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***item 21b i) Estimated patterns of world and  
OECD trade in services***

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## Estimated patterns of world and OECD trade in services

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1. Since 2003 OECD has been publishing statistics on international trade in services by partner country. In the 2005 edition data are included for 27 member countries, the EU, and Russia and Hong Kong, China.

2. Because of the high coverage of world service trade flows in the database, about 90%, it was an attractive challenge, boosted by trade analysts' interest, to try to estimate the remaining 10%. Table 1 below presents the estimated broad aggregate patterns of world and OECD trade in services in 2003. It is built on the basis of information available to the OECD at the time of publication and the estimates will be revised in future when more information becomes available.

### Summary of methodology

3. These estimates are primarily based on reported data on exports of services by partner country available to OECD (about 75% of world exports<sup>1</sup>). Where export data are not available the corresponding partner countries' imports figures ("mirror" exports statistics) are used as estimates, which takes coverage to about 90% of world exports. Additional information from the newly published Eurostat detailed geographical breakdown for trade in total services was also used to supplement TISP data, but were not incorporated in the database in 2005. Users need to be aware that "mirror" exports may not always reflect well the corresponding export that would actually be declared by the reporting country, which leads to some data inconsistencies.

4. IMF Balance of Payments Statistics data are used for the world totals and are adjusted to match the OECD database and to provide total trade flows for non-OECD countries. Reported data on the trade in services of international organisations was included and adjustments made for trade reported by OECD countries with Bermuda and Cayman Islands which do not report their balance of payments to IMF. Other territories not included in the IMF data were judged negligible. The missing flow estimates were then based on crude gravity model concepts that similar adjacent countries would have similar trade patterns, and that distance, language and culture would play a part. The final export based estimates were then compared to world totals of imports and where differences were above a 20% threshold some limited balancing with the import data was undertaken.

### Results

5. OECD countries accounted for approximately three quarters of the destination of world service exports in 2003, it is estimated from reported export data. Intra-OECD exports actually accounted for 81% of the total OECD exports. The European Union (EU 15) is the largest region of destination of OECD exports (48% of OECD service exports) followed by NAFTA (19% of OECD service exports). Intra-EU trade largely accounts for this dominant position of the EU in OECD compared to other OECD regions. The OECD Asia and Oceania countries mainly trade with Asia and Oceania (three per cent of world exports) and American (2.5% of world exports) countries. No direct information on African exports by

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<sup>1</sup> Only refers to declared exports to identified countries or geographic groupings.

partner country is available to the OECD Secretariat but mirror import data (which may be less reliable) clearly suggest that Africa's main region of destination for service exports is Europe (over half of African service exports, mainly to the European Union). Between 2.2 and 2.6 per cent of total world service exports go to Africa.

6. With respect to the trade of individual OECD countries, in the majority of cases the two main partners in 2003 for exports and imports of services are the European Union and the United States. But the relative nature of geographical location means there are several exceptions, for example, for Finland the main export partners are EU and the Russian Federation. For New Zealand the main partners are European Union and Australia, and for Korea the main partners are US and Japan. Hong Kong's main partners are China and the United States. As for the EU the main services trading partners are US and Switzerland, while for the US they are EU followed by Japan.

7. For Canada and European reporting countries, the two main partners account for between 60 and 90% of their total trade, whereas for Japan and Korea the two main partners account for approximately 50% of their trade and under 40% for Australia. A relatively large proportion of Australia, Japan and Korea's trade is with China and the 'dynamic' Asian countries. Of United States' trade, the European Union and Japan account for approximately 44%, and the NAFTA partners of the United States (Canada and Mexico) account for approximately 14%.

8. A number of estimated trade flows are presented in italics in table 1. Where there is insufficient directly reported data, or the proportion of mirror data is high, the OECD Secretariat judged that these figures were subject to greater uncertainty. This is illustrated in the second table. The services export share for *Asia and Oceania* were estimated using a high proportion of "mirror" statistics. *Africa's* export shares are almost entirely based on mirror statistics. There is no direct information on Intra-African trade in services, consequently the estimates for this are the least certain. However it was also judged that these kind of broad estimates based on existing reported data make a useful starting point to understand the existing services trade flows and on which to base more refined estimates as more information and improved estimation techniques become available in future years.

9. *Delegates comments on the exercise, the methodological approach and the results are welcome.*

**Table 1. Estimated patterns of world and OECD trade in services, % of total world exports, 2003**

Exporting region	World	OECD					Africa	America	Asia and Oceania	Europe	Int Orgs
		Total	NAFTA	OECD Asia and Oceania	OECD Europe						
					EU15	Other					
<b>World</b>	100.0	76.0	19.3	8.8	42.7	5.2	2.3	23.0	23.7	50.5	0.4
<b>Total OECD</b>	76.9	62.2	14.8	5.5	37.0	4.9	1.7	18.0	13.1	43.7	0.4
NAFTA	19.2	13.9	4.3	2.7	6.2	0.7	0.4	6.4	5.1	7.2	0.2
OECD Asia & Oceania	7.5	4.9	2.3	1.0	1.5	0.1	0.1	2.5	3.3	1.6	0.0
EU15	44.5	38.4	7.3	1.6	25.7	3.8	1.2	8.2	4.4	30.6	0.2
Other OECD Europe	5.7	5.0	0.9	0.2	3.6	0.2	0.0	1.0	0.3	4.4	0.0
<b>Africa*</b>	2.2	1.6	0.2	0.2	1.2	0.0	0.4	0.2	0.4	1.3	0.0
<b>America</b>	22.7	16.8	6.0	3.1	6.9	0.8	0.4	8.5	5.7	7.9	0.2
<b>Asia &amp; Oceania*</b>	21.8	12.1	4.5	3.6	3.8	0.2	0.3	4.8	12.4	4.3	0.0
<b>Europe</b>	53.2	45.3	8.5	1.9	30.7	4.2	1.2	9.4	5.3	37.0	0.2
Intl Organisations	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0

Source: OECD, IMF, OECD estimates

\* Estimates mainly based on reported mirror data, therefore subject to greater uncertainty.

**Table 2 Coverage of reported exports in partner country data and estimates based on mirror statistics**

Exporting Region	Total exports (billion USD) 2003	Total available exports data by partner country - % of total exports	
		Reported data	Reported data supplemented by mirror data
World	1858.8	75.5	90.5
OECD	1440.9	92.5	95.7
NAFTA	359.6	98.0	98.3
OECD Asia and Oceania	138.0	92.6	95.1
EU 15	836.9	96.8	96.8
OECD Europe Other	106.4	39.5	79.3
Africa	41.0	0.0	74.2
America	407.1	86.6	100*
Asia and Oceania	403.5	43.0	79.6
Europe	998.5	87.8	92.6

\*Reported imports from Mexico and non OECD America exceed reported exports of this region

N.B. Reported data only refers to declared exports to identified countries or geographic groupings.