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## **A NOTE ON INTERNATIONAL TRADE IN SERVICES IN NORWAY**

by

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## **1. INTRODUCTION**

This paper gives an introduction to the Norwegian statistics on international trade in services. The main focus is on the system of Balance of Payments (BoP), which in principle records all transactions between residents and non-residents relating to services. A standard table of Norwegian exports and imports of services with figures for 1991 is presented in Annex 1.

In Norway, the Central Bureau of Statistics (CBS) is responsible for compiling and publishing the BoP statistics, uncommon to most other countries where the Central Bank is assigned to this task. It should, however, be immediately recognized that the Bank of Norway plays a major role as the compiler of the Foreign Exchange Statistics (FES), constituting one of the main pillars on which the BoP is founded.

## **2. INTEGRATION OF BOP WITH THE NATIONAL ACCOUNTS**

The argument behind the longstanding organisational division of labour between the CBS and the Bank of Norway, is partly based upon the view that BoP is nothing else than the external sector of the SNA. Indeed, the Norwegian BoP is compiled by the Division of National Accounts in the CBS, stressing the efforts of harmonising the National Accounts (NA) and the BoP.

The integration of exports- and imports items of the BoP with the corresponding items of the National Accounts, is achieved through an extensive system of make and use tables. Norway has for many years been in the fortunate position of having included input-output tables of the SNA-type as an integral part of the national accounts proper. In principle this opens for the possibility of calculating exports or import flows of services indirectly, provided that domestic supply and use of services are known. In practice, however, for most services categories international trade figures are estimated either on basis of FES or through industry surveys.

## **3. SPECIFICATION LEVEL OF INTERNATIONAL TRADE IN SERVICES**

In the Norwegian NA and BoP the sectors or categories of exports and imports comprise 12 categories of exports services and 17 categories of imports services. These are given in Annex 2.

At the most detailed level the product classification in the Norwegian NA comprise in total about 1750 products. 200 of these are services of which about 40 and 35 are exported and imported respectively. A list of services items under each export and import category is shown in Appendix 3.

#### **4. SERVICES IN THE FOREIGN EXCHANGE STATISTICS**

As stated above one of the main sources of information on international trade in services is the Foreign Exchange Statistics compiled by Bank of Norway.

A change in this statistical system was introduced recently, initiated partly by the growing demand for more information on international trade in services. Primarily it can be characterized as a technical adjustment or change-over, from a paper based reporting system to an electronic reporting system of foreign currency exchange transactions through the Norwegian banks.

One important aspect of the revision of the reporting system is the use of an enterprise code or personal code for the resident unit taking part in each transaction reported between residents and non-residents. The enterprise code is linked up with institutional sector code and activity/industry code in the enterprise/establishment register of the CBS. This makes it possible to identify which industry each resident unit involved in an international service transaction belong to, which in turn on the export side can be used to identify the type of service exported.

As for imports, the linkage to industry through the register is in general of less help in identifying the type of service traded. The estimation of imports of services must to a larger extent be based on information collected through surveys.

The new FES system has, however, also introduced new codes for the purpose of the transaction which together with supplementary information are used to specify imports of services.

#### **5. EXPORTS AND IMPORTS IN INDUSTRY SURVEYS**

In Norway no special survey on international trade in services has been carried out. However, the CBS conduct a series of annual industry surveys including service activities. These surveys cover parts of the major ISIC Division 7 Transport, Storage and Communication and 8 Financing, Insurance, Real Estate and Business Services. We will in the following describe the information collected on exports and imports of services, with focus on the Major ISIC Groups;

- 7121 Ocean Water transport,
- 832 Business services, and
- 220 Crude Petroleum and Natural Gas Production.

## **Ocean Water transport**

Statistics on Ocean Water transport are compiled by the CBS on an annual basis. These statistics, in principle comprising all Norwegian operated vessels in foreign-going trade, are based on reports from shipping companies for each ship of 250 gross tons and over in their operation.

The reports include information on both type of earnings, whether rendered to non-residents or Norwegians and by type of vessel. On basis of this information we arrive at the total production value, separating exports from domestic transactions and goods transport from passengers transport.

One general comment relating to the statistical treatment of ocean water transport should be made. During the last 10 years or so we have observed a growing trend of contracting-out from traditional shipping companies.

The economic crisis in the shipping industry starting in the mid-70s, forced many Norwegian shipping companies to sell their fleet while some even went bankrupt. The remaining assets of the companies were basically the know-how of maritime operations still embodied in these organisations. This situation led to the establishment of specialized enterprises, ship management companies, producing a set of services related to shipping on a contractual basis.

This development has made the statistical treatment of maritime transport somewhat more difficult and arbitrary, by blurring the borderline between transport activities and supporting services or business services activities. Generally speaking, however, the new generation of management enterprises are classified under business services.

## **Business services**

The CBS has published annual statistics on business services since 1979, covering establishments classified under the major industry group 832. Full statistical data are collected from all establishments employing three or more persons. Total figures are estimated for other establishments.

Gross output is defined as the total value of services performed for customers, goods sold and gross earnings derived from other business activities. For the benefit of NA and BoP fees paid by non-residents are specified. This information is given for 9 industry sub-groups within the major industry group 832, making it possible by assumption to identify the types of services exported, even though no breakdown by products is made. The export figures are compared to the FES figures and required adjustments are made.

## **Oil related services**

The oil activities on the Norwegian continental shelf involve supply and use of rather specialized services related to these activities, including international trade in such services. Information on these services is compiled through the annual industry surveys of;

- ISIC 220 Crude Petroleum and Natural Gas Production,
- 7115 Pipeline transport, and
- 5000 Construction, i.e. Oil drilling and pipeline construction.

For pipeline services the estimation of exports is based upon income of those pipeline systems crossing the national border. As the oil drilling industry of Norway is organized in much the same way as the shipping industry, a similar statistical procedure as described for Ocean water transport is employed. All Norwegian operated drilling units are covered by an annual survey, separating fees paid by non-residents from those paid by Norwegian oil companies, thus establishing the export value of drilling services.

In the Crude Petroleum and Natural Gas industry a great variety of services, especially technical and engineering services, are used both for intermediate consumption and as part of fixed capital formation expenditures. A substantially part of these services are imported. Both the quarterly and annual surveys of fixed capital formation and production expenditures respectively, supply information on the residence of the producer of the provided services. From this database imports of oil related services are estimated.

## **6. SUMMARY AND FUTURE DEVELOPMENT**

Although the Norwegian statistical system on international trade in services seems satisfactory in certain important areas, i.e. shipping/oil related services/business services, improvements are needed to meet the growing demand for statistics in this field.

Firstly, for some service categories only one side is recorded properly, i.e. exports of business services.

Secondly, the details of specification will have to be expanded. It should be noted that the Norwegian NA and BoP in the near future plan to implement a new product classification, based upon EUROSTAT's CPA.

Thirdly, statistics on international trade in services through affiliates abroad, establishment trade, are today not recorded at all.

In CBS future improvements regarding these aspects of services statistics will most probably have to be based on two kinds of actions; firstly a further development of FES and in particular the linkage to the enterprise/establishment register and secondly separate surveys investigating international trade in services on a more general basis.

**ANNEX 1: NORWAY'S EXPORTS AND IMPORTS OF SERVICES 1991**

<b>Exports</b>	<b>Million Norwegian kroner</b>
Gross receipts from shipping	50 774
Gross receipts from oil drilling	1 150
Direct exports related to other oil activities	975
Exports of pipeline services	1 611
Travel a.o.	11 799
Other services	19 060
Total exports of services	85 370
<b>Imports</b>	
Gross expenditure for shipping	28 270
Gross expenditure for oil drilling	1 337
Direct imports related to other oil activities	6 916
Travel a.o.	22 920
Other services	19 550
Total imports of services	78 995

## **ANNEX 2: EXPORTS AND IMPORTS SERVICES CATEGORIES**

### **Exports**

- Gross receipts from shipping
- Freight, air transport and railway transport
- Passenger fares, air transport and railway transport
- Other transport and communication
- Insurance services
- Travel
- Direct purchases in Norway by other non-residents
- General government, income from abroad
- Other services
- Adjustment for foreign ownership shares, intermediate consumption
- Gross receipts from oil and gas exploration and drilling
- Gross receipts from oil and gas pipeline transport

### **Imports**

- Current expenditure abroad for shipping
- Repair expenditure abroad for shipping
- Investment expenditure abroad for shipping
- Current expenditure abroad for air transport
- Services from railway transport
- Other transport and communication
- Insurance services
- Travel
- Direct purchases abroad by Norwegian sailors
- Direct purchases abroad by other Norwegians
- General government, expenditure abroad
- Other services
- Imports of services for oil production
- Investment payments to foreign oil drilling companies
- Oil and gas exploration and drilling, current and repair expenditures abroad
- Oil and gas pipeline transport, current and repair and investments expenditure abroad



### ANNEX 3: EXPORTS AND IMPORTS OF SERVICES ITEMS <sup>1</sup>

#### Exports

- 71 105 GROSS RECEIPTS FROM SHIPPING
  - 831 9906 Ocean transport of passengers
  - 832 9714 Ocean transport of goods
  - 833 9907 Supply to oil production
- 71 106 FREIGHTS, AIR TRANSPORT AND RAILWAY TRANSPORT
  - 802 9917 Transport of goods by railways
  - 847 9718 Air transport of goods
- 71 107 PASSENGER FARES, AIR TRANSPORT AND RAILWAY TRANSPORT
  - 846 9717 Air transport of passengers
- 71 108 OTHER TRANSPORT AND COMMUNICATION
  - 842 9743 Shipping agent services
  - 842 9744 Loading and unloading
  - 843 9745 Other supporting services to water transport
  - 844 9741 Port authorities services
  - 852 9746 Shipbroker's services
  - 856 9934 Postal services
  - 861 9935 Telephone services
  - 861 9936 Telegraph services
- 71 109 INSURANCE SERVICES
  - 882 9899 Services of other non-life insurance
- 71 110 TRAVEL
  - 33 992 Travel, direct purchases in Norway by foreign tourists
- 71 111 DIRECT PURCHASES IN NORWAY BY OTHER NON-RESIDENTS
  - 33 992 Direct purchases in Norway by other non-residents
- 71 112 GENERAL GOVERNMENT, INCOME FROM ABROAD
  - 841 9834 Lighthouse and pilot services, government fees charged intermediate consumption etc
  - 849 9814 Air transport, government fees charged intermediate consumption, etc.
  - 917 9821 Defence, fees charged intermediate consumption etc.

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<sup>1</sup> The numbers refer to the classification codes in NA

929 9825 Education and research, government fees charged  
       intermediate consumption etc.  
 71 113 OTHER SERVICES  
     071 0050 Unspecified repair work  
     079 0069 Fees and other payments for various services  
     598 8955 Oil drilling rigs and other off-shore equipment,  
       repairs  
     632 0056 Repair of ships etc.  
     663 0055 Repair of aircraft  
     720 9710 Commissions  
     875 9895 Services of life insurance  
     901 9974 Legal services  
     902 9971 Advertising  
     902 9975 Technical services  
     902 9976 Other business services  
     902 9977 Data processing  
     905 9969 Machinery and equipment rental and leasing to  
       industries  
     927 9949 Research  
     951 9792 Motion picture services  
 71 118 ADJUSTMENT FOR FOREIGN OWNERSHIP SHARES, INTERMEDIATE  
       CONSUMPTION  
     048 0048 Adjustment for foreign ownership share of oil and  
       gas fields on the continental shelf, operating  
       expenditure  
 71 120 GROSS RECEIPTS FROM OIL AND GAS EXPLORATION AND  
       DRILLING  
     717 9896 Oil and gas exploration and drilling  
     906 9968 Leasing of oil drilling rigs  
 71 123 GROSS RECEIPTS FROM OIL AND GAS PIPELINE TRANSPORT  
     824 9930 Oil and gas pipeline transport

#### **Imports**

72 105 CURRENT EXPENDITURE ABROAD FOR SHIPPING  
     053 9753 Operating expenditure abroad, shipping  
 72 106 REPAIR EXPENDITURE ABROAD FOR SHIPPING  
     633 9754 Ship repairs abroad  
 72 107 INVESTMENT EXPENDITURE ABROAD FOR SHIPPING  
     633 9757 Reconstruction of ships abroad

72 108 CURRENT EXPENDITURE ABROAD FOR AIR TRANSPORT  
     055 9755 Operating expenditure abroad, air transport

72 109 REPAIR EXPENDITURE ABROAD FOR AIR TRANSPORT  
     664 9756 Repair of aircraft abroad

72 110 SERVICES FROM RAILWAY TRANSPORT  
     802 9785 Railway services

72 111 OTHER TRANSPORT AND COMMUNICATION  
     852 9746 Shipbroker's services  
     856 9934 Postal services  
     861 9935 Telephone services  
     861 9936 Telegraph services

72 112 INSURANCE SERVICES  
     882 9778 Insurance services from abroad

72 113 TRAVEL  
     066 9766 Travel, direct purchases abroad by Norwegian  
         tourists

72 114 DIRECT PURCHASES ABROAD BY NORWEGIAN SAILORS  
     067 9767 Direct purchases abroad by Norwegian sailors

72 115 DIRECT PURCHASES ABROAD BY OTHER NORWEGIANS  
     068 9768 Other direct purchases abroad by Norwegians

72 116 GENERAL GOVERNMENT, EXPENDITURE ABROAD  
     913 9765 Central government imports, civilian purposes  
     915 9775 Local government imports, civilian purposes

72 117 OTHER SERVICES  
     051 9751 Operating expenditure abroad, fishing and whaling  
     059 9759 Imports of fees and other payments for various  
         services  
     070 0040 Payments for contract work in mining and  
         manufacturing (excl. printing and shipbuilding)  
     071 0050 Unspecified repair work in mining and  
         manufacturing  
     638 9752 Repair of boats abroad  
     720 9710 Commissions  
     875 9895 Services of life insurance  
     902 9975 Technical services  
     927 9949 Research  
     951 9792 Motion picture services

72 118 IMPORTS OF SERVICES FOR OIL PRODUCTION, CURRENT AND  
INVESTMENT EXPENDITURE

048 0048 Adjustment for foreign ownership share of oil and  
gas fields on the continental shelf, operating  
expenditure

063 9763 Imports of unspecified services for oil and gas  
pipeline transport, operating expenditure and  
expenditure on fixed assets

833 9907 Supply to oil production

72 119 INVESTMENT PAYMENTS TO FOREIGN OIL DRILLING COMPANIES  
FOR OIL PRODUCTION

717 9896 Oil and gas exploration and drilling

72 120 OIL AND GAS EXPLORATION AND DRILLING, CURRENT AND  
REPAIR EXPENDITURE ABROAD

056 9760 Operating expenditure abroad, oil and gas  
exploration and drilling, including imports and  
unspecified services as expenditure on fixed  
assets

599 8956 Oil drilling rigs, repairs abroad

72 121 OIL AND GAS PIPELINE TRANSPORT, CURRENT AND REPAIR AND  
INVESTMENT EXPENDITURE ABROAD

057 9762 Operating expenditure abroad, oil and gas pipeline  
transport

064 9773 Imports of unspecified services for oil and gas  
pipeline transport, operating expenditure and  
expenditure on fixed assets