Institutional Framework for Collection of Statistics on Trade in Services

Four Pilot Surveys on Trade in Audiovisual, Logistics, Professional and Telecommunication Services

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Executive Summary

The services sector accounts for a significant proportion of the global gross domestic product (GDP), trade and investment. In India, the sector is the largest contributor to GDP and GDP growth. The share of services in India’s trade is increasing and the country has a positive trade balance in services. India is among the top 10 World Trade Organization (WTO) member countries in exports and imports of services. This sector accounts for the maximum foreign investment inflows into the country.

In spite of the substantial contribution of the services sector to the Indian economy, employment, trade and investment, India does not have a robust system for collection and reporting of data on trade in services. An efficient, transparent and predictable framework for collection of statistics on trade in services is required to understand trade flows between India and its trading partners. Ideally, the data should be collected by different sub-sectors of services to understand the country’s strength in services exports. A robust database will also help the Department of Commerce (DoC) to negotiate trade agreements, which include services.

To develop a robust system for data collection, the Directorate General of Commercial Intelligence and Statistics (DGCI&S) under the Ministry of Commerce and Industry has been identified as the nodal agency. The DGCI&S engaged the Indian Council for Research on International Economic Relations (ICRIER) to:

• Examine the institutional and regulatory framework of trade in services data collection in select countries.

• Conduct pilot surveys in four services sector, namely, audiovisual, logistics, professional and telecommunications services to collect mode-wise and country-wise data on trade in services.

• Make policy recommendations on how to develop a robust mechanism for collection of data on trade in services.

Institutional and Regulatory Framework for Trade in Services Data Collection in Select Countries

• The institutional framework, regulatory mechanisms, data collection procedures and the data sources for international trade in services of six countries were studied. These include: Australia, Canada, New Zealand, Singapore, the United Kingdom (UK) and the United States (US). Countries were selected in consultation with the DGCI&S and Trade Policy Division (TPD), DoC. For some countries such as China, information is not available on the Internet.

• All six countries have a robust institutional and regulatory framework for collection of data on trade in services. While some countries have a specific regulation for collecting trade in services data (such as the US), in others, the data on trade in services is collected under the general regulations pertaining to collection of statistics by government agencies (for example, Statistics Act, 1973, in Singapore).

• All the selected countries have a robust business directory, which is updated on a regular basis.

• In all six countries, trade in services data is obtained from various sources such as administrative sources (including data collected by the sector regulators, ministries and government departments) and/or periodic surveys. The number of services and services sub-sectors covered and the frequency of surveys varies across countries.
Countries such as the US offer various options (such as online survey questionnaire filling and offline questionnaire filling) to companies to fill up the survey data.

All the selected countries have penalties for non-reporting or misreporting of data, but the amount of penalty varies across countries. In some countries, the penalty amount is different for individuals and companies. Besides, in most countries, the penalties specified under the regulations provide an upper bound but the actual penalties imposed are decided by the concerned authority on a case-by-case basis.

The Pilot Survey

Creation of the Business Directory

- The research team identified industry associations and professional bodies in the four sectors. Contact was established with these organisations and a business directory of 23,846 service providers covering the four services sectors was created.

Questionnaire Design

- Questionnaires were designed based on the inputs from DGCI&S, sector experts and by reviewing the questionnaires of other countries such as Canada and the US. The questionnaires were prepared in both online and offline formats.

Administering the Survey

- From the 23,846 service providers, a sample of 942 companies (200 in audiovisual, 300 in logistics, 242 in professional and 200 in telecommunications services) was selected such that it included companies across different sub-sectors and sizes (small, medium and large). E-mails were sent to these companies to register for the survey. In total, 320 companies registered for the survey and out of these, 295 companies completed the questionnaire (75 offline and 220 online).

Summary of the Pilot Survey

- Less than one per cent of survey participants responded online on their own without follow-ups.
- Less than 10 per cent of the respondents reported difficulty in understanding the questionnaire.
- Most respondents were not aware of the modes of supply for services and did not collect mode-wise and sub-sector-wise data on trade in services.
- Some respondents were engaged in international trade in multiple services sectors, for example, telecommunications and audiovisual services. These respondents had to fill more than one questionnaire.
- Some questions received low response or no response across all services sectors. These questions mainly pertain to investments and movement of personnel. In some sub-sectors, there seems to be limited trade.
- Companies in network based industries such as telecommunications and express delivery services and those in oligopolistic structures (in sub-sectors where there are 2-3 players only) were not willing to share trade data.
- Government agencies such as India Post and Container Corporation of India Ltd. (CONCOR) did not participate in the survey.

Some Key Issues

- Many industry associations were not willing to share their member lists and among those that shared their lists, around 80 per cent had lists that were incomplete. Further, many companies registered with the associations did not engage in international trade in services.
- A number of associations and professional bodies were also not aware that the DGCI&S is engaged in collecting data on trade in services.
- There is no unique identification number for service providers that can help create and update the business directory in the long run.
- The services sector in India is characterised by a large number of non-corporate enterprises and individuals engaged in international trade. It is, therefore, difficult to locate them and create a business directory.
• The respondents faced a number of problems in filling up the online questionnaire due to technical issues such as slow server speed.

• There were some problems in financial data entry by the respondents as companies collect the data in different currencies such as US Dollar (USD/$) or Indian Rupee (INR). The data had to be cleaned up.

• Companies were concerned about the confidentiality of the information.

• Companies raised concerns about the large number of sub-sectors and countries covered in the survey.

• Some companies found the questionnaire too lengthy and time consuming to fill up.

• A number of network based companies operate on a transfer pricing model and they did not want to share country-wise trade data.

• It is difficult to collect Mode 4 data through an enterprise survey.

• The questionnaire required inputs from multiple departments of the company, which caused delays.

Policy Recommendations and Way Forward

Business Directory

• A committee on Collection of Data on Trade in Services should be set up under the chairmanship of the Commerce Secretary, with representation from different ministries and departments, industry associations, regulatory and professional bodies, and trade promotion bodies to sensitise them about data collection on trade in services.

• The data collecting agency should work closely with industry associations to get their member lists in a common prescribed format across all services.

• There is need for a unique identification number for services exporters and importers. A provision for the allotment of an importer exporter code (IEC) for service providers will help build a robust business directory.

• The business directory should be updated every five years.

Questionnaire Designing

• Questions that received low response or no response should be removed.

• Given that companies can operate across multiple services sector, there should be a single questionnaire for certain services sector such as telecommunications and audiovisual services. Separate questionnaires can be designed for select services sectors such as banking and insurance.

• For country-wise disaggregated data, there should not be more than 25 countries and the questionnaire should also include some key regions such as the European Union (EU) and the Association of Southeast Asian Nations (ASEAN).

• Both online and offline questionnaires should be administered.

• In regulated sectors such as telecommunications, the survey data has to be substantiated by data collected by the regulator on trade in services.

• Companies need training to familiarise themselves with the questionnaire.

Regulatory Framework

• The Collection of Statistics Act, 2008, has several shortcomings and there is need for a strong regulatory framework for services trade data collection.

• The Collection of Statistics Act, 2008, is based on the principle that the government is responsible for collection of statistics. A new approach towards collection of data on trade in services may place the responsibility on the service provider to submit or file information and data within a prescribed time period in line with those followed under the Companies Act, 2013 or the Income Tax Act, 1961.

• Care should be taken to ensure the confidentiality of information.

• The penalty for non-reporting or misreporting should be in line with global practices.