

Opportunities and challenges in using evidence-based trade policy for the achievement of sustainable development goals

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Services trade and services trade statistics

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Lets start with why are services different?

Features of services:

- Intangibility
- Non storability
- Intermediation
- Protection behind the border
- High regulatory intensity
- Diversity

Examples of services:

- Teaching
- Hair-cut
- Retail
- Internet
- Banking
- Guiding tours

Services in national data





Outline – we shall discuss the following questions:

- Services trade - concepts
- Services trade - barriers
- Measuring services trade
- Q&A



Trade in services





Issues

- Which services are tradable, that were not tradable 10 years ago?
- Which services will become tradable tomorrow? How to predict those?
- How many jobs are in tradable services? Which of these face competition from other developing countries?
- How important are services for efficiency and productivity growth? Industrialization?





The accepted notion of services trade comes from the General Agreement on Trade in Services - GATS

For the purposes of GATS, services trade is defined as a supply of a service:

1. from the territory of one member into the territory of any other Member
2. in the territory of one member to the service consumer of any other member
3. by a service supplier of one member, through commercial presence in the territory of any other member
4. by a service supplier of one member, through presence of natural person of a member in the territory of any other member.





This definition is now generally known as the four modes of trade in services

Mode 1: cross-border provision (25-30%)

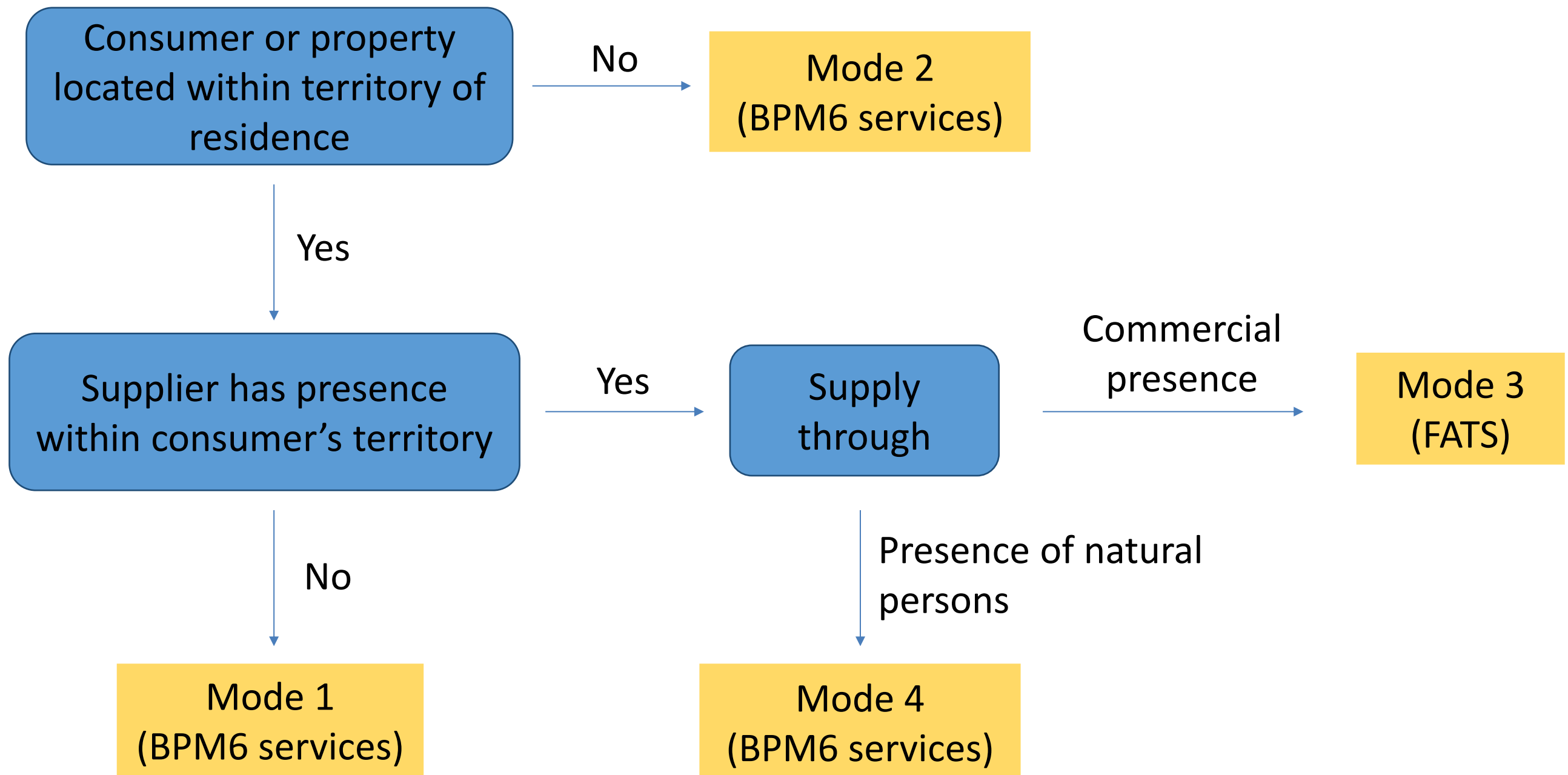
Mode 2: consumption abroad (10-15%)

Mode 3: commercial presence (55-60%)

Mode 4: a temporary movement of natural persons (<5%)



APEC definition





Examples

1. An advertising executive developing a TV commercial for a foreign client
2. A secretary at a law firm answering a call from a foreign client
3. A cabby who drives a foreign businessman from the airport to the hotel
4. The cast of a television show that will be broadcast abroad
5. A doctor operating on a foreign patient
6. The doorman and the bartender at a posh hotel serving foreign guests
7. An accountant unraveling the financial affairs of a foreign corporation
8. An engineer designing a bridge to be built in another country
9. A caterer preparing a meal to be served at a foreign embassy
10. A management consultant advising a foreign client

1. Every reader of this book who has taken a foreign vacation
2. An auto company that asks a foreign firm to design a new model
3. Someone who buys a ticket to a performance by a foreign orchestra
4. A student attending a foreign university
5. A businessman who extracts information from a foreign data base
6. A housewife who goes to "Jean Pierre" for the latest French hairstyling
7. A consumer who has a camera repaired abroad
8. An investor who buys securities at a foreign stock exchange
9. The actress who has her legs insured in London with a Lloyd's broker
10. A traveler who uses a credit card issued by a foreign bank.



Policies

- For goods - control is through border measures (e.g. tariffs)
- For services - control is through regulations – no tariffs (remember how services are supplied?)
- Restrictions are with the importing country- behind the border barriers, many in form of Government regulations (which are often prudent and necessary; examples?)
- Concern exists when regulations are applied in a discriminatory and unnecessarily restrictive manner that limit market access; many come in form of restricting FDI (mode 3) or temporary movement of providers and consumers of services (modes 4 and 2).
- Are there restrictions on mode 1? Are there restrictions on exports of services?





Effects of trade barriers in services

- Traditional resource allocation and scale effects
- More recent barriers (related to digital trade and data flows) include forced “localization” of trade (e.g. requiring locally based servers or no transfer of own data)
 - has to be weighted against need to protect privacy for citizens, security, and similar
- When thinking of barriers, think about role of services as intermediates in industrial and agricultural exports, not only about services as final (consumer) “good”





Measuring services trade

Based on presentations shown at the Trade Data Day, WTO, July 2016



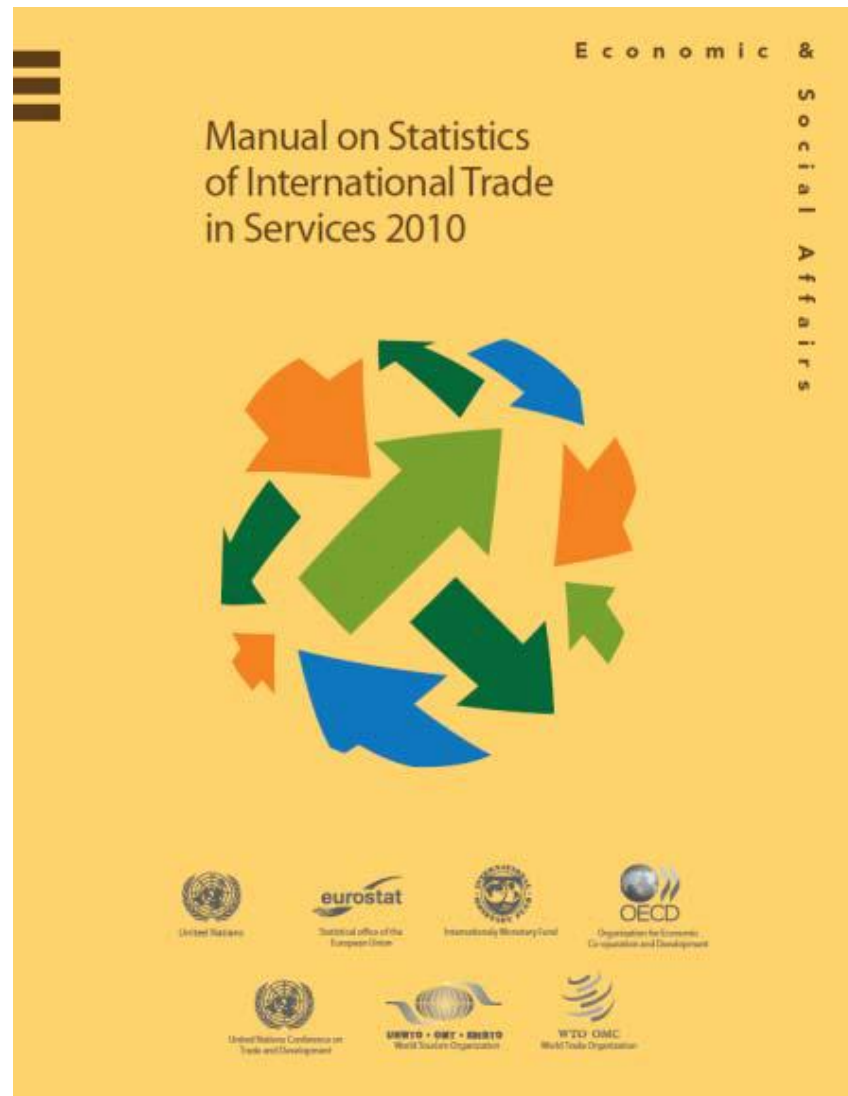


UN Interagency Task Force on ITS

- Services and merchandise trade statistics TFs established in early 1990s, meeting jointly since 2008
- Convenors: WTO and OECD, other members: IMF, UNSD, UNCTAD, UNWTO, Eurostat
- Coordinate work of international organisations on statistics of merchandise trade and services trade
 - (meta) data collection, sharing, processing and dissemination;
 - conceptual work (standards, classification, compilation problems): Manual on Statistics of International Trade in Services (2010 edition);
 - technical assistance (i.e. implementation), compilation guidance: first edition released in December 2014
- [Overview of existing databases covering statistics of international trade in service at different international organizations](http://unstats.un.org/unsd/tradeserv/TFSITS/matrix.htm)
<<http://unstats.un.org/unsd/tradeserv/TFSITS/matrix.htm>>



What needs to be measured?



- Value of services trade flows (modes 1,2,4):
 - By detailed service category and partner
 - For all economies, regions, economic groups, world
- **FATS** - OECD.Stat (globalisation); Eurostat on-line database (structural business stats), WTO's International Trade Statistics publication + I-TIP services statistics module
- Value added
- Measures
- Other indicators





Measuring trade flows

What is available: Difficult to get a matrix of bilateral flows, mostly there is trade flow with the world (BOP):

- Exports and imports of modes 1 and 2
- Annual (sometimes quarterly) time series
- Available for most countries worldwide

UNCTAD Data on Trade in Services:

- 1980-current
- Total services and 11 services categories

World Bank *World Development Indicators*

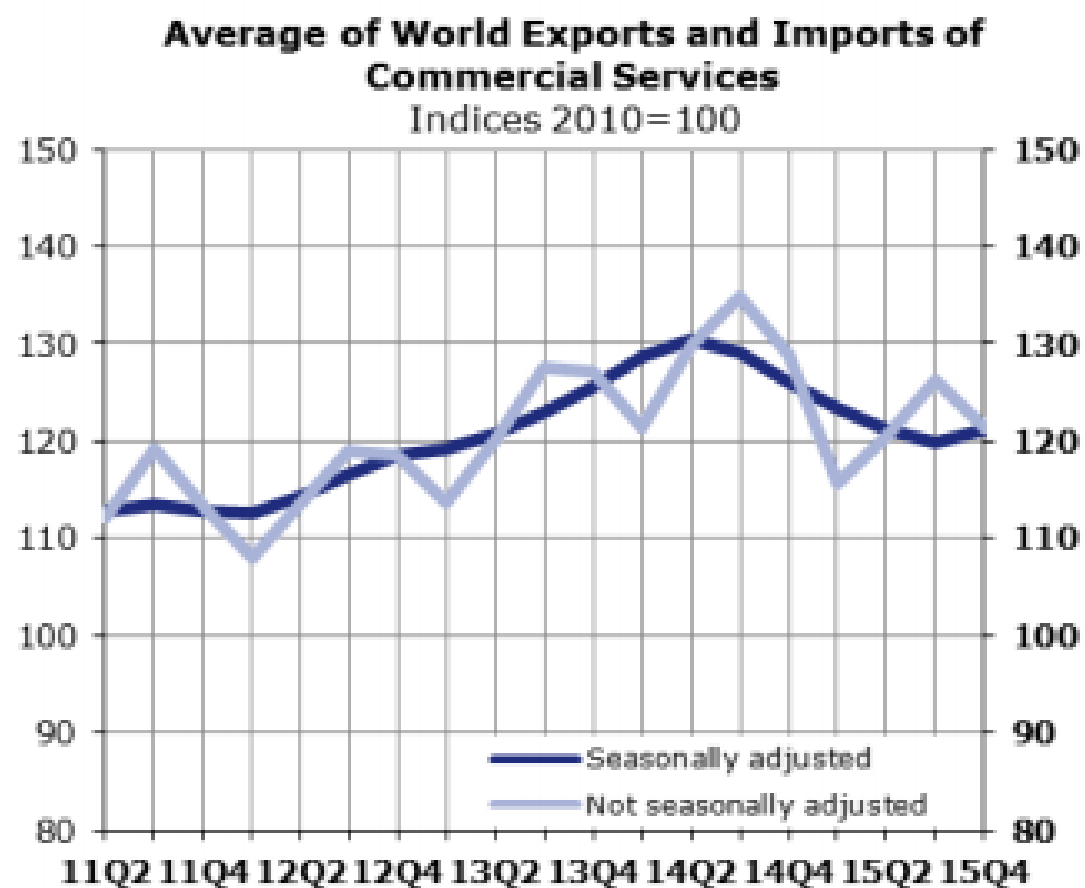
- Services in GDP and employment (1960-current)
- Services trade (2005-current): total services and 5 services categories
- Collected from IMF *Balance of Payments Statistics Yearbook*



Some data

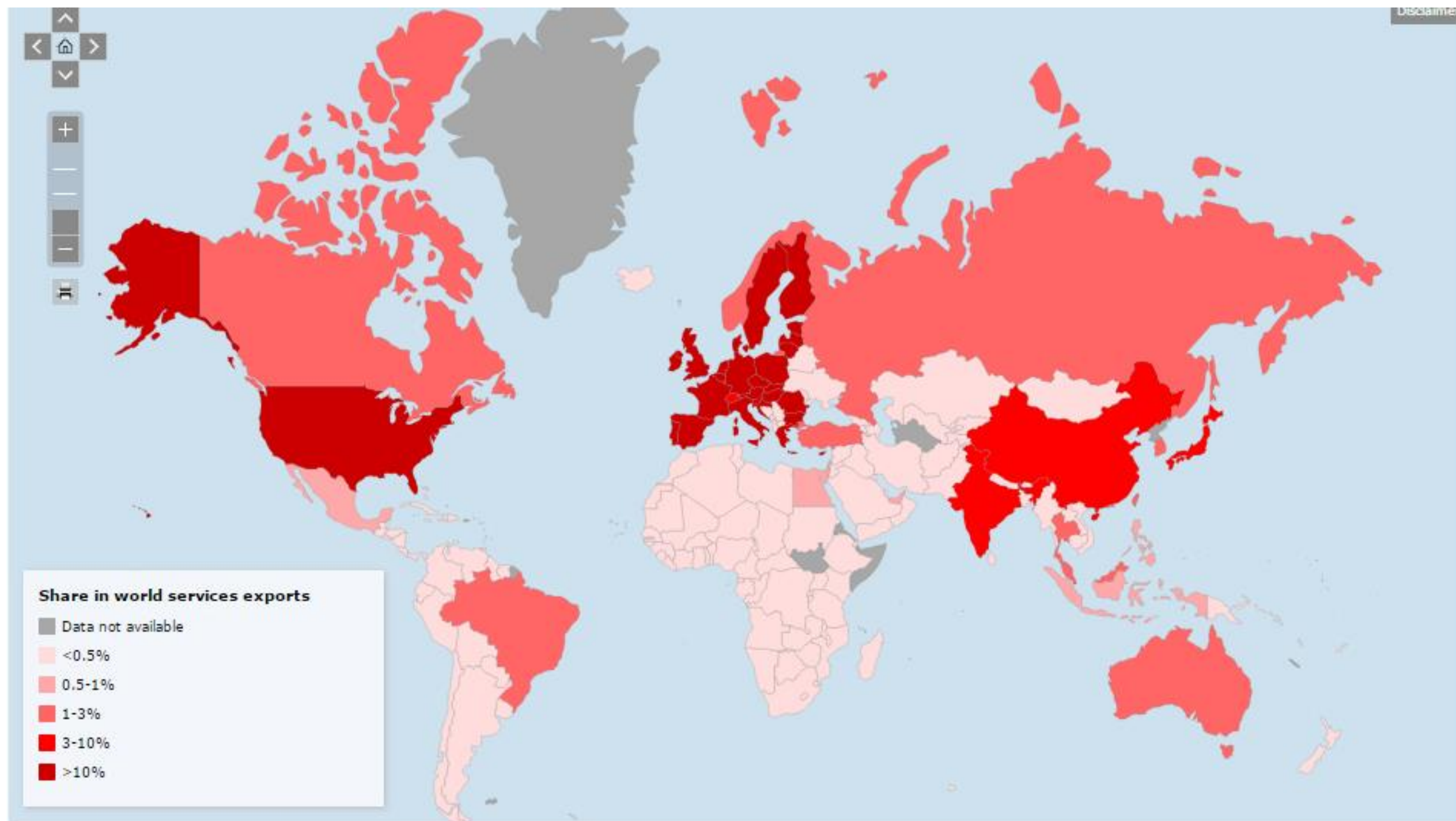
Commercial services trade, values, according to BPM6 presentation

Jointly produced with [UNCTAD](#)

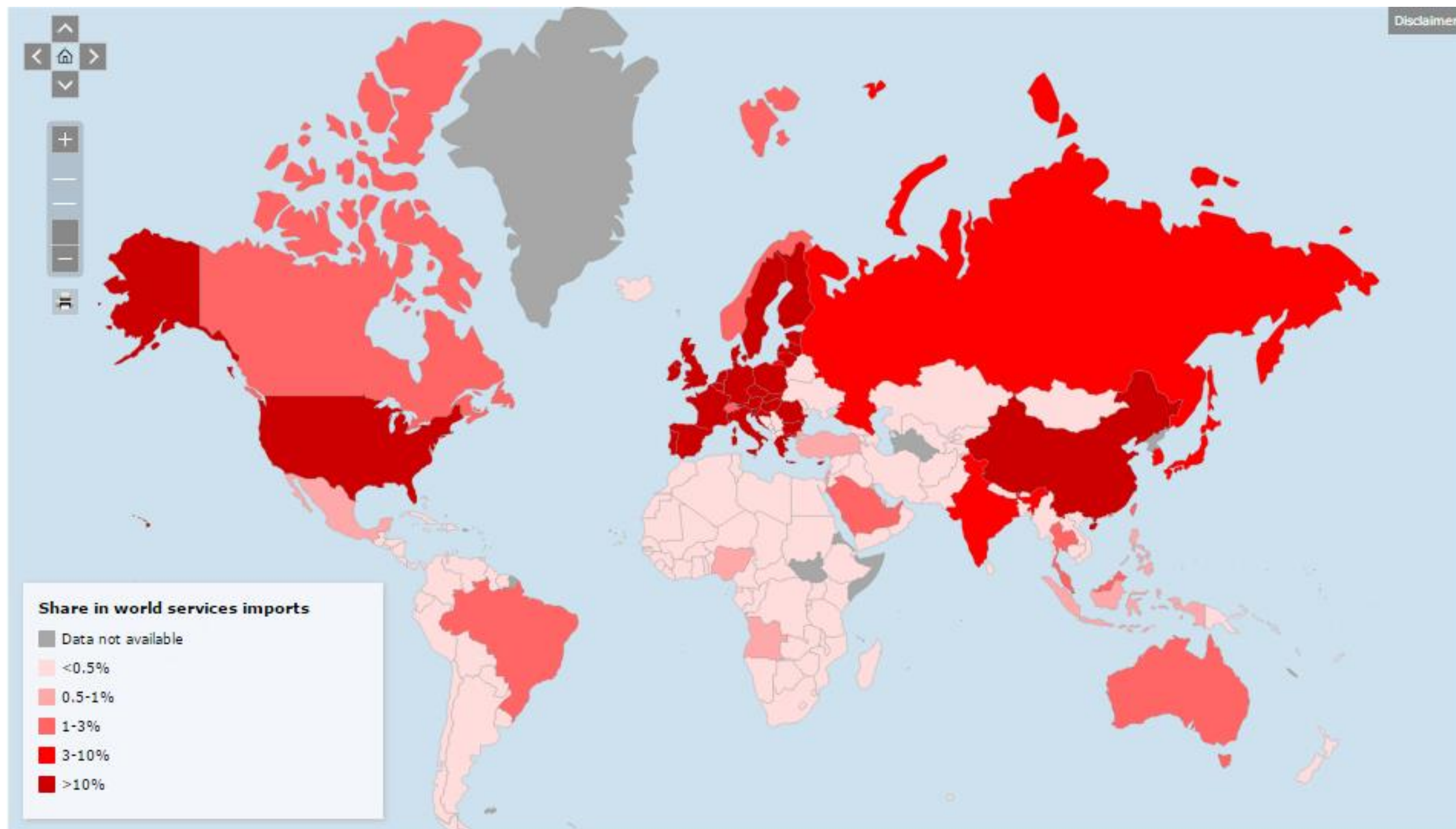


Quarterly % change SADJ	15Q1	15Q2	15Q3	15Q4
World (average X/M)	-2	-2	-1	1
Exports	-2	-3	-1	1
North America	0	-2	-1	0
Europe	-4	-3	-1	1
Asia	1	-3	-2	2
Other regions	-4	-4	-2	-2
Imports	-2	-1	-1	1
North America	0	0	0	0
Europe	-4	-2	0	2
Asia	-1	1	-1	1
Other regions	-6	-6	-5	-4





Note: The content of the maps is updated in October every year, at the same time as the WTO Trade and Tariff Profiles.



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Measuring bilateral trade flows

World Bank *Trade in Services Database*

- Provides a ‘global’ picture of bilateral trade in services for developed and developing countries
 - Developed by T&C with Francois et al. (2013)
 - Consolidates multiple sources of bilateral trade data on services (UN, Eurostat, OECD) and global trade data (IMF)
 - Applies mirror techniques to capture North-South trade (South-South remains largely unreported)
 - Cross-border trade and consumption abroad (modes 1 and 2)
 - Reported across sectors (BOP codes), economies (195) and years (1981-2010)





Measuring value added services trade

World Bank *Export of Value Added Database*

- Measure value added exports of services and the linkages with other export sectors
 - Developed by T&C with Francois et al. (2013)
 - Based on input-output tables from GTAP
 - Measures gross, direct and indirect value added exports based on backwards versus forward linkages
 - Reported across 27 sectors (9 commercial services, 3 primary and 14 manufacturing), economies (118) and years (1992-2011)

OECD/WTO *Trade in Value Added Database*

- 66 countries, 5 services categories, 1995-2009
- (New release soon with updated years, more countries and disaggregated services sectors)
- Includes additional indicators such as foreign and re-imported value added in exports based on the OECD's own input-output tables

Regulatory mapping

	quantitative	qualitative
establishment	<ul style="list-style-type: none"> • Monopoly / exclusive service suppliers • Numerical restrictions • Zoning / Geographical restrictions • Limitations to foreign equity • Economic Needs Tests • Authorization / permit (non-qualified) 	<ul style="list-style-type: none"> • Licensing on <ul style="list-style-type: none"> ◦ Qualifications / Education ◦ Experience ◦ Technical capacity • Nationality / residency of services • Residency • Track record requirements • Requirement to subscribe to association • Approval of mergers and acquisitions • Form of establishment • Prohibition • Minimum capital requirements
operation	<ul style="list-style-type: none"> • Numerical restrictions on <ul style="list-style-type: none"> ◦ transaction ◦ operations / output ◦ employees ◦ repatriation of funds ◦ duration of license / divestment ◦ hours of operations • Screen / performance quotas • Performance requirements 	<ul style="list-style-type: none"> • Nationality / residency of managers, boards of directors • Land Ownership • Discriminatory Taxation • Access to Subsidies • Knowledge Transfer • Advertising limitations • Rules on anti-competitive behavior • Limitations on distribution channels • Limitations on pricing • Limitations on transfer of funds • Type of shares owned by foreigners • Performance requirements • Import permits • Access to government contracts

Source: authors





WTO Services trade statistics

I-TIP Services statistics



- Accompanies GATS, RTAs and Applied regimes modules
- Relevant up-to-date statistics
- Resident/non-resident statistics, i.e. BoP commercial services trade By service product, partner
- Foreign Affiliates Statistics (FATS), i.e. mode 3
- Foreign Direct Investment (FDI) in services
- Market information: value added, employment
- Sector specific indicators (quantitative)





Challenging work ahead

Services statistics on BoP basis

- implementation of new statistical standards (BPM6)
- develop partner data in particular in developing economies
- reduce asymmetries (OECD-WTO bilateral matrix project)
- Foreign Affiliates Statistics (measure mode 3)
- Develop modes of supply data
- New areas of work
 - TiVA- Trade in Value Added terms (of which services)
 - STEC-Services Trade by Enterprise Characteristics



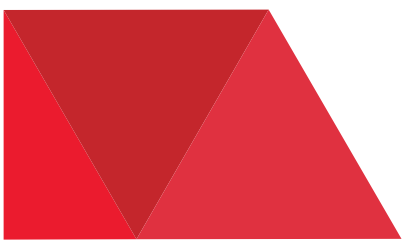


Classification of services for WTO/UNCTAD/ITC

Annual data: Total services, Commercial services, and 16 selected BPM5/EBOPS items; more detailed EBOPS information available from ITC Trade map; more detailed EBOPS information available from ITC Trade map;

Under development: Quarterly data by 4 main sub-items: Transport, Travel, Other (commercial) services and government services n.i.e.





Classification commercial services (BOPM6)

The current account is subdivided into goods, services (including government goods and services, n.i.e.), primary income, and secondary income.

Commercial services comprise all services categories except government goods and services, n.i.e.

Commercial services are sub-divided into manufacturing services on physical inputs owned by others, maintenance and repair services n.i.e., transport, travel, and other commercial services.





The BPM6 contains the following 12 standard services components

- (1) Manufacturing services on physical inputs owned by others
- (2) Maintenance and repair services, n.i.e.
- (3) Transport
- (4) Travel
- (5) Construction
- (6) Insurance and pension services
- (7) Financial services
- (8) Charges for the use of intellectual property, n.i.e.
- (9) Telecommunications, computer and information services
- (10) Other business services
- (11) Personal, cultural and recreational services
- (12) Government goods and services, n.i.e.





Based on data we have: what do we know about services trade

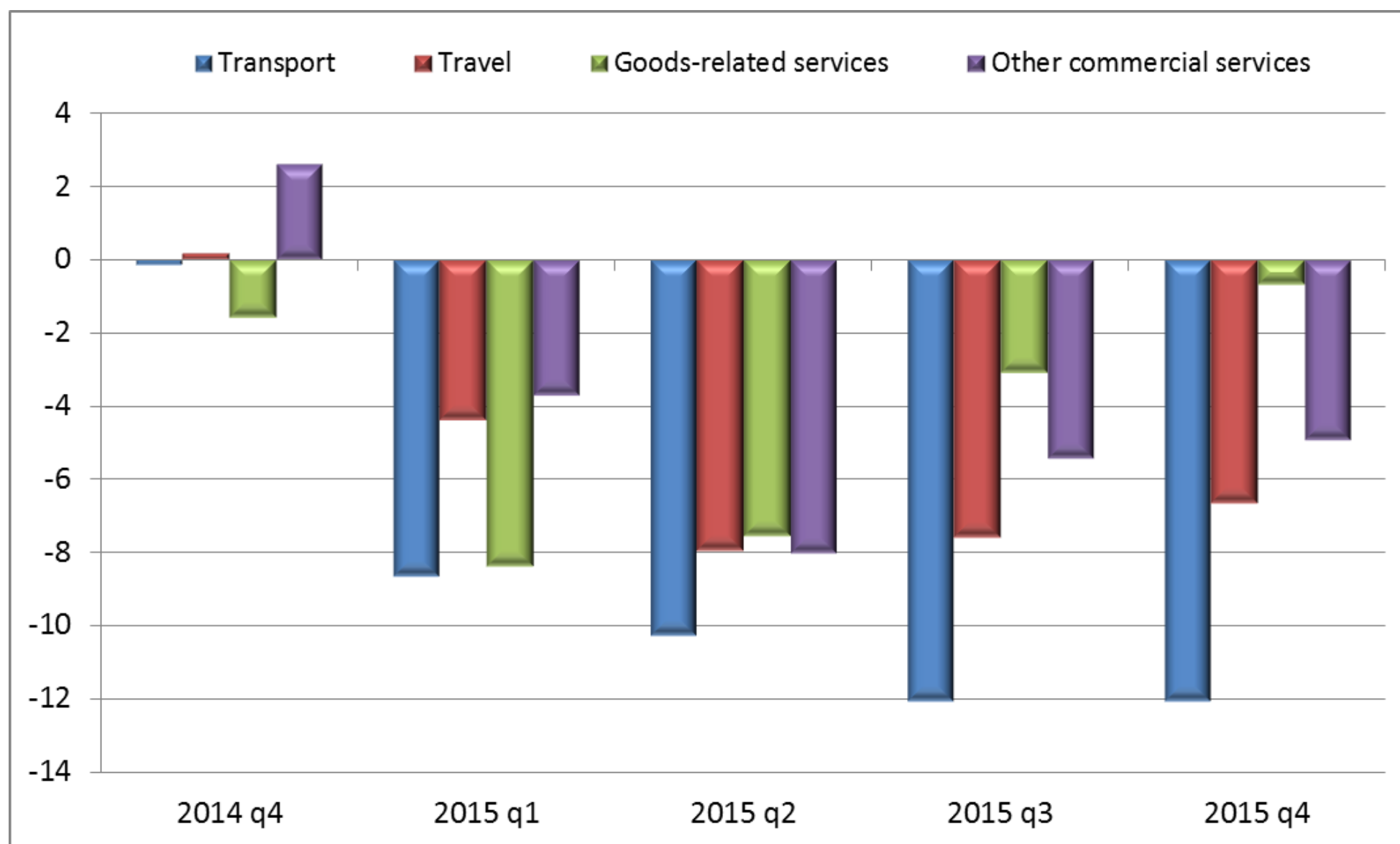
Asia-Pacific Trade and Investment Report (ch 2), ESCAP

- Services more resilient in crisis
- Developing countries participation increased
- Transport and travel share in world trade decreased
- South-south trade increased

❖ Role of so-called “servicification”



World exports of commercial services, by main category





Exports and imports of total commercial services, by selected region

	EXPORTS					IMPORTS				
	2014 q4	2015 q1	2015 q2	2015 q3	2015 q4	2014 q4	2015 q1	2015 q2	2015 q3	2015 q4
World	1.4	-5.0	-8.4	-7.2	-6.5	1.5	-4.6	-5.9	-5.8	-5.1
North America ^a Incl. Mexico	2.9	2.5	-0.9	-2.2	-2.9	2.4	1.6	0.9	0.7	-0.9
Europe ^a	-1.2	-10.0	-12.0	-9.6	-7.7	-0.9	-9.6	-10.8	-8.5	-5.8
Asia	7.5	0.6	-4.8	-4.0	-5.6	7.4	2.2	2.1	0.0	-2.1





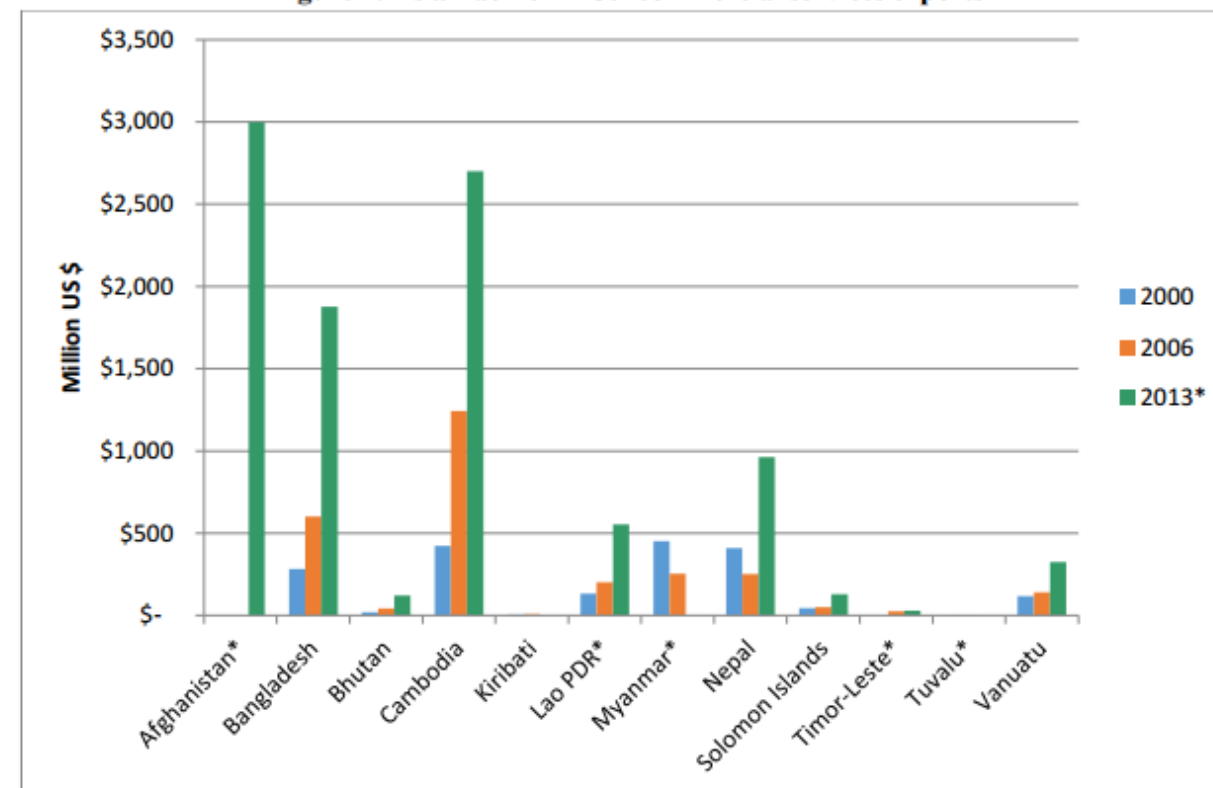
Services trade and LDCs



Progress made for LDCs with “Services waiver”

- Developed and developing Members shall indicate sectors and modes of supply where they intend to provide preferential treatment to LDC services and service suppliers;
- A Member may accord preferences similar to those arising from preferential trade agreements to which it is a party;
- Targeted and coordinated technical assistance aimed at strengthening the domestic and export services capacity of LDCs
- The Council for Trade in Services shall periodically review the operationalization of the waiver

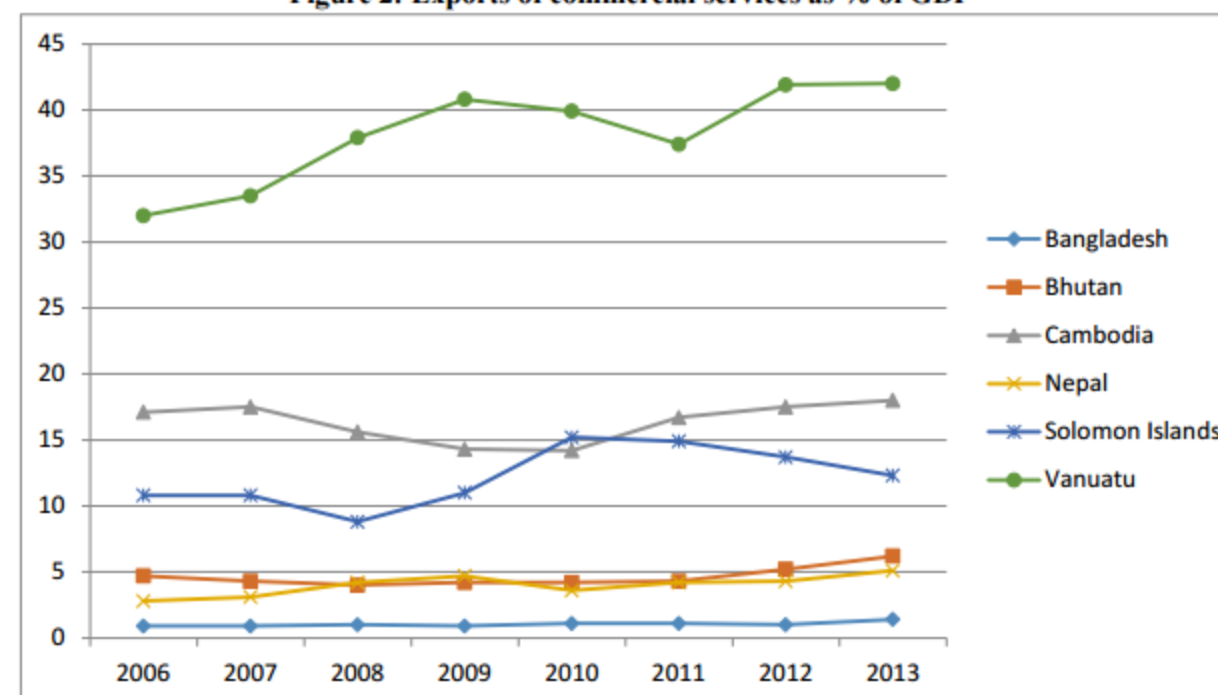
Figure 1: Asia-Pacific LDCs' commercial services exports



*2013 or nearest year, depending on latest available data.

Source: ESCAP Online Database. Figures based on WTO.

Figure 2: Exports of commercial services as % of GDP



Source: ESCAP Online Database. Figures based on WTO. Note: Data not available for all LDCs.

Post-Bali and challenges in services negotiations

- Linkage to other negotiating areas
Especially agriculture & NAMA
- Difficult policy coordination in capitals
Sectoral responsibilities scattered among different ministries
- Structure of GATS
Schedules and modal structure too complex?
- Regionalism
Diversion of negotiating resources?
- Lack of political leadership: Informal meeting of Trade in service council on 20 April 2015, etc.



Q&A

Thank you

Keep up to date at:

www.unescap.org/our-work/trade-investment
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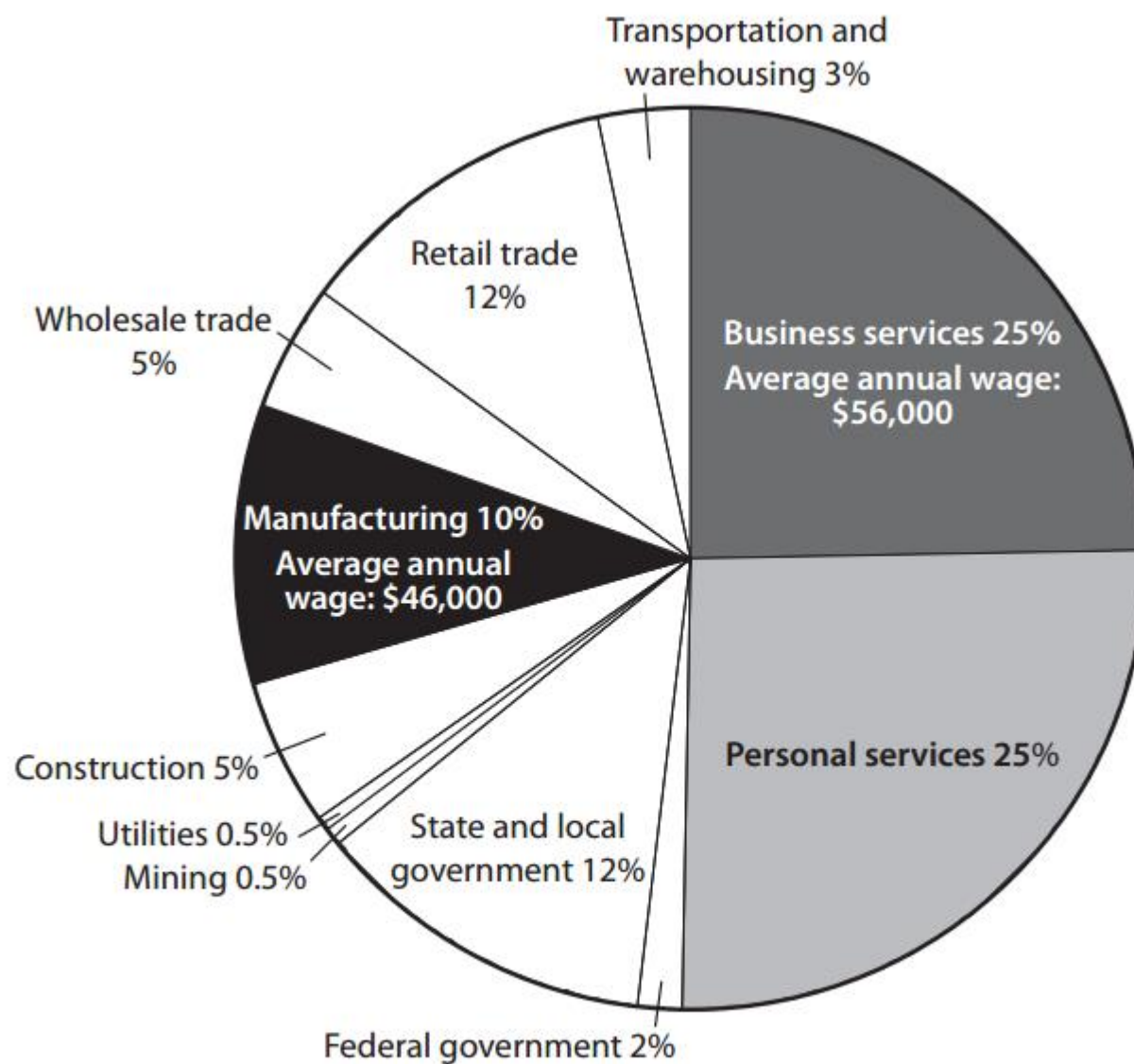
Selected references

Asia-Pacific Trade and Investment Report, various issues, ESCAP

J. Bradford Jensen (2011) Global trade in services: Fear, Facts and offshoring, PIIE



Some international data - US



Sources: 2007 Economic Census; 2007 Census of Governments.

