

system or the special trade system. The general trade system appears to be a better proxy for measuring change of ownership because it provides broader coverage and the date of change of ownership may be closer to the date goods cross the national frontier than to the date goods clear through customs.

As far as valuation is concerned, the issue that affects most data comparability concerns the point of valuation, namely, whether goods are valued at the importer's border - that is at the c.i.f. value - or at the f.o.b. value at the exporter's border. ITS guidelines recommend the adoption of the c.i.f. valuation for imports whereas BPM5 requires the f.o.b. valuation. Additional adjustments may be made by BOP compilers to conform to the BPM5 requirement for a market price for valuing trade, processing trade, and with respect to currency conversion.

Once adjusted, merchandise trade is recorded in the goods category of the current account, along with services, income, and current transfers. Therefore, within the balance of payments framework transactions in both goods and services are harmonized and provide for comparable statistical series, as in Table I.8. Strictly speaking, it is not correct to aggregate the figures for commercial services and merchandise shown elsewhere in this report.

It should be noted that some economies still apply the concepts of the fourth edition of the Balance of Payments Manual, and thus do not include goods for processing and goods procured in port carriers in the goods account.

II.2 Trade in commercial services

1. Exports and imports

Exports (credits) and imports (debits) of commercial services are derived from statistics on international service transactions included in the balance of payments statistics, in conformity with the concepts, definitions and classification of the fourth (1977) or fifth (1993) edition of the IMF Balance of Payments Manual.

2. Definition of commercial services

In the fifth edition of the Balance of Payments Manual, the current account is subdivided into *Trade in goods* (including *Trade in goods*, *Trade in goods*, *Trade in goods*), *Trade in services* (investment income and compensation of employees), and *Trade in services*. The *Trade in services* category in this report is defined as being equal to *Trade in services* minus *Trade in services*. *Trade in services* is further sub-divided into *Trade in services*, *Trade in services*, and *Trade in services*.

Trade in services covers all transportation services (sea, air and other - including land, internal waterway, space and pipeline) that are performed by residents of one economy for those of another, and that involve the carriage of passengers, the movement of goods (freight), rentals (charters) of carriers with crew, and related supporting and auxiliary services.

Trade in services includes goods and services acquired by personal travellers, for health, education or other purposes, and by business travellers. Unlike other services, travel is not a specific type of service, but an assortment of goods and services consumed by travellers. The most common goods and services covered are lodging, food and beverages, entertainment and transportation (within the economy visited), gifts and souvenirs.

Trade in services corresponds to the following components defined in BPM5:

- (i) *Trade in services* (telecommunications, postal and courier services);
- (ii) *Trade in services*;
- (iii) *Trade in services*;
- (iv) *Trade in services*;

- (v) *Trade in services* (including news agency services);
- (vi) *Trade in services*, covering payments and receipts for the use of intangible non-financial assets and proprietary rights, such as patents, copyrights, trademarks, industrial processes, and franchises;
- (vii) *Trade in services*, comprising trade related services, operational leasing (rentals), and miscellaneous business, professional and technical services such as legal, accounting, management consulting, public relations services, advertising, market research and public opinion polling, research and development services, architectural, engineering, and other technical services, agricultural, mining and on-site processing; and
- (viii) *Trade in services*, including audiovisual services.

3. Coverage and comparability

Although in recent years the coverage and comparability of services trade data have improved, recorded trade figures still lack comparability across countries and are subject to significant distortions.

Trade in services, some countries do not collect statistics for certain service categories. *Trade in services*, some service transactions are simply not registered. If central bank records are used, situations where no financial intermediaries are employed are not counted. In the case of surveys, the coverage of trading establishments is often incomplete. A particularly serious problem is that services transmitted electronically are frequently unregistered, especially when the transactions take place within multinational corporations. *Trade in services*, statistics may be reported on a net rather than on a gross basis, often as a result of compensation arrangements such as in rail transport or in communication services. *Trade in services*, the alternate sources used for countries which are not members of the IMF do not necessarily comply with the IMF concepts and definitions. *Trade in services*, misclassification of transactions may lead to an underestimation of commercial services when service transactions are registered as income, transfers or trade in merchandise rather than trade in services or, conversely, to an overestimation of commercial services when transactions pertaining to income, transfers or official transactions are registered in the private service categories.

These distortions may be particularly significant at the detailed level, i.e., for a detailed service category, or for trade flows by origin and destination.

The implementation of BPM5 is resulting in an improvement of international data comparability over time. However, given that these improvements are made gradually, they also result in a number of breaks in series. The borderline between goods and services, as well as the borderlines between the components of commercial services differ in BPM4 and BPM5. Examples of such differences are:

- (i) most processing transactions are included under *Trade in services* on a gross basis in BPM5, while in BPM4 only the value



These sources are supplemented by national publications and Secretariat estimates.

Figures for total merchandise trade are largely derived from IMF, *International Financial Statistics*. Data on merchandise trade by origin, destination and product are obtained mainly from Eurostat and the UNSD *Commodities*. Some inconsistencies in the aggregate export and import data for the same country or territory between the two sources are inevitable. These can be attributed to the use of different systems of recording trade, to the way in which IMF and UNSD have converted data expressed in national currencies into dollars, and revisions which can be more readily incorporated in the IMF data.

Statistics on trade in commercial services are mainly drawn from the IMF *Balance of Payments Statistics*. For countries that do not report to the IMF (e.g., Macao, China; and Taipei, Chinese) data are drawn from national sources. Estimations for missing data are mainly based on national statistics. Statistics

on trade in commercial services by origin and destination (Tables III.6 and III.7) are also derived from national statistics.

GDP series in current dollars are mainly derived from the World Bank *World Development Indicators*, supplemented in some cases with statistics from the IMF *World Economic Outlook*.

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