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V/ANNUAL CONVENTION

GUATEMALA CITY, GUATEMALA

GLOBAL SERVICES: LATIN AMERICA
IN THE RACE FOR TALENT

THE STATISTICAL CHALLENGE OF TRADE IN SERVICES

GOOD PRACTICES

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BETTER MEASURING INTERNATIONAL TRADE IN SERVICES: WHY AND HOW

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Outline

- The importance of international trade in services
- Measuring trade in services: challenges
- Measuring trade in services: solutions and standards
- The road ahead: measuring *Trade in Value Added*



Trade in services involves a wide variety of transactions and activities

- Cross border transactions in services
 - Transport, Travel, Construction, Insurance and pensions, Financial services, Manufacturing services, Maintenance and repair services, Charges for the use of intellectual property, Telecommunications, computer and information services, Other business services, Personal, cultural and recreational services, Government services n.i.e.
- But also: commercial presence abroad ('Mode 3' in the WTO GATS agreement)
 - Sales of foreign owned affiliates in services industries



Importance of trade in services

- The **services** sector accounts for the majority of GDP and employment in virtually all countries world-wide
- **Trade** in services also becomes increasingly important...
 - In the countries of ALES members, a growing share of exports consists of services (~10%), with very high values for e.g. Costa Rica, El Salvador, Nicaragua (>30%), and to a lesser extent Chile and Argentina (~15%).
 - Inward FDI stock in the countries of ALES members has grown 4-fold since 2000, and outward stock, although only still a third of the value of inward FDI, is growing even faster.
- ...reflecting developments in **ICT**...
- ...and the emergence of **Global Value Chains**, that increasingly emphasize trade in **tasks** (instead of products): it is not what you make, but what you do.



Increased demand for more, and more detailed, trade in services statistics

- However: there is often very little additional statistical information available (e.g. regarding the main trading partners, the types of traded services)
- This means that important questions go unanswered:
 - For policy makers:
 - What are the trends, causes, and effects of trade in services?
 - What main modes of supply are used?
 - How to position ourselves in international trade negotiations?
 - For services industry firms:
 - What are growing markets for my services?
 - What services can I purchase elsewhere (e.g. outsource)?



Challenges in measuring trade in services (1)

- Services are *intangible*, and very *diverse* in nature
- Unlike for trade in goods (which can rely on data from customs), the *data sources* and *compilation methods* for trade in services statistics vary greatly.
 - The current best practice is to use a *combination* of various business surveys (for services provided by businesses), travel/tourism surveys (for travel), estimations (for certain financial services), transport surveys (among largest transport providers), administrative data (e.g. VAT registers) and other sources.
 - But this depends on *national availability* of these sources and *legal context* with respect to their use for statistical purposes.
 - May result in important *trade asymmetries* (the data on exports of country A to B do not align with the data on imports of country B from A)

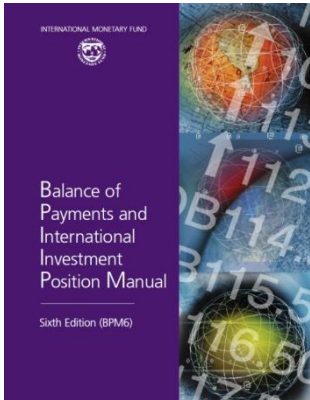


Challenges in measuring trade in services (2)

- But there is no alternative: increasing complexity of services transactions means that the **‘traditional’ data source** (International transaction Reporting System (ITRS)) becomes increasingly **obsolete**
 - Inter-company transactions with netting practices are not properly recorded
 - Possible misclassifications of types of services (by banks on behalf of transactors)
 - Geographical allocation may be biased (country of settlements versus country of transactions)
 - Reporting thresholds (increasingly higher in context of capital account liberalization) may affect data accuracy
 - Timing is based on settlement and not accrual (important e.g. for construction, insurance)
 - Certain transactions not captured at all (e.g. FISIM, non-cash transactions)

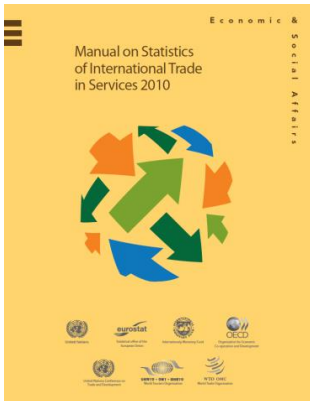


Standards and guidance by international organizations



BPM6 Manual + Compilation Guide

- International standard for the compilation of statistics on resident/non-resident transactions and positions
- Consistent with other major statistical frameworks (e.g. SNA2008) as these were updated in parallel



MSITS2010 Manual + Compiler's Guide

- Focuses on compiling data by **service category**, **trading partner** and **mode of supply**, and by including more detailed compilation guidelines for **FATS**.
- Fully consistent with BPM6 and the International Recommendations on Tourism Statistics (IRTS 2008)
- A 350+ page Compiler's Guide full of country practices



The road ahead: measuring trade in value added (TiVA) (OECD-WTO)

- **The rise of GVCs** means that only using **gross trade flows** gives an **incomplete picture** of globalization
- **TiVA** aims to increase our understanding of the process of globalization by providing **insights into the value added created by each country in the production of goods and services that are traded and consumed worldwide**
 - How much value added is created by trade – directly *and* indirectly – and where?
 - Role of services in international trade
 - Better understanding of risks (in GVCs) and impact of policy measures



Trade in Value Added database

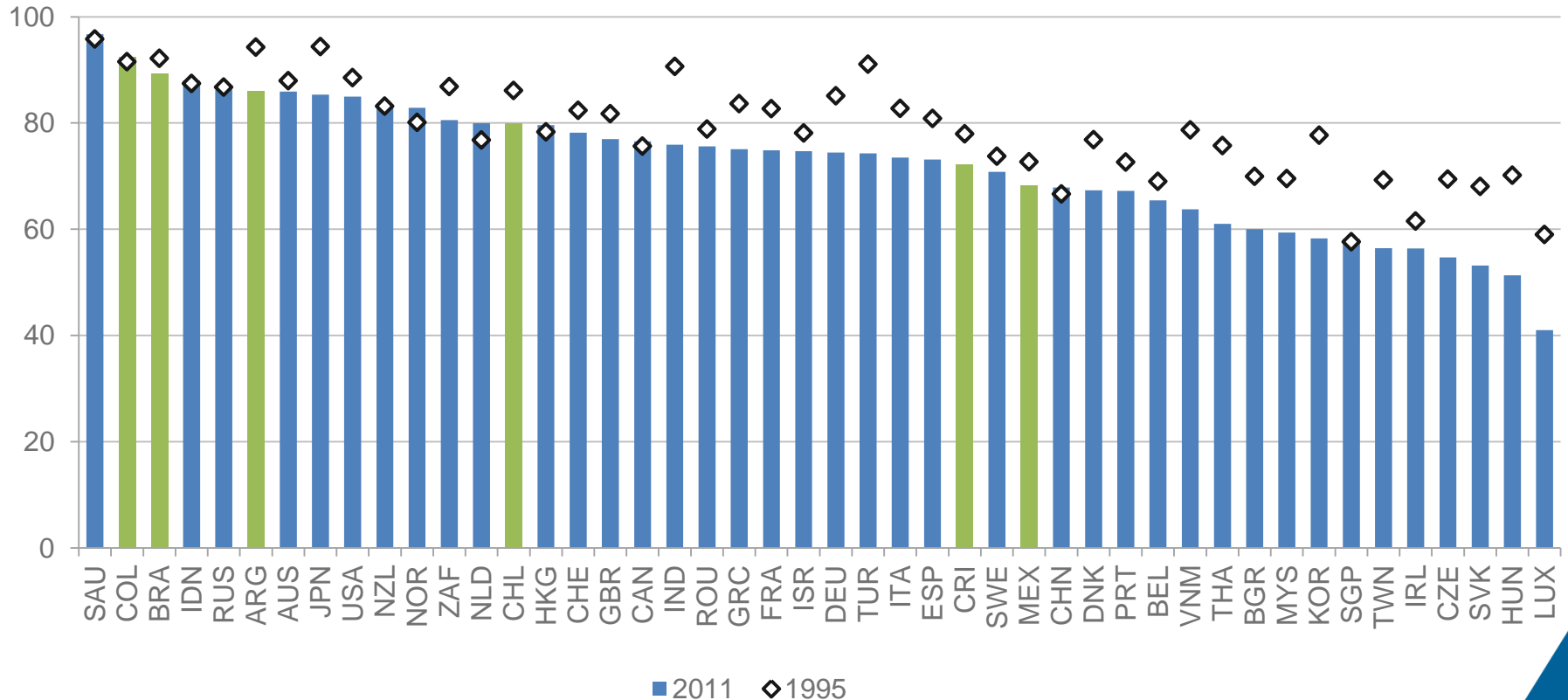
- The TiVA database includes indicators such as
 - Export value divided by domestically (direct, indirect, re-imported) and foreign produced value added
 - Domestic value added embodied in foreign final demand (% GDP)
 - Foreign VA embodied in domestic final demand (% GDP)
 - Services VA embodied in exports
- Currently covers **61** economies, **34** industries, years **1995 – 2011**
- Conclusions from TiVA data served as major input to various high level policy meetings (e.g. OECD MCM; Trade Committee; and G20)
- More info and data: <http://oe.cd/tiva>



Examples of TiVA indicators (1)

Exports increasingly depend on imports

% of domestic value added embedded in exports (2011 vs 1995)

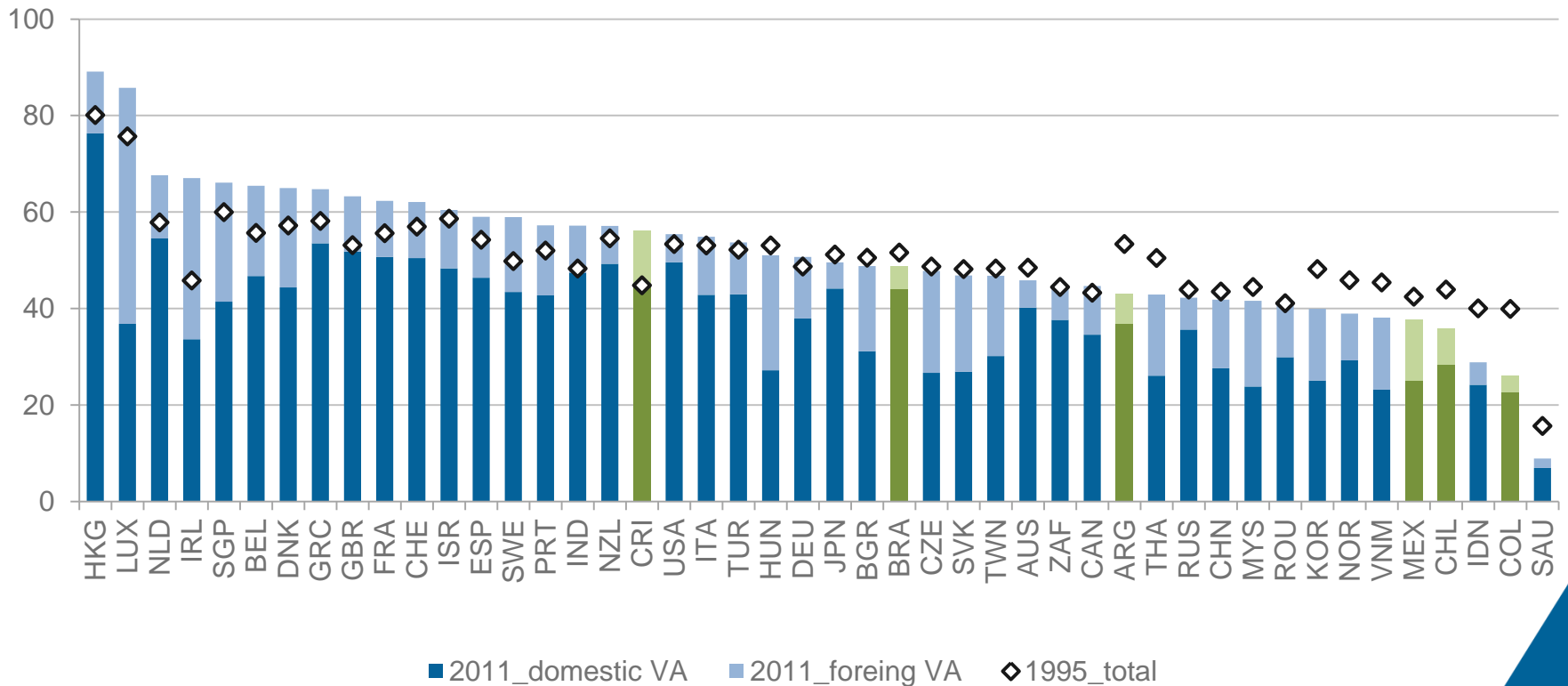




Examples of TiVA indicators (2)

Services account for ~half total value added (domestic + foreign) in exports

% of services VA in exports, domestic and foreign (2011 vs 1995)





Thank you!

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