in that year." [IMF, 1987, p.1] Clearly, some entries concerning the trade in services (and some regarding the countries reviewed in this report) were elements of this discrepancy, and problematic information on them was undesirable for services trade and in the broader context as well. It is important to note, that the IMF Working Party, that studied the problem, strongly recommended "that each country conduct a reappraisal of its methodology in the light of the findings in [its] Report and in conformity with the Balance of Payments Manual. [IMF, 1987, p.116]

For judging the general perspectives of service trade

statistics in the area it is also important to consider the depth of the information available regarding trade in services, as reflected in the breakdowns of statistics published on the subject. While the available breakdown is rather detailed in one case, on the whole the detail published is too limited. In part because of the existence of unpublished detail, one can be hopeful regarding the future articulation of data in more countries. Nevertheless, this will require more effort regarding the quality of the unpublished estimates in some countries, and the extension of detailed estimates in others. In the next section of the paper, this is one of the topics covered.

As regards the perspectives on the periodicity of data, the experience in the countries is also diverse. In some cases monthly reports are available on service trade flows, while in others quarterly and/or annual data series are published. The diversity regarding timeliness of publication is apparently even larger. In discussing priorities in the next section of the paper, some consideration will be accorded to these two points as well, even though the difficulties preventing improvements here often involve financial (budgetary) limitations at the organizations producing the statistics.

Finally, for the evaluation of the general perspectives of service trade statistics the availability of proper data sources and methodologies are of particular significance. Happily, in the countries studied - as a group - some key general data sources as well as the collecting methodologies are already well entrenched.

The group includes both countries with foreign exchange controls and with liberal currency and trade settings. On their basis experience has been accumulated with statistical collections under either environment.

II. STATISTICAL REQUIREMENTS AND PRIORITIES.

The point of departure of this paper was a brief review, in the preceding section, concerning the current status of statistics on international trade in services in selected Asian countries. As mentioned earlier, that review was based on preceding reports and materials pertinent to the subject. In the present section the main task is to follow up the stock-taking with a look to the future, with a view to the improvements needed and to the setting of priorities for statistics in the international trade of services.

As it was stated above, the overall perspectives regarding the future development of international trade statistics in the countries concerned are not discouraging. However, turning from the overall perspectives to the details of the tasks to be solved rather major gaps are revealed in most areas. The resolution of these national problems, to some degree, depends on further international progress in this field of statistics. The existence of some unresolved issues at the international level is, in part, related to the relative newness of the field: after all statistics on the international trade of services received more attention only

in recent years. Also, the latest revision of the UN SNA is not yet out, and the new edition of the IMF BPM to be published is also of much relevance here. Clearly, these are 'outside factors' and not very much under the control of individual countries. However, while there are some unresolved conceptual matters or evolving international recommendations to be reckoned with in the future, there are other areas in which a reasonable degree of clarity exist. Therefore, already at the present it is feasible to consider some general strategies for the improvements of service trade statistics in the area.

Seeking an overall strategy for expanding statistics of trade in services

It seems reasonable to suggest generally, that statistics on trade in services in the countries reviewed can be considerably improved via:

- (a) Stricter adherence to IMF-UN methods
- (b) Enhanced detail in data collecting and publishing
- (c) More frequent issuance of the statistics
- (d) Increased timeliness (reduction of lags)
- (e) More thorough exploration of administrative records
and expanded utilization of special surveys.

One way of considering these avenues to improvements, among the specific conditions of each country, is by preparing a

national strategy outline for the next 3 or 4 years regarding the statistics of international trade in services. Experience suggests, that in drawing up such strategies excessive detail is counter-productive: thoughts about the strategy are best kept in a summary, outline form.

The important thing is that all five points to be covered, together with thoughts about the time-frame of implementation, about the mobilization of the required national (and perhaps international) resources needed, and about the national, bilateral and multilateral consultations useful for the work.

In considering the five points mentioned, various matters may need to be evaluated. For example, in respect of adherence to international guidelines, a key one is the usefulness of aligning the statistical concepts pertaining to domestic and international activities regarding services with each other. There are other statistical conceptual matters to be reviewed as well (a number of them are listed below). Indeed, their number is large enough to raise the question of priorities in dealing with them. The envisaged work towards the resolution of various conceptual issues, just as decisions regarding the desirable statistical detail on trade in services for a given country, and efforts about related matters ought to rely on the international recommendations as basic reference points. But, naturally, the setting of national statistical priorities on service trade statistics in the final analysis must reflect the actual significance of such trade for the economy. Therefore, for both the work on clarifying various

conceptual points and for the development of the desirable presentation of the data it is necessary to evaluate the importance of the given conceptual issues and the other statistical matters in terms of the quantitative magnitude of the service trade transactions in question. Statistics, just as the law, cannot focus on small matters. It must deal, foremost, with the important and growing components of service trade for the given country. Thus, various international recommendations can furnish advice regarding what are the transactions, the statistical observation of which is generally desirable in national data collections; but these recommendations need to be implemented with a view to local needs. In respect of conceptual recommendations, national deviations are typically rather counterproductive; here the national discretion may manifest itself more in the priorities of applying what is internationally recommended than in modifying it.

Important data categories

In determining the desirable major categories of service trade data, a useful point of departure is the new international classification of the 'standard components' of the IMF BPM in work. Regarding services the detail contemplated is as follows:

IMF BPM STANDARD COMPONENTS FOR SERVICES

1. Transportation
- 1.1 Sea transport

- 1.1.1 Passenger
 - 1.1.2 Freight
 - 1.1.3 Other
- 1.2 Air transport
 - 1.2.1 Passenger
 - 1.2.2 Freight
 - 1.2.3 Other
- 1.3 Other transport
 - 1.3.1 Passenger
 - 1.3.2 Freight
 - 1.3.3 Other
- 2. Travel
 - 2.1 Tourists
 - 2.1.1 Business and professional
 - 2.1.2 Pleasure
 - 2.1.3 Students and trainees
 - 2.1.4 Other
- 3. Communications
- 4. Construction services
- 5. Insurance services
 - 5.1 Life insurance
 - 5.2 Other insurance
 - 5.3 Auxilliary services
- 6. Financial services (other than insurance)
 - 6.1 Financial intermediation

- 6.2 Auxiliary to financial intermwediation
- 7. Computer and related services
- 8. Other business services
 - 8.1 Trade-related services
 - 8.2 Leasing or rental without operators
 - 8.3 Research and development
 - 8.4 Legal
 - 8.5 Accounting, auditing, and taxation
 - 8.6 Management consulting
 - 8.7 Architectural, engineering, and other technical
 - 8.8 Advertising, market research, and public relations
 - 8.9 Other
- 9. Other personal services
 - 9.1 Educational
 - 9.2 Health
 - 9.3 Recreational, cultural, and sporting
 - 9.4 Other
- 10. Government, n.e.c.

The ten main components listed above, and as many of their subdivisions as nationally feasible and desirable, provide a useful departure for determining the structure of service trade statistics. As indicated, the magnitude of the elements can provide guidance as to the desirable detail. If no national data is available to determine even the estimated quantitative magnitude

of certain transaction, international data may help developing some educated guesses regarding their potential importance (see section III. below). It is to be remembered, that without some quantitative guideposts it may be impossible to contemplate the expected costs and benefits of developing the different components of service trade statistics.

Conceptual issues

As discussed , the conceptual perspectives offered by the available (or currently revised) international recommendations of the BPM and the SNA provide key contributions to national thinking about developing service trade statistics. The characteristics and desirable properties of service trade statistics in other countries can also provide relevant information (in Section III. below some data of Hong Kong and the United States are cited in this context). Considerations of cost-effectiveness were mentioned as another ingredient in formulating the national priorities.

As regards the conceptual issues, first a historical reference seems to be in order. This pertains to the circumstance that for decades before the recent increase in attention to international trade in services, the concept of 'invisible trade' was well known to analysts. In certain countries such trade served as a counter-balancing component against the otherwise negative balance of merchandise trade. Typically, returns from shipping, or insurance, or capital investments abroad permitted these countries

to import more merchandise than their merchandise exports, in themselves, could pay for. Today, however, it is widely recognized that lumping simply together returns from service exports and from capital exports does not provide adequate breakdown of a country's returns; similarly imports of services are preferred to be separated from capital imports or other entries on the capital account of a country. In general: with the increased economic interactions among nations, all components of the balance of payments require better articulation. The 'standard components' of the new IMF BPM (cited above) provide an international framework for such articulation. However, the better articulation of balance of payments involves not only provisions for a more detailed statistical breakdown of the relevant items. It also requires greater attention to the conceptual issues involved in refining the data.

The systematic treatment of the relevant concepts, as is well known, is provided by IMF's BPM and by the SNA of the UN. [IMF, (1977) and UN (1968) among the references.] This report cannot refer in detail to the conceptual framework available from these major international recommendations. Moreover, the currently maturing revisions of their 1977 and 1968 versions, respectively, would make an attempt of this sort impractical at the moment. Anyway, a systematic effort regarding the SNA and BPM would much exceed the practical size of this report.

Therefore here a more modest, selective¹ approach is followed. In the main, the conceptual points mentioned below are

covered either because of their overall relevance or owing to their discussions in various countries. Also, the comments made are far from exhaustive; in most cases they are restricted to elements of country comments received in replies to the joint UN/IMF questionnaire on trade in services [UNSO/IMF, August 1989].

Generally, it was felt by countries that the concept of services should be consistent with the definition of goods and services promulgated by the UN SNA. Also, the distinction between goods and services should be the same in recording international transactions as used in the treatment of domestic transactions of a country. Countries also agreed that there was a need to separate data on the trade of services from other items affecting the balance of trade, often labeled as 'broader service items', such as factor services related to investments, transfers, and sales by foreign affiliates where they are residents. Sales by affiliates, which are residents of the country where they operate, are not considered 'cross-border' transactions, and are not 'exports' or 'imports' in the context of the SNA and BPM. (Affiliates may provide services to parent companies and vice versa, which are 'true' exports or imports of services; however it may be difficult to separate the service element from income flows between them, which are not service flows.) In the United States, where the sales of foreign affiliates today is as large as the export of services, the relevant data are shown in the statistics on 'international transactions' but separately from the cross-border (balance of payments) group of items. Clearly, for economic

analysis, knowledge about foreign affiliates may be important in both 'parent' and 'host' countries; also, these data have unavoidable connections to the international division in labor, broadly conceived. Whether the relevant data ought to be developed, naturally depends, in part, on the specific significance of such sales in each country and on the feasibility of collecting the series.

Among the many specific borderline points in determining the scope of services, processing is of significance in a number of countries. Country practices suggest a diversity on this point: processing is frequently treated in countries as merchandise trade (trade in goods), but in others it is classified as service trade. Experts have suggested the making of distinctions between processing that involved substantial physical transformation of the goods involved (to be recorded as trade in goods), and other processing (to be recorded as service trade). In practice, as long as data on processing transactions are separated out among the statistical series, for purposes of international comparisons the information may be sufficiently clear (by permitting the rearrangement of the data, if necessary).

Some countries are engaged in construction activities abroad. As a general matter, construction is a goods producing rather than service activity. However, typically, it is determined whether such construction activity has a 'temporary' character (less than one year time-span) or lasts longer. Depending on this, it may be considered (from the viewpoint of the parent organizati-

on's location) a 'resident' or 'nonresident' economic unit. If the former, then it may be considered as an export of services, and if the latter, it may be recorded as direct investment abroad. However, by a number of countries, all construction abroad is classified under services. This is a case, in which an activity may have a distinctly different perspective in the 'host' country (where the construction clearly results in the creation of a 'material good'), and in the 'exporting' country, where it may be mainly felt as the export of an 'immaterial service' to the other country.

There is a host of other conceptual questions related to the development of statistics on trade in services. Among the questions which have been raised during country visits of international officials, in questionnaires returned, or by expert papers relevant to the subject the following are listed as examples (the listing does not imply ranking):

- a. Service trade allied (bundled) with goods
- b. Refugees
- c. Timing of flows
- d. Government transactions
- e. Insurance
- f. Repairs
- g. International comparisons
- h. Border trade
- i. Installation abroad
- j. Software
- k. Travellers purchases

- l. Leasing
- m. Students abroad
- n. Licensing
- o. Illegal exchanges
- p. Authors fees
- q. Under- and overestimates
- r. Copyright
- s. Sampling errors
- t. Embassies, consulates
- u. Franchising

The actual national significance of the clarification of these items - as discussed earlier - depends very much on the specific situation in each country. Therefore, these problems are only listed as potential topics of attention.

Overall requirements and priorities

After listing the various conceptual matters above, it is necessary to list some other potential topics of interest in the context of developing the statistics on trade in services in the Asian countries. Some of such topics of potential interest are the following:

- a. The evaluation of all data sources, with special regard to the utilization of administrative records and surveys of data.

b. The desirable periodicity of data. Quinquennial or decennial censuses (if applicable); annual surveys; quarterly reports; monthly reports.

c. The feasible scopes of data collections. Complete enumerations (census); large scale surveys; smaller samples.

d. The requirements and advantages of international comparability of the national statistics on trade in services; minimum common breakdown; extended breakdown; conceptual deviations and their impairments of comparability.

e. The issues of legal authority for collections of data; confidentiality; disclosure.

f. The dissemination of statistics on trade in services; publications of data; computerized data banks; diskettes; tapes; CD ROM.

g. The national lessons from the IMF studies on reconciliation of the world current account discrepancy on shipping, other transportation, and unrequited transfers.

h. The timing of the national adaptation of the Standard Components listing from the IMF BPM work.

i. The tasks related to the seasonal adjustment of the available quarterly and monthly data series on trade in services.

j. The cost-benefit analysis required for the setting of priorities in the field of service trade statistics.

III. QUANTITATIVE EVIDENCE

The consideration of conceptual issues, data collection possibilities, national and international reporting requirements, and setting of overall priorities was the focus of the preceding section of the paper. In the present section an additional consideration is introduced, namely that properly planned statistical programs on service trade ought to take into account also the quantitative significance of the various entries for which data should be made available. Naturally, in the absence of proper local information (which is not infrequently the case) the determination of quantitative significance may need to rely on indirect evidence. Some such evidence may be available locally; otherwise data from other countries may offer some guidance. Therefore in this section an attempt is made to furnish information about the main areas of services' trade and about the growth trends associated with them.

The quantitative importance of various service activities entering international trade is reviewed on the basis of data from Hong Kong and from the United States. The review, in the main, explores two aspects of such trade flows: (a) The relative significance, at the present time, of the major components of international trade in services and their ranking; and (b) The growth observed in the development of the trade in services over

time. The objective of the reviews is to obtain some guidance both about what is quantitatively important today and as to what may become of interest tomorrow. However, in order to obtain an overall perspective on the matter, it is useful briefly to review the Hong Kong and United States data on overall goods' and services' trade.

In Hong Kong, according to data for 1988, within the combined export of goods and services the latter accounted for about 15 percent [Census and Statistics Department, 1990]. In the United States, the 1990 share of services in the combined total was 25.5 percent. [Survey of Current Business, June 1991] In both countries, the share of services was considerably smaller in their imports than in their exports. In 1988 within Hong Kong's combined imports of goods and services the latter's share was just about 10 percent. In the United States, the share of services within the overall imports of merchandise and services was 17.7 percent in 1990.

The trade in services had a beneficial impact on the balance of payments both in Hong Kong and in the United States. The first summary table illustrates this for Hong Kong:

BALANCES OF GOODS' AND SERVICES' TRADE

IN HONG KONG

(Millions of HK\$, in current prices)

	1978	1988
A. Goods	(9,355)	(8,105)

B. Services	6,549	30,215
Total (A+B)	(2,896)	22,110

Source: Census and Statistics Department, 1990,

pp. 26-29

As the table indicates, the improvement between 1978 and 1988 in the overall balance (goods+services) was mainly due to the favorable developments in the balance of services' trade in Hong Kong, which more than offset the (somewhat decreased, yet still existent) negative balance of goods.

Similar calculations for the United States, especially if they are carried out for a longer period within the postwar period, reflect a number of important trade developments. Among these, the impact of the international trade in services is quite significant as an ameliorative factor of an otherwise dramatic shift from an overall positive balance in 1960 in the combined trade of goods and services to a large negative balance for them in 1990.

BALANCES OF MERCHANDISE AND SERVICES TRADE

IN THE UNITED STATES

(Millions of US\$, in current prices)

	1960	1990
A. Merchandise	4,892	(108,115)
B. Services	(1,384)	26,376
Total (A+B)	3,508	(81,739)

Source: Survey of Current Business, June 1991, pp. 44-45

Between 1960 and 1990, in the United States a slightly negative trade in services turned into a significantly positive one. However, the shift in merchandise trade was in the opposite direction: from a positive to a hugely negative balance. If there were no improvements in the U.S. trade of services between 1960 and 1990, the 1990 deficit in the combined merchandise and services trade balance of the United States (other things being equal) would have been about 28 billion dollars (about 25 percent) higher than it actually was.

Turning to the composition of service trade, available data indicates that the three major components of services trade in Hong Kong's exports in 1988 were: transportation (44.2 percent), travel (39.7 percent), and finance (7.8 percent). The more detailed distribution of service exports by Hong Kong is shown in the following table:

HONG KONG'S SERVICE EXPORTS IN 1988

	Millions of HK\$	Percent
TOTAL export of services	85,407	100.00
TRANSPORTATION	37,708	44.15
Shipping	18,173	21.28
Cargo revenue	8,643	10.12
Passenger revenue	246	0.29
Chartering revenue	1,042	1.22
Managmt. & agency fees	1,327	1.55

	Millions HK\$	percent
Foreign co. disbursements		
in HK (excl. fuel oils &		
port charges)	6,915	8.10
Air transport (excl. fuel oils		
& airport charges)	14,864	17.40
Fuel oil	2,412	2.82
Port & airport charges	543	0.64
Cargo forwarding	1,716	2.01
TRAVEL	33,939	39.73
Civilian visitors in HK	33,098	38.75
Service visitors in HK	129	0.15
Transit passengers in HK	334	0.39
Foreign crews in HK	369	0.43
INSURANCE	1,045	1.22
Direct insur. to overseas	102	0.12
Reinsur. assum. fr. overseas	560	0.66
Insur. agents' commission	383	0.45
SERVICES	2,268	2.66
Production and distrib. of		
films/programmes	770	0.90
Hotel management	264	0.31
Advertising & market research	416	0.49
News transmissions	818	0.96

	Millions HK\$	percent
FINANCE	6,684	7.83
Fin. assets' dealing & broking	2,732	3.20
Adj. for import shipment	1,354	1.59
Banking services	2,598	3.04
OTHER SERVICES	3,772	4.42
Exp. of employees of extraterr.		
bodies & their dependents	481	0.56
Postal services	50	0.06
Misc. services n.e.c.	3,241	3.79

Source: Census and Statistics Department, 1990, pp. 26-29

In United States' statistics, as a result of a more recent emphasis on service statistics in general, and service trade statistics in particular, there is now considerable detail available regarding the exports and imports of services and related data. Before turning to the characterization of the detail, first an overview is given in the table below about major U.S. service export categories. The categories shown include about 91 percent of the 'selected services' exported, which, in turn cover about 95.8 percent of all U.S. service exports.

SELECTED U.S. SERVICE EXPORTS IN 1990

	Million US\$	Percent
Total of 'selected services'	122,701	100.00
Travel	40,579	33.07
Passenger fares	12,251	9.98

	Million US\$	Percent
Freight transportation	6,766	5.51
Port services	14,690	11.97
Royalties, licence fees	15,291	12.46
Education	5,022	4.09
Financial services	4,873	3.97
Insurance (net)	1,832	1.49
Telecommunications	2,742	2.23
Business, prof. & tech. serv.	7,552	6.15
Total of the 'selected items' shown	111,598	90.92

Source: Survey of Current Business, September 1990, p. 85

In the U.S. international transaction statistics it is assumed, that "Services may be delivered to foreign markets through alternative channels. A business in one country can sell services to persons in another country either directly, through cross-border transactions, or indirectly, through affiliates in other countries. ...The information on transactions of affiliates ...covers sales of services abroad by majority-owned foreign affiliates of U.S. companies and sales in the United States by majority owned U.S. affiliates of foreign companies." [DiLullo and Whichard, 1990, p. 37] The data available suggest the considerable importance and fast growth of transactions by U.S. affiliates abroad, sales of which was US\$ 72.8 billion in 1986 and US\$ 100.7 billion in 1988. Sales of foreign affiliates, even though they were smaller and grew slower, were also quite significant: US\$ 62.6 billion in 1986 and

US\$ 68.7 billion in 1988. Within the total delivery of services to foreign markets in 1988, namely cross-border (balance of payments) transactions plus sales by non-bank majority-owned affiliates of U.S. companies, the share of cross-border transactions was 49.75 percent while sales by affiliates 50.25 percent.

The U.S. statistics now include details developed within the 'Travel, passenger fares, and other transportation category' by geographical distribution for all three components. Also other transportation is subdivided to freight and port services and both by ocean, air and other transport. Data on royalties and license fees are shown separately for affiliated and unaffiliated entities. Within affiliated, there is subdivision of for U.S. 'parents' and for U.S. affiliates of foreign 'parents'. Within unaffiliated, individual entries are shown for industrial processes; books, records, and tapes; broadcasting and recording of live events, and for franchises. There are further data on insurance (primary and reinsurance) and on unaffiliated business, professional and technical services (advertising; computer and data processing services; database and other information services; research, development and testing services; management consulting, and public relations services; legal services; construction engineering, architectural and mining services; industrial engineering; installation, maintenance and repair of equipment, and there is also an 'other' category, within which the following subcategories are shown: medical services; agricultural services; management of health care facilities; accounting, auditing and bookkeeping

services; educational and training services; mailing, reproduction, and commercial art; personnel supply services; sports and performing arts).

There is also considerable geographical detail shown for the transactions of (non-bank) majority-owned affiliates by continents and by countries; also by industrial categories (petroleum; manufacturing; wholesale trade; retail trade; finance, except banking; insurance; real estate; services; other industries). Within the 'manufacturing', 'services', and 'other industries' categories there are further subcategories. In 'manufacturing' these are: foods, chemicals, metals, machinery, and other products. Within 'services' they are: hotels, advertising, computers and data processing, motion pictures and tv, engineering and architectural services, accounting, health, and other services. Within 'other industries' the subcategories are: agriculture, mining, construction, transportation, communication, and public utilities.

SUMMARY

(1) From both the conceptual viewpoint and in respect of data collection the countries of Asia reviewed in the report are in a promising situation regarding the development of service trade statistics. The relevant IMF BPM and UN SNA guidelines are not only familiar to the statisticians in these countries, but also

underlie the statistical work undertaken so far. Statistics are already available, at least, on some of the most important service trade transactions, and in some countries on other flows as well.

(2) Nonetheless, in most of the countries very considerable further work is required in this field. Improvements are needed in respect of all aspects of service trade statistics: coverage, international comparability, the breakdown of the data, the periodicity of collection and dissemination of the data series, the reduction of time-lags in making the data available, and other matters.

(3) As the desirable detail of service trade statistics, adherence to the new IMF BPM Standard Components is recommended. (The listing is shown in Section II. of the paper.) In several countries, this would entail more detailed national compilation of data than it is the case at the present. The application of the IMF BPM classification would also enhance the international comparability of the enlarged national collection of the relevant series.

(4) The unified approach of treatment of goods and services in the international and national context is favored, with reliance on the UN SNA and IMF BPM concepts relevant for them. While the revision works in progress concerning the international standards may be of some import for the topic, generally it seems feasible to draw up meaningful national plans on the basis of the currently available conceptual knowledge relevant to service trade statistics.

(5) Indeed, as a useful way of fostering statistics on the trade in services in these countries the establishment of national strategies regarding the development of this field may be recommended. Such strategies may cover a time span of the next 3 or 4 years, and may be limited to outline form. Excessive detail in drawing up the strategies can be, in fact, counterproductive. (In Section II. of the paper some main features to be included are listed.)

(6) Given the large national differences in the size, economic structure, development level, administrative machinery, and other characteristics of the countries reviewed, it seemed best to limit the recommendations to the ways of developing the suggested national strategies, rather than making attempts of describing their particulars.

(7) One of the general recommendations, put forward at this time, concerns the utilization of quantitative evidence in evaluating the areas and aspects of service trade statistics needing further development. In effect, strategies may focus on the resolution of those conceptual issues and data collection problems, which concern transactions having the greater importance in each country's economy. In cases where lack of information completely prohibits judgements in these regards, quantitative evidence available from other countries may be a basis for developing informed guesses about these matters. (See discussion of this point in Section III. of the paper.)

(8) In addition to identifying those service trade

transactions and categories in the country, which are important but inadequately covered by the national statistics, the recommended strategies should consider the desirable attributes of such data programs. Among others, periodicity of collection and dissemination, the utilization of administrative records and periodic surveys, the expected costs and benefits of the improved statistics may require special attention. In general, as a first step the reduction of the sometimes considerable time lags in making available the results of annual statistics on service trade seems to be of great importance. As another step, exploring the feasibility of collecting and disseminating short-term (quarterly and monthly) service trade statistics can be mentioned.

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ENDNOTES

1. Sometimes goods and services are distinguished as outputs of tangible (material) and intangible (non-material) nature. Peter Hill developed what is sometimes called the functional definition of services [Hill, 1977], emphasizing that the production and consumption of goods is separated in time, while the production and consumption of services occurs functionally at the same time; and in the process the service activity brings about a change in the condition of the person or the good involved. Services and goods can be also separated on the basis of the classification of major producing industries. In terms of the International Standard Industrial Classification of All Economic Activities (ISIC) the goods producing sectors are: Agriculture, Hunting and Forestry (Divisions 01 and 02), Fishing (05), Mining and Quarrying (10-14), Manufacturing (15-37), Electricity, Gas and Water Supply (40-41), Construction (45). The rest of all economic activities can be classified as services: Wholesale and Retail Trade; Repair of Motor Vehicles, Motorcycles and Personal and Household Goods (50-52), Hotels and Restaurants (55), Transport, Storage and Communications (60-64), Financial Intermediation (65-67), Real Estate, Renting and Business Activities (70-74), Public Administration and Defence; Compulsory social security (75), Education (80), Health and Social Work (85), Other Community, Social and Personal Service Activities (90-93), Private Households with Employed Persons (95), Extra-Territorial Organizations and Bodies (99). [ISIC, 1990]

2. There are a number of ways for reviewing distinctions among international transactions. For example, cross-border transactions and transactions regarding affiliates may be contrasted. Private transactions versus governmental transactions may be studied. Transactions can be separated by bank and non-bank transactions (on the assumption that the former are financial in nature, while the latter include 'real' elements as well). Transactions may be also analyzed in regard of the number of factors involved (both capital and labor, labor only, capital only). Cross-border transactions also can be conceptualized as belonging to two categories: exports including sales to purchasers abroad, and sales to purchasers visiting the country; and imports including domestic purchases of items originating abroad, and purchases of such items abroad by visitors to the country of origin of the item. In essence, the logic of the last categorization applies to the surveys of purchases by tourists.