

WHAT IS SERVICES TRADE INFORMATION?



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SERVICES TRADE INFORMATION

in this context, is

- Information detailing **services-sector trade-flows**, between trading countries or economies.
- Principally **national-accounts-related information** (based on cross-border financial flows)
- Two basic components
 1. **Cross-border services trade information**
 2. **FDI-related information** (including services-FDI)
 - a. FDI flows
 - b. Trade of FDI-related establishments
 - c. Data concerning FDI



SERVICES TRADE INFORMATION FOR DEVELOPMENT

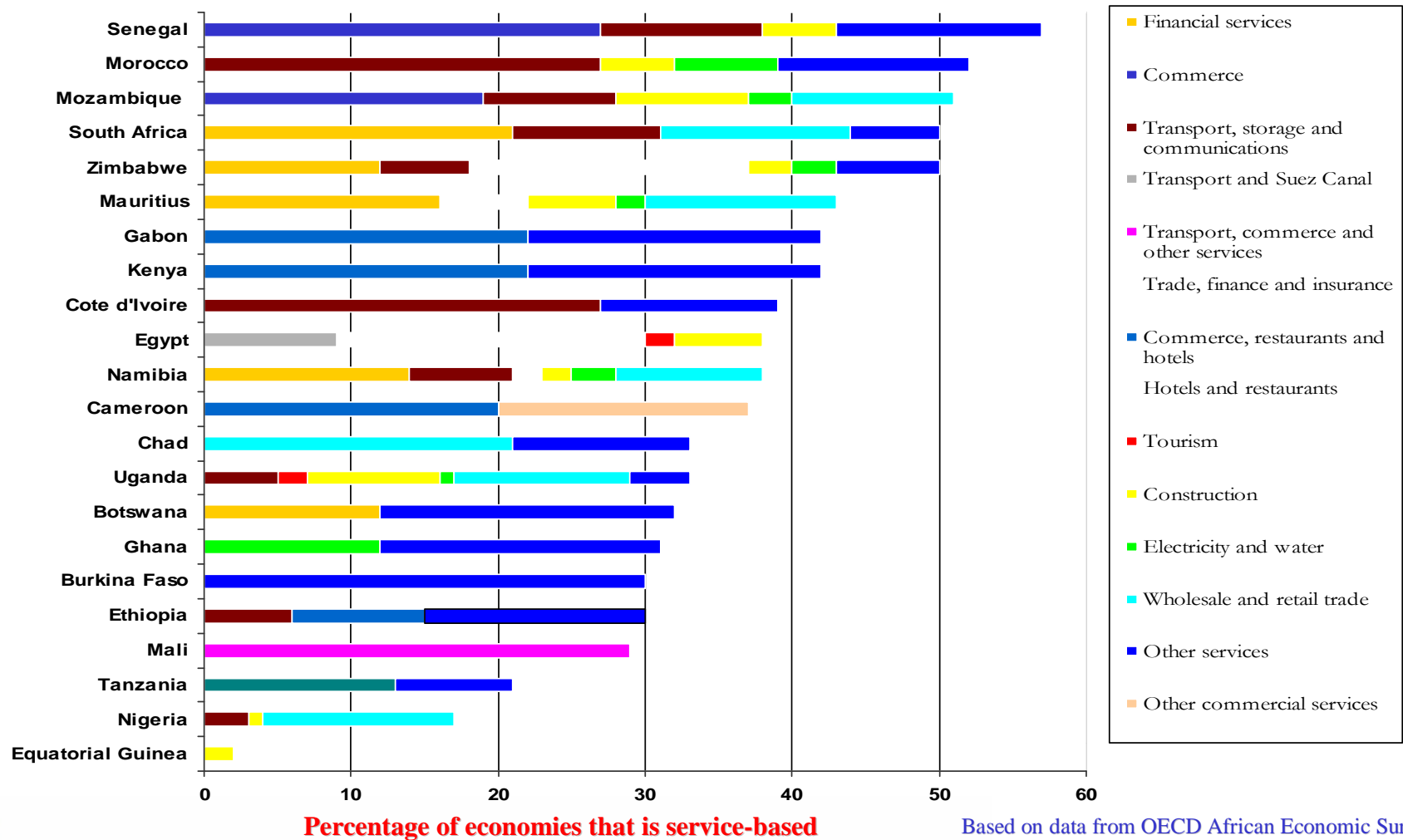
in this context, is

- At present, developing country services-trade is **not sufficiently rich** in its ability to provide a clear view of trading activities.
- With the current level of services-trade information, developing countries are **not well-equipped to actively participate in services trade negotiations**, such as GATS (General Agreement on Services in Trade) in the WTO.
- Better information will **help private sector traders and investors** to operate within developing country contexts; i.e with more full information.



SERVICES TRADE INFORMATION & DEVELOPMENT

African economies are increasingly services-based



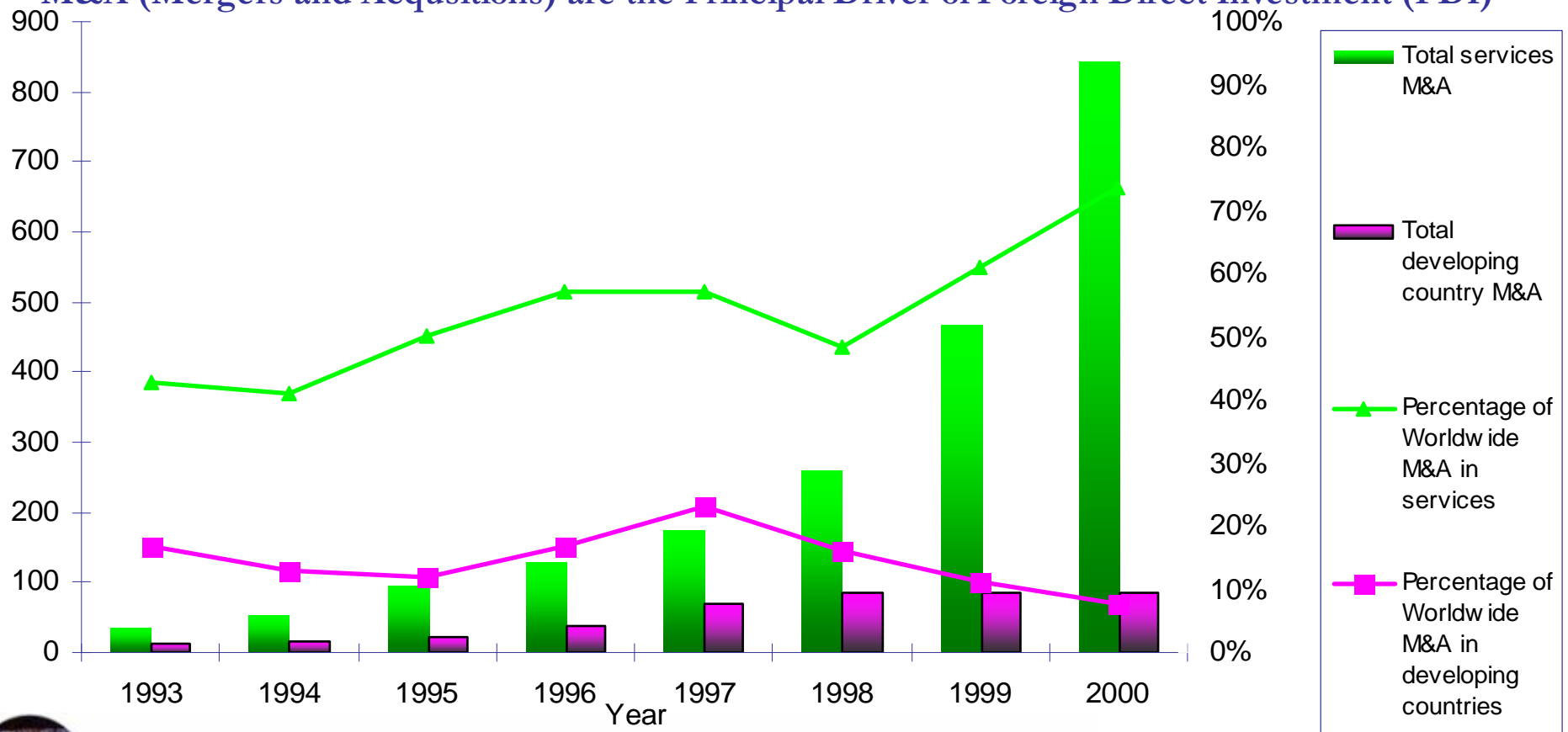
Based on data from OECD African Economic Surveys
Sector descriptions are per national responses, i.e.
are not per international standards



SERVICES TRADE INFORMATION

TRENDS: M&A in services, M&A in developing countries, 1993 - 2000

M&A (Mergers and Acquisitions) are the Principal Driver of Foreign Direct Investment (FDI)



WHAT PRECIPITATED THE NEED FOR NEW SERVICES TRADE INFORMATION?⁶

- In 1995, the WTO enshrined the **GATS** (General Agreement on Services Trade) as a part of its legal negotiation framework.
- For several years prior, **many developed countries worked to upgrade their services trade statistics information**, to assist their work in the Uruguay Round negotiations, to accommodate the new legal framework of the GATS, *i.e. the four modes of supply* for transacting services trade.
- There were many **political arguments about making statistical work part of the new WTO mandate**. The final answer to the question was no. As such, most developed countries carried out such work on an individual basis. **Developing country work in this area remained essentially unaddressed.**



WHO NEEDS SERVICES TRADE INFORMATION?

DEVELOPING ECONOMIES and LDCs

1. ..stand to benefit economically and in terms of infrastructure vis-à-vis the growth of their services industries;
2. ..are currently making binding GATS specific commitments defining their role as future international services exporters;
3. ..negotiators do not have access to GATS-related data that are based on real financial transactions related to their economies;
4. ..national statistical agencies are not technically assisted by statistical capacity-building initiatives for developing countries.



UNDER THE GATS

- Cross-border Rules for Services Trade used for adjudication of trade disputes for the first time in history.
- The Four Modes of Supply (of Services Trade) were Defined
 1. Cross-border Services Trade (trade taking place over borders)
 2. Consumption Abroad (trade via movement of consumer)
 3. Commercial Presence (trade via foreign direct investment - **FDI**)
 4. Movement of Natural Persons (trade by movement of service provider)

FDI – foreign direct investment



SERVICES TRADE INFORMATION

WHAT IS CURRENTLY AVAILABLE?

SOURCE	MODE 1 Cross-border supply	MODE 2 Consumption abroad	MODE 3 Commercial presence		MODE 4 Movement of Natural Persons
			FOREIGN DIRECT INVESTMENT	FOREIGN AFFILIATE TRADE STATISTICS	
IMF	YES but sectoral disaggregation for developing countries is very poor	NO	YES but FDI does not disaggregate services from goods & sectoral diagggregation poor	NO	NO
OECD	YES but only for OECD	NO	YES but only for OECD	YES but only for OECD	NO
UNCTAD	YES but SPARSE – based on IMF data and national sources	NO	YES but SPARSE	YES but SPARSE	NO
ISTIA	YES for DEVELOPING COUNTRY AND LDC ECONOMIES	YES for DEVELOPING COUNTRY AND LDC ECONOMIES	YES for DEVELOPING COUNTRY AND LDC ECONOMIES	YES for DEVELOPING COUNTRY AND LDC ECONOMIES	YES for DEVELOPING COUNTRY AND LDC ECONOMIES

SERVICES TRADE INFORMATION

WHY IS THIS A PROBLEM?

“During the course of the Uruguay Round it was impossible for services negotiators to judge the value of the liberalisation offers made by their trading partners either individually or collectively.”

United Nations Expert Meeting on International Standards in Statistics, November 2000;
Statement of Opinion by Mr. Alister Abercrombie, British Invisibles, U.K.



SERVICES TRADE INFORMATION

WHERE HAS THIS BEEN EVIDENT?

- **During the Uruguay Round** developing country contracting parties expressed concerns about the lack-of-statistics;
- **Article XIX.3 of the GATS text** addressed the issue by promising that ‘assessment’ would be conducted on trade in services;
- **The First Council on Services Meeting** in 1995 put this #1 on the agenda;
- **Over 75 Official WTO or GATT Meetings** have made mention of the need for technical assistance to developing countries in the area of services trade statistics, such that they are more able to accurately assess the state of trade in this area. These are accessible online at: <http://www.servicetrade.org>



WTO Secretariat Studies, 1995

“In the GATS context,we encounter a crucial problem: the framework of negotiated commitments **does not match** the existing structure of trade statistics”

WTO, S/C/W/5, paragraph 24.



...the problems relating to the availability and comparability of statistics were the **most serious and required urgent attention ...**

S/C/M/2, paragraph 29.



DURING THE URUGUAY ROUND

THE U.S. PRODUCED SERVICES STATISTICS, BUT FEW OTHERS COULD

“But just how much of a ballpark figure did [the U.S.] estimates represent? And is it possible now to produce more accurate and reliable statistics?”

United Nations Expert Meeting on International Standards in Statistics, November 2000; *Statement of Opinion by Mr. Alister Abercrombie, British Invisibles, U.K.*

Five years later, the answer is “no”



GATS MODE 3 (Commercial Presence) REQUIRES SPECIALIZED DATA

To best understand Mode 3 data, one must look at all forms of “operations” transactions describing the “activities” of “Commercial Presence Enterprises” (FDI-based subsidiaries) which are also sometimes called “foreign affiliates”

Sample transactions include: **sales, purchases, employment, royalties, value-added, imports, exports, etc.,** of FDI-related enterprises.

These data provide information about the aggregate level of business activity in a given economy that is related to such establishments



WHAT KIND OF SERVICES STATISTICS ARE NEEDED BY DEVELOPING COUNTRIES?

Trade-in-Services Statistics that Address:

1. **GATS Four Modes Of Supply**

of Services delivery. Without this, the WTO legal framework is not correctly addressed by statistical measures.

2. **Sectoral Measurement**

Current means of measurement don't measure most of the sectors addressed by GATS negotiations, such as telecomms consulting, legal services & others that are crucial for effective negotiating. Ideally, the WTO "120 list" would be used in sectoral definitions, as it is the most specific set of definitions.






3. **Services as 'Products'** as does the GATS Legal Framework

... the "WTO/120" list of services sectors used by trade negotiators treats services as products, as does the international statistical standard of the Central Product Classification (CPC) System used by the UN.



SERVICES TRADE INFORMATION

WHO IS WORKING ON IT?

	INTERNATIONAL AGENCY	STATISTICAL MANDATE	SERVICES STATISTICAL CAPACITY BUILDING?
	WORLD BANK <i>Technical Assistance Group</i>	Statistical capacity building, but no mandate or funding for services data	NO
	WORLD BANK <i>Development Data Group</i>	Poverty data, Millenium data, International Comparability data	NO
	UNITED NATIONS <i>Statistical Directorate, NEW YORK</i>	Trade-in-Goods Data (COMTRADE)	NO
	UNITED NATIONS <i>UNCTAD, GENEVA</i>	Foreign Direct Investment (FDI) data	NO
	IMF	Balance of Payments & National Accounts Data, Technical Assistance and Capacity-building for Balance-of-Payments data only; no FATS or services	NO
	WTO	Use of UN-SD COMTRADE Data for analytical work, Statistics on GATS Legal Commitments	NO
	OECD	National Member Data on Services and Foreign Affiliate FATS; Production of <i>Inter-Agency Manual on Statistics for Trade in Services (MSITS)</i>	NO

SERVICES TRADE INFORMATION

HOW IS IT CURRENTLY COLLECTED?

The IMF Balance of Payments Compilation Guide recommends two Modalities for collection of services trade information as part of National Accounts Data Collection

1. International Transactions Reporting Systems (ITRS)
2. Enterprise Surveys



SERVICES TRADE INFORMATION

HOW DO DEVELOPING COUNTRIES CURRENTLY COLLECT IT?

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INTERNATIONAL TRANSACTIONS RECORDING SYSTEMS (ITRS)

- Capital account transaction measurement
- Completed by Central Banks and Financial Institutions
- Surveys estimating financial flows from the TOP-DOWN
- **DATA POOR**



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HOW DO **DEVELOPED** COUNTRIES CURRENTLY COLLECT IT?

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ENTERPRISE SURVEYS (ES)

- Surveys conducted by a government agency
 - Surveys completed by the private sector
- More accurate
- Resource intensive (for enterprises and governments)
- **DATA RICH**



SERVICES TRADE INFORMATION HOW CAN WE IMPROVE IT?

- Enterprise Surveys - *employed*
- Governance Issues - *addressed*



SERVICES TRADE INFORMATION WHAT ABOUT NEGOTIATORS?

ISTIA can prepare them:

- vis-a-vis Training and Capacity building
- to understand and to use new Information,
- as these data come to be made available
from their national governments



SERVICES TRADE INFORMATION WHAT WILL IT ENTAIL?

- **ISTIA Co-ordination & Training for National Governments**
- **National Government Commitment of Resources**
- **National Government Employment of Enterprise Surveys**
- **National Governance Issues**
 - Treatment of Business Reporters
 - Confidentiality of Reported Data (affected by trust relationship to govt)
 - Statutory Nature of Reporting (required by law? Non-reporting penalized?)
 - Treatment of Data (secret?, legally admissible?)



SERVICES TRADE INFORMATION HOW LONG WILL IT TAKE?

Depends entirely on the resources available

