

# VOORBURG GROUP ON SERVICE STATISTICS

## EIGHTH MEETING

OSLO

27 September-1st October 1993

*Statistical Requirements of  
GATT and UNCTAD in the  
Area of International Trade in Services Statistics*

Joint paper of the Secretariat of  
GATT (General Agreement on Tariffs and Trade) and  
UNCTAD (United Nations Conference on Trade and Development)  
Geneva (Switzerland)

---

WFX 312

### **FORWARD**

This paper, prepared jointly by GATT and UNCTAD Secretariats, cover their statistical requirements on Trade in Services.

The paper reflects the current requirements of the General Agreement on Trade in Services (GATS) and the main elements of the work programmes for the Standing Committee on Services under the Cartagena Commitments.

The present paper represents an initial global assessment of the current needs, a more detailed version is under way.

It should be noted, however, that the requirements presented in this paper could change as a result of the ongoing Uruguay Round Negotiations.

**Statistical Requirements on Trade in Services<sup>1</sup>**

The objective is to develop a conceptual framework for the collection and compilation of internationally comparable statistics on all services sectors, as well as contributing to the improvement of the CPC<sup>2</sup> in order to adopt it to the specific needs of international trade in services.

The precariousness of service statistics is widely known and relate to under- and over-estimation of certain flows, poor disaggregation, inconsistencies with national account statistics, lack of internationally agreed concepts and definitions as compared to the ones existing on merchandise trade, and the impossibility of identifying trade partners. In general, statistics regarding services transactions would need to improve in the following areas:

- (a) **Consistency and Coverage:** information is needed on the relative importance of countries in world transactions of services, as well as the relative importance - by country and for the world as a whole - of specific services. The coverage of information currently drawn from IMF BOP data is insufficient to generate the above information, especially for new business services. Furthermore, individual countries' methodologies and sectoral coverage are highly heterogeneous;
- (b) **Trade Flows by Origin and Destination:** information currently available does not permit the identification of major trading partners nor the evolution of flows over time. Better information is needed on a comparable and detailed basis; and
- (c) **Disaggregation:** information regarding specific services at a detailed level is crucial in the identification of principal supplying and consuming countries and for monitoring purposes. Disaggregation is most urgently needed for the following services: (i) construction and engineering services; (ii) professional and business services; (iii) media services; (iv) labour services; (v) air transport; (vi) banking; (vii) insurance; (viii) tourism including travel agencies, tour operators, hotels and restaurants and others; (ix) telecommunications.

Other areas where improvements may be required include: the overall quality of available data, trade data on a volume basis (e.g. units and number of transactions), comparability over time, concordances and the separation of goods from services in specific transactions.

---

<sup>1</sup>A joint paper by GATT and UNCTAD reflecting the current draft requirements of the General Agreement on Trade in Services (GATS) and the main elements of the work programme for the Standing Committee on Services under the Cartagena Commitment.

<sup>2</sup>The relevance of the CPC is attested by the fact that the universe of sectors covered by the GATS (as reflected in document MTN.GNS/W/120) constitutes an aggregation of CPC items according to the sectoral delimitations adopted in the Group of Negotiations on Services (GNS) negotiations.

At a more specific level, the collection of information by "modes of supply" will be essential. Trade in services may take place through four different "modes of supply". These modes are essentially defined on the basis of the origin of the service or service supplier and consumer, and the degree (e.g., equity participation) and type (e.g., subsidiary, branch, representative office) of territorial presence which suppliers have at the moment of the transaction. This approach is intended to correspond to the categories of regulatory measures which commonly affect trade in services. It will therefore require information on transactions which have usually escaped the traditional definition of trade since it goes beyond the notion of cross-border transactions between residents and non-residents to include transactions involving foreign suppliers (natural or juridical persons) present in a particular market and nationals of that market. The scope of each mode determines the type of statistics which may be needed. They are the following:

- (a) Cross-border Supply: the supply of a service through telecommunications, mail, and services embodied in goods (e.g. a computer diskette, or drawings) are all examples of cross-border supply since the service supplier is not present within the country where the service is delivered. Data regarding the volume and value of individual services (e.g. fax, videotext) transported by international telecommunications networks (including telecommunications services per se) would be relevant here including intra-firm transactions such as transborder data flows;
- (b) Consumption Abroad: the essential feature of this mode is that the service is actually delivered outside the jurisdiction of the country of residence of the consumer taking the measure. Often the actual movement of the consumer is necessary as in tourism services. However, activities such as ship repairs abroad, where only the property of the consumer "moves", or is situated abroad, are also covered. Though a significant portion of sales to non-residents made via the movement of consumers are captured in the travel account of the balance of payments, an important number of transactions may not be registered and need to be collected separately;
- (c) Commercial Presence: this mode covers not only the presence of juridical persons in the strict legal sense, such as corporations, but also other legal entities such as partnerships, joint ventures, representative offices, subsidiaries and branches, which share some of the same characteristics. It should be noted that a supplier which has moved to a market for a period longer than one year - i.e., that has established itself in that market - is still considered a foreign supplier. Two types of data are relevant here: first, the amount of foreign direct investment or equity participation going into an establishment in a particular market; second, the value of net sales made by such an establishment. Net sales take account of the local content in overall operations costs. Furthermore, profit remittances need to be disaggregated by service

activity in order to identify the flows according to sectors and sub-sectors. Similarly, the share of royalties, franchising and fees relating to foreign service supplied should also be reflected; and

- (d) Presence of Natural Persons: this mode covers natural persons who are themselves service suppliers, as well as natural persons who are employees of service suppliers. It also covers all levels of skill. Therefore, relevant data would relate to sales of services which involve the movement of labour, specialists, independent professionals and intra-firm executives and managers. The disaggregation of this item is important to reflect the economic sources of labour income; i.e. construction, hotels and restaurants, entertainment, janitor and cleaning and maintenance. The same applies to foreign revenues generated by professional services such as medical related services, educational services, computer related services, engineering, architectural services, advertising, etc.