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Implementation of Methodological Standards in the Compilation of
Trade in Services in the Balance of Payments Framework

Prepared by the World Trade Organization

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The need for more information.

Introduction

A good understanding by the user of the compilation practices employed in the production of statistical time-series is crucial for any reliable empirical work undertaken with such data. In the field of trade in services the WTO secretariat, negotiators for services and industry representatives have a need for reliable and comparable data covering a wide range of trading nations. BOP statistics collected by the IMF offer a very good source for such data and the 5th edition of the BOP Manual (BPM5) offers a very well elaborated methodological framework. Differences in the actual implementation by countries do, however, affect both the comparability across countries as well as over time.

Background

In trade in services statistics, as in many other areas the implementation of the most recent, internationally agreed methodological standards takes time and may often never be fully achieved in some countries due to various institutional or other constraints. This leaves the user of such data in the undesirable position of not knowing whether the data being used correspond to the international standards. This has repercussions for the cross-country as well as for the across-time comparability. The global differences in the exports and imports of individual services components (in 1996:¹ 70 bill US \$ for transportation, 40 bill US \$ for travel and 45 bill US \$ for other services) is a striking example of the difficulties faced as a result of differences in compilation practices. Similar discrepancies in the global accounting of capital flows global gave rise in the early nineties to concerted efforts to investigate the issues and finally led to the Coordinated Portfolio Investment and FDI surveys.

As a major user of trade in services data, the WTO has devoted some time and effort to studying these issues and to comparing data from different sources. The methodological notes given in Part 3 of the BOP Statistics Yearbook are useful but usually not very detailed and leave many questions unanswered. At EUROSTAT considerable efforts have been undertaken to evaluate the implications of non-standard methodology and to make adjustments to those data for the compilation

¹ IMF Balance of Payments Statistics Yearbook 1997, Part 2, Washington 1997.

of the EU BOP. EUROSTAT has in fact very well documented its efforts in a publication.² For several other countries also well documented papers are available that help to understand whether international concepts have been fully adopted and if not what deviations exist. However, these papers are not always easily available, do not cover not all countries and are invariably differently organized.

How to improve metadata on trade in services statistics

For compilers and users of trade in services statistics of the BOP it would be very useful to have a reliable metadatabase with sufficiently detailed information concerning the implementation of the BPM5 international standard. One possible approach to address this issue would be through a survey of methodological practices covering the balance-of-payments statistics of all countries. The results could be consolidated in a document or into an online reference database similar to the one done for FDI. Another approach could be to systematically collect and make available all national information pertaining to the compilation of trade in services data. The problem in both cases is how to keep the information up-to-date and how to make it available to users.

The advantage of a survey would be that it would allow to assemble all the relevant information concerning compilation practices in a uniform framework. One could easily identify common weaknesses that might need to be addressed. Confronting national BOP compilers with a questionnaire asking detailed questions on BPM5 methodology could serve as a remainder for those countries that have not yet fully converted to BPM5.

In the past several surveys of methodological practices of a similar nature have been undertaken by different organizations:

Merchandise trade survey	UNSD
FDI survey	IMF and OECD
Portfolio investment survey	IMF

Two of these surveys have addressed directly major sections of the BOP. A survey on trade in services statistics would close another gap. To be really useful a survey would need to address, among other things, the following issues:

- 1 The questionnaire should be very specific addressing compilation issues in all of the detailed categories of the extended BOP classification.
- 2 It could possibly include a time dimension by asking when certain series have been changed to BPM5 and if they have not, when it is planned.
- 3 Clear indications of any breaks in series if any, and when they occurred after conversions would be very useful for users.

² EUROSTAT, International Trade in Services – Compilation Guide, Luxembourg 1998.

Timing

The BPM5 was published in 1993 and many countries have started reporting their services transactions following the new classification. There are, however, few countries that have implemented all the recommendations up to date. Many of the OECD countries have only recently completed their conversion to BPM5. One might therefore argue that it might be too early to launch a survey since many countries have not yet completed their BPM5 implementation. On the other hand, trade in services data are more and more in demand.

The new round of global trade negotiations, scheduled to begin in 2000 will deal again with trade in services as one of its main agenda items. To allow transparency in the negotiations and to be able to evaluate appropriately the impact on exports and imports of services it is important to know the underlying methodologies. It would therefore be useful if the results of such a survey on trade in services compilation practices could be completed by the year 2000.

Conclusions - A way forward

Before advancing further on this issue there is a need to get some feedback from countries and other organizations on the appropriateness and feasibility of such a survey. It is for that purpose this note has been introduced at this meeting. It would be extremely useful to hear what the members of this Committee think about the idea of introducing such a methodological survey. Should there be enough support the proposition could then also be tabled at the next Inter-Agency Task Force on International Trade in Services. In any case, given the resource constraints a broad based inter-organizational support would be needed. The Task Force on Trade in Services Statistics could possibly act as a steering committee.

It would seem appropriate that the IMF should have a key role to play not least because it is a survey about the implementation of the BPM5 concepts for which the Fund is mainly responsible. The Fund has also gained considerable experience with the FDI and the Portfolio survey. EUROSTAT with its influence and responsibility for EU BOP compilation would certainly also need to be involved. The OECD secretariat has also a long experience in the compilation of services statistics and might also be a valuable partner. Lastly, as a major user the WTO would be interested to be involved in this project.

Summary

The note addresses the issue of how to make country practices in the compilation of BPM5 trade in services statistics more transparent to international compilers and users of such data. It introduces the idea of a methodological survey on country compilation practices. Before proceeding with any more detailed work support by countries and organizations is sought.