CONTACTORS VS CONTRACTORS: AN INTEGRATED APPROACH TO DEFINING "TRADE IN SERVICES"

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BACKGROUND

1. It is striking that the term "trade in services" did not appear in commonly used economic language before the end of the 70s, after some governments had decided to introduce services-related issues on the international economic agenda.[1] Only a *de facto* definition of what was covered by the term was used at that point, consisting in a list of the "services industries" engaged in international services transactions. Most often since then, the term 'international transactions' has been used to designate sales abroad by services firms including through their foreign affiliates. The term 'trade in services' developed largely to designate an issue rather than a category. As for classical international economics textbooks, they did not mention -and this up to most recently- any such topic as "trade in services" in their analysis of international economic activities, except insofar as they describe "services imports" and "services exports" as items of the Balance of Payment.[2]

2. Hence, the question of defining trade in services was long confined to a purely statistical issue. As often noted in current debates on trade in services, services had traditionally been perceived as the non tradeable sector of national economies, from a macroeconomic modelling perspective. To be fair, services had sometimes been pointed to by economists as activities with an international dimension but were not considered as traded items in and of themselves.[3] Typically, services were treated as support activities used as inputs by exporters of goods but not sold directly

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1. Issuing the first official study in this field, *US services industries in world markets*, Government Printing Office, 1976. As underscored later by R.K. Shelp in *Beyond Industrialization: Ascendancy of the Global Service Economy*, (New York, Praeger,1981) when the concept of services trade was introduced there was no attempt to tackle directly international flows of services independently of industries which had produced them.

2. see for instance C. P. Kindleberger and P. H. Lindert *International Economics*, (Richard D. Irwin, Inc., 1978); or R. E. Caves and R.W. Jones *World Trade and Payments*, (Little Brown and Company, 1973, 1977, 1981). The authors usually refer generically to what is traded under the labels of 'commodities', 'goods', 'merchandise', 'bundle' or 'manufatured products'. Whether failing to single out services amounts to excluding them from the analysis of trade is debatable; what is clear is that the authors did not have in mind the specific characteristics of services when discussing trade theoretical issues.

3. Significantly, the importance of flows of knowledge and information accross borders has long been widely recognized, starting with the classical economists. But in the writings of Adam Smith or Karl Marx, those were seen as key to determining the extent of other commodities markets, not as expanded markets themselves. Traditionnally, knowledge-intensive services were seen as crossing national borders under the guise of "transfers", "aid" or "technical exchange". For instance in W. C. Gordon, *International Trade- Goods, People and Ideas* (Alfred A Knopf, 1958), the importance of trade in "technical knowledge" is stressed as a key alternative to foreign investment to contribute to the growth of developing countries; but the issue is treated through the angle of technical assistance or education and training programs, e.g. focussing on the multiplier effect of movements of people and ideas for the "receiving" rather than "importing" country.

to foreigners, e.g. not direct providers of foreign exchange.[4] At the most, activities necessary to the international movement of goods and people (in particular transportation services) were included as such in Balance of Payment Accounts, but little attention was given to other "services flows", hence the "other services" basket category in the BoP. It is worth noting that what may be the first economic study to recognize the existence and importance of trade in services, concentrated analyzing the impediments to such trade, defined on the basis of the current account definition.[5] It is only since the introduction of "trade in services" on the working agenda of a number of international organizations[6], in particular for purposes of multilateral negotiations, that economists have "discovered" the conceptual difficulties involved in proposing a definition of trade in services. As long as trade was conceived as the international exchange of goods, theorists as well as policy makers did not consider "definition" of trade as an issue because the *object* of trade was clearly identified. The specific nature of services which first implied that "trade in services" was not recognized as such at all, now point to the lack of possible straightforward definitions. Furthermore, at the curent juncture, the consideration of the definitional aspects of services is complicated by the *ex post facto* nature of the exercise, in particular that definitions are being sought for legal purposes (i.e. to set the parameters of a major multilateral negotiation) in the absence of preexisting solid conceptual basis. Therefore, some of the faithful observers of this cognitive process cannot help but note that most of the current theoretical debates are bound to be directed -to a large extent- toward providing the conceptual support for already established negotiating positions.

3. The September 1986 Ministerial Declaration launching new Multilateral Trade Negotiations expresses the commitment on the part of all of its signatories to "establish a multilateral framework of principles and rules for trade in services, including elaboration of possible disciplines for individual sectors". This wording was agreed to in spite -or because- of the fact that there existed no common understanding on what the term 'trade in services' actually referred to. In this context, current debates over possible definitions of the term "trade in services" actually reflect differences of positions or opinions about the desired scope of these negotiations. In turn, the question as to which types of services-related activities will be brought under international supervision will determine to a great degree the content and impact of this multilateral framework.

4 for instance, R. Pratt, in *Modern International Commerce*, (1958) labels these activities "Foreign Trade Services" and underscores their importance in a significant manner:"There is a wide variety of specialized organizations *servicing* American foreign trade... The very fact that foreign trade is generally *served* by sea-going transportation makes it important that certain aspects of ocean transportation be included in a complete treatment of international commerce" (emphasis added). Pratt goes on presenting " a brief catalogue of the most important specialized services utilized by the foreign traders of the United States". Those services include Financial Services; Credit agencies; Ocean Transportation Agencies; Air Transport operators; Communication services; Insurance services; Legal coiunsellors; Testing and certifying services; Packing services; Advertising and Marketing servicces; Publications; Semi-public organizations ; Government agencies; International agencies.
5 Brian Griffith,*Invisible barriers to invisible trade*, (Trade Policy Research Center, 1975). The term "invisibles" is used for "services" in the United Kingdom's balance of Payment.
6. The OECD in 1979, UNCTAD in 1980 and the GATT in the context of the 1982 Ministerial Meeting. In its Code on Liberalization of Invisible, the OECD did not mention trade in services *per se*.

This can lead to the alternative conclusions that agreement over such a definition is a prerequisite to a meaningful discussion over principles and rules for services, or that the issue of definition cannot be settled before the very end of the negotiations. In any case, drawing the boundaries of trade in services is ultimately a political exercize which will be enlighted but by no means determined by trade theoretical considerations. In this light, debates as to whether a given international activity can be considered as services trade serve as a proxy as to whether it should be considered as a "trade policy issue". Yet, one basic question raised in this debate is the extent to which a definition is actually necessary, as the view has been express in favor of relying on a *de facto,* rather than a *de jure,* definition consisting of a list or classification of the services transactions to which the agreement will apply.[7] Yet, it can be argued that this approach is most operative as a basis for agreement between countries with similar patterns of factor endowments, when concessions between sectors characterized by very different *modes* of delivery of services is not an important issue. As discussed below, given that alternative definitions can serve to exclude or include entire services sector from the scope of the agreement, stakes over such definitions increase with the differential between national factor endowments.

4. Obviously, definitions will differ depending on the point of view adopted, i.e. on whether they are meant to serve a statistical, conceptual or negotiating purposes.[8] The present challenge facing the international community with respect to the definitional aspects of services is to both, to define trade in services for the purpose of delineating the scope of the Uruguay Round negotiations on such "trade" and to improve definitions and categorization for statistical and conceptual purposes, while ensuring that these definitions are not conflicting or incompatible. It is not essential that a definition be applicable in all conceivable cases as its main purpose would be to provide an overall point of reference for negotiations in a variety of heterogenous services sectors, where the definition will have to be refined to adapt to the particular characteristics of each sector and where a certain amount of arbitrariness -or at least "adhocness" would seem inevitable. Given the *ex post* nature of the exercise as mentionned above it is essential that the definition be equitable. Regardless of intellectual and theoretical niceties, any definition which mitigated against the possibility of arriving at a balanced results in the negotiations would be clearly unacceptable and hence, useless.

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7. The US-Canada trade agreement on services has chosen this route and bypasses the need for a definition by relying on the ISIC (*International System of Industrial Classification*) as a basis for the negotiations (Canada-U.S. free trade agreement, preliminary transcript, october 1987).

8. As summarized by Geza Feketekuty in the following way: " The precise definition of a word inevitably depends on the context of its use. When the phrase "trade in services" is used as a label for an observable category of economic activities measured by statisticians for the national income accounts, it has a definition that is determined by ... the use of national income data for the management of macroeconomic policies. When the term "trade in services" is used by economists to describe a concept in economic theory, the definition is determined by the logical structure of such theories. When businessmen talk about "trade in services" they often talk about it in terms of the competitive position of the firm viz-a-viz its foreign competitors. And when lawmakers and policymakers talk about "trade in services" they inevitably seek to fit the definition to broader political and policy requirements." (*International Trade in Services: an overview and blueprint for trade negotiations*, mimeo, 1987)

ELEMENTS OF AN ADEQUATE DEFINITION

5. In order to determine whether or not an economic activity ought to be labelled "trade in services" implies addressing three questions simultaneously :
1) should the activity in question be considered "international" or domestic, or more precisely what dimensions of a given international service transaction ought to be considered as domestic or international.
2) is the activity the transfer of a service, a good or another type transfer.
3) does an activity which qualifies as a "service" internally (such as a public service), automatically qualifies as "trade".

In the light of the criteria listed in the preceding paragraph, and the fact that advances are being made in the statistical field the most practical approach to address those three questions would seem to be that a definition of "trade in services" should build upon concepts evolved for statistics purposes. Although such statistical definitions are intended to serve different purposes than those intended to delineate the scope of contractual obligations, it is essential that there is no mutual conflict between these two sets of definitions.[9] As a matter of fact, statistical definitions have been considered as sufficient up to now for trade negotiations purposes, and a number of analysts have been inclined to conclude that services should not be an exception to this rule.

Relevance of Statistical Principles

6. National accounts and Balance of Payment statisticians have long been concerned with improving international consensus over the issue of what type of international activities ought to be considered as "trade", e.g. as current account items. According to the IMF[10], a Balance of Payment statement is a record of all the goods and services that an economy has received from and provided to the rest of the world. An economy comprises all the economic entities- the government, individuals, private nonprofit bodies, and enterprises- that have 'a closer association' with the territory in question "than with any other territory". Such economic entities are labelled as 'residents'. International trade refers to those transactions in which a transactor (economic entity) provides an economic value to another transactor and receives in return an equal value, where the transactors are residents of different economies. For trade in goods as well as for trade in services, such a definition is not exempt from ambiguities since criteria for what constitutes a resident[11] and, as the IMF manual points out , "the exact delineations of what constitutes, an economic value and the provision of such a value" had to derive in part from specific conventions that have been

9. A relevant analogy is the relationship between the SITC and the CCCN.
10. *Balance of Payment Manual*, Fourth Edition, International Monetary Fund, 1977
11 Residency is related to period of stay for individuals (more then temporary) and activities for enterprises.

adopted and are revised periodically.[12] Once definitional conventions are agreed upon however, goods are much more easily "accounted for" then services. This is due to the fact that traditional methods used to account for imports and exports of goods cannot simply be transferred to the observation of services. Most services do not cross borders like goods do and hence escape customs declaration and valuation. There are two basic ways in which services flows can be traced: (i) control of exchange purposes by monetary authorities. (ii) reliance on reporting of imports (exports) by buyers (sellers) through polling or questionnaires. Both of these methods are greatly imperfect[13], and statisticians are looking to definitions first and foremost to improve the observation and measurement of services flows.[14] Better measurement of these flows will constitute an improvement as they are precious indicators for countries needing to assess their relative position on the international scene, the contribution of services outflows and inflows to foreign exchange reserves and national levels of employment. Yet, these imperatives may be secondary to trade negotiators looking to define the scope of legal commitments. Applying statistician's definitions of trade to services has raised two types of problems in a policy context: (1) problems of *ambiguity*, which are greater as far as services are concerned, where "borderline cases" are key to a potential "framework on services"; (2) problems of *restrictiveness* of the statistical definition which for many analysts points to the need to redefine the "trade label", and expand its domaine.

7. The main difficulties in simply applying the statistical definition of trade to services, stems from the well-known fact that in most cases the provision of a service requires the physical proximity between the supplier and the consumer of the service, along with simultaneity between the production and consumption process. The *observed* service transaction thus often occurs between entities located in the same place, who according to statistical definitions would, in a great number of cases, be considered as 'residents' of the same economy[15]. Indeed it must be noted that while the IMF definition is location-based, the "location" concept is not merely a space-bound or geographical concept, but provides for the possibility for transactors to be residents of different economies and be located temporarily in the same country. In other words, transactions taking place entirely within a single country easily qualify as international trade from a statistical point of view (tourism, seasonal work). A time factor (duration of movement of factor of production or of

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12 A new version of the IMF Balance of Payment Manual is currently under study.

13 In case (i), this is due to the small share of trade-induced money conversion over total international financial flows, as well as to the asymetry of control of imports over exports. Where there is exchange control, imports, not exports - which are paid for in foreign currency- are registered by the official banking system.

14 In the field of statistics, work pertaining to services is currently under way to, (1) establish greater concordance between the United Nation's System of National Account and the IMF 's Balance of Payment manual, (2) improve the means of gathering information on international services transactions, (3) ensure greater consistency between various national accounting procedures, (4) reach a greater level of desaggragation of the services items listed in the current account statistics.

15 This applies to firms (establishment), or individuals (temporary residence, "green cards")

consumer) has to be added to the space-factor to determine whether a transaction between two economic units should be considered a international trade. The location-based definition of trade actually tackles the extent to which payment will occur between two different countries, e.g. defining trade on the basis of its necessary counterpart in the form of monetary flows.[16] In that sense it focuses on *payment* for services rather than actual services *flows*.[17] It is argued that in doing so, it fails to consider that local residency is often a phase or a means for international services flows which doesn't change the foreign *nature* of the service delivered, e.g. the fact that the source of comparative advantage continues to rest in the home country, and this to a greater extent than in the case of firms producing goods abroad.

8. In contrast with the case of goods which are the physical embodiement of factor inputs combined in their production, there is no intermediation between the consumers of services and the factors which have made these services possible.[18] Hence, classical economic analysis which rests in part on the separation between factor (inputs) and product (outputs) markets, fails to provide clearcut answers in the case of services, due to the ambiguous character of some of the same services as both inputs and outputs and the difficulty to distinguish between producing and delivering processes in the case of most services (processing and transmitting processes in the case of information flows).[19] The international corrolary to the input/output dichotomy has traditionally been to regard trade as the indirect exchange between countries of immobile factors of production embodied in traded goods. This analytical framework has merely been carried forward in the analysis of international factor movement (investment or migration) as an *alternative* to accross-the-border trade.[20] In this context it has been relatively straightforward to differentiate between trade in goods and factor movement since determinants, circumstances and types of border flows are clearly

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[16] barter trade or countertrade can easily be fitted to apply to this model

17 a definition of trade strictly based on the criteria of monetary flows -as opposed to the broader IMF concept of 'exchange of value'- depends on whether the payment for the service is spent on a different territory then where it is earned. Yet, there are cases when there is no monetary flows accross borders which may still be considered as trade in services: a seasonal worker may spend all his earnings in the importing country, buying goods which will then be consumed (brought back) in his home country; an agent of a firm can reinvest its earnings locally.

[18] This statement is a corollary to the generally stated characteristics of services as intangible, non storable and non transportable. This is except insofar as information flows are considered as "embodiements" of basic factor inputs (labor and capital). In that case, the two constraints of non storability and non transportability are relaxed to a certain extent. Yet there is an increased tendancy to consider 'information' (or 'knowledge') as a factor of production which moves accross borders thanks to "information technology". In addititon, 'information services' often have to be delivered through complementary factors which are locally based.

[19] One of the consequences of this phenomenon is the fact that the boundaries and the role of the firm as a "black box" transforming factors into products is less clearly determined. refer to A. Bressand and K. Nicolaïdis, "Les services au coeur de l'économie relationnelle", *revue d'Economie Industrielle,* (Numero Special Service, N43, 1988).

[20] The issue of the extent to which this is an "efficient" or "perfect" alternative and the conditions and effects of substituability between factor movement and trade in goods been widely adressed in the litterature. Classic articles are Raymond Vernon " International Investment and International Trade in the Product Cycle" (Quaterly Journal of Economics. 80, May 1966); R.A. Mundell, " "International trade and factor mobility, " *American Economic Review 47,* 1957. For more recent contributions refer to *Journal of International Economics,* feb 1984, feb 1986.

different in both cases.[21] The analysis of trade in services suggests quite a different view than the one of trade and factor movements as *alternative* modes of delivery : analysts of international services transactions range from considering factor movement as "complementary" to trade in services, to considering them as a "precondition" for trade in services or as the "only means" for trading services.[22] In this context it is clear that a definition of "trade" in services, "as opposed to factor movement" is not as straightforward as in the case of goods.

9. More generally the argument put forward by proponents of an "expanded" definition of trade in services is that, the state of technology and national regulations along with the intrinsic characteristics of services,[23] converge in making many types of services delivery abroad impossible without movements of factors of production which imply identical residency between transactors. But there is no clear view as to how far this argument could lead to in terms of delineating the scope of the expression "trade in services". To be sure, a great proportion of international "movements" clearly fall out of this scope: services activities of multinational enterprises clearly encompass both trade in services and international investment in services, the later representing the greatest share of these activities;[24] international movements of labor range from business trips to permanent migration. Yet, the fact that trade and factor movements are complementary rather then subsitutes and often take place simultaneously in a given international services transaction, certainly doesn't imply that the definition of trade should be expanded to include all investment-based or immigration-based transactions.[25] Hence, the current issue is precisely to find criteria as to "where to draw the line".

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[21] Kindleberger and Lindert, *op cit*, remark that "it is often difficult to distinguish between goods and factors of production since a great deal of international trade is conducted in intermediary goods". This leads them to propose that comparative advantage should not be related directly to specific merchandises but rather to types of economic activities. But there is no attempt to refne the analysis as to what type of international transactions are actually conducted.

[22] Refer also to T.P. Hill (1987) for a more detailed argument on the fact that trade in services cannot occur without the movement of factors of production.

[23] Each of these can be treated separately.

[24] see for instance the work conducted in UNCTC.

[25] In its study on *Telecommunications and Computer Services*, 1982, the Department of Communications of Canada, clearly differentiates between services transactions as trade or investment. This is ilustrated through the example of the purchase by a a U.S. corporation of a data processing service offered by a Canadian computer service bureau: "The exact *nature* of the transaction will depend on the way the service is provided. One possibility would be for the Canadian service bureau to serve its U.S. customer entirely from a Canadian location through telecommunications lines. This is a "pure trade" situation. Another possibility would be for the Canadian bureau to establish a data center in the U.S. and serve its customers exclusively from this center. This would be a "pure investment" case. Only the repatriation of returns on this investment and investment flows would appear in the trade picture here. A third possibility would be for the Canadian service bureau to serve its U.S. customers from a Canadian data center but to establish a U.S. office to provide local support. This situation would in fact be a combination of the trade case and the investment case, and both trade flows and investment-related flows are taking place here. This third case (or variation on it) tends to be the most common in practice."

Defining through Typologies

10. A number of typologies have been proposed[26] which help to refine the traditional definition of trade by taking into account the requirement of physical proximity between the supplier and consumer of a service in an attempt to escape from the conceptual and practical limitations of the factor/non-factor type of analysis.[27] Agents belonging respectively to the importing and exporting countries are alternatively refered to as consumers and suppliers, buyers and sellers, receivers and factors[28] or demanders and providers. Four categories are usually identified, reflecting a 2 by 2 matrix, combining the movements of these two "sides" to the transactions:

table 1. The commonly accepted approach

		importer (consumer, buyer, receiver, demander)	**exporter** (supplier, seller, factors, provider)
no movement	(1)	NO	NO
movement	(2)	*	NO
movement	(3)	NO	*
movement	(4)	*	*

(1) Neither "side" moves. This category was labelled accross-the-border trade by the OECD Secretariat[29], by analogy to the chararteristics of trade in goods where the product is produced in the exporting country and actually crosses the border of the importing country. Bahgwati (1984) refered to these transaction as "disembodied" or "long distance" services, and Snape and Sampson (1985) called them "separated services" for they are separated from both factors of production and receivers.

(2) Only exporters move. This was the second category originally identified by the OECD Secretariat as "establisment-trade". Krommenacker (1987) labels this category "foreign-earning trade". and Stern and Hoekman refer to this category as "demander-located". They point out that some but not all factors move in this case. Deardoff has argued for distinguishing cases where it is an "absent factor" which actually provides its service long distance, i.e. transactions involving

[26] Proposed *inter alia* by Economic Consulting Services (1981), Bhagwati (1984, 1985) , R.M. Stern and B.M. Hoekman (1986), R.J. Krommenacker (1987). The original generic overview is proposed in G.P.Sampson and R.H. Snape (1985).

[27] These typologies are based on"whether the movement of the provider or the demander of the serivce is required between countries" (Stern and Hoeckman) , or similarly on " how and where services are produced and traded, rather than on the physical characteristics of the services themselves"(G.P.Sampson and R.H. Snape , *op cit* (1985).

[28] As used in Sampson and Snape, *op. cit.* The reference to the broader concept of "receiver" encompasses persons (as in medical services) , commodities (as in painting and transport), or resources (as in ploughing), which benefit from the rendering of a service.

[29] In the work of the Committee on Trade in Services, starting in 1979.

"separated" factors rather than "separated" services.[30] He singles out management as a factor of production whose productive services "make their contribution from a distance". This corresponds generally to "transfer payments".[31] (3) Only importers move. Services are actually produced and consumed in the exporting country, which satisfies the proximity requirement without necessitating factor movement. Examples include tourism, education, medical services as well as goods repairment. Krommenacker labels such transactions "domestic-establishment trade" and Stern and Hoekman "provider-located" services.
(4) A fourth category where both "sides" move is included for the sake of completness. These transactions are a combination of categories 2 and 3 since they take place neither in the exporting nor the importing country but in a "third country".[32]

11. While these typologies contribute in providing a clearer grasp on the range of the modes of international services delivery, they do not tackle directly the issue of "where to draw the line". A common -even if implicit- conclusion to these typologies is that where "conventional definitions" would only consider category (1) as "trade", the very existence of the other three categories would lead a "broader definition" to include them. This implies that in order to reach an adequate definition, considerations as to "where the service is performed is not relevant". Transactions falling in categories (2), (3), and (4) are defined as trade in services "when domestic factors receive income from non-residents in exchange for their services", that is when factors receive income from residents of another country.[33] This approach stops short of providing a criteria to address the most controversial cases when some -not all- of the "factors receiving income" are resident of the same country from which the income originates. In order to make up for this flaw, criteria based on "the share of resident factors" receiving income would have to be added to the definition. Yet this criteria is elusive and would be difficult to translate into observable parameters.

12. To base a definition of trade in services on whether or not the majority of the value-added is exchanged between residents and non-residents, raises additional question beyond issues of production processes and means of delivery of services. The question of the source of value

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30 A. V. Deardorff, " Comparative Advantage and International Trade and Investment in Services, " in Robert M. Stern (ed.) *Trade and Investment in Services: Canada/U.S. Perspectives.* Toronto: University of Toronto Press for the Ontario Economic Council, 1985.

31 If we further take into account *where* the service is actually produced in addition to the location of the parties to the exchange, special note must be made of the case where a service is produced by an organization not resident in any one country.

32 A study prepared for the EEC by Peat, Marwich & Mitchel proposed a typology which is more refined as far as factor movements accross border are concerned. Category 3 above is broken down in three category (trade through facilitation, temporary residence or investment), and categories 1 and 2 are regrouped into a single category, the emphasis being put on the various forms of factor movements. The Congressional Budget Offcie of the United States (*The GATT negotiations and US trade policy, 1987)* proposes the following classification: i) Cross-border transactions, corresponding to category 1); ii) Contractual arrangements (franchise, patents, etc), corresponding to category 1); iii) In-migration (corresponding to category 2) ; iiii) Out-migration (corresponding to category 3).

33 Stern and Hokman *(op.cit.)*

added as far as services are concerned has not been widely addressed.[34] On one hand, it is important to note that "more is produced in the parent firm than meets the eye" (overhead, know how...). But on the other hand, the highly interactive nature of many services implies that an important share of the value added is actually produced by the consumer of the service himself. The term "prosumer" is meant to reflect this blurring of the line between producer and consumer roles. The intertwinness of production and consumption in the case of services leads to the fact that a great share of the value added of a product is "created" during the process of utilization. Contrary to any type of products, knowledge cannot be acquired with a *use value* without complementary factors -such as interpretative knowlege- on the other part. The importance of the interface functions in a firm relying on external production of its business services inputs[35] testifies to the fact. It can therefore be argued that that the actual "payment " does not in fact indicate the source of the 'real' value added performed. In that sense, the value added attributed to the home country might be overvalued, not to the detriment of its local branch but to the detriment of its client.

13. In terms of trade policy debates, questions have been framed in terms of *means of delivery* rather than in terms of *value flows*. One of the prevailing views is that the definition should be expanded to include all phases or dimensions of a transaction necessary to ensure "commercial presence" or "market access". In this vein the OECD Secretariat has proposed an operational definition of trade.[36] The OECD does not infer that all these activities should be labelled as trade but rather that a conceptual framework for trade in services would include trade *together* with those aspects of presence or investment related to trade. From the point of view of OECD countries, in particular as expressed in the GATT, trade in services should include to a certain extent, sales via a local commercial presence in the importing country.[37] The OECD points out that "the form of the presence has to be defined according to the circumstances, the sector, the country and according to what is required in order to gain "effective access to the foreign market...such form may, if necessary, encompass the constitution of a company under local law where cross-border trade is not possible".[38]

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[34] refer to Orio Giarini "Cycles, Value and Employment", Product-life and Wealth Resources Institute, Geneva (1984)

[35] see discussion in UNCTAD's TD/B/1101

[36] The OECD Secretariat defines its understanding of the term "trade" as requiring " an extension of the traditional meaning of the word to include some elements of commercial presence (and if required of investment) without which trade cannot take place".

[37] The OECD points to the financial sector as an example of a sector where international investment is necessary to gain access to substantial parts of the market.

[38] OECD has proposed the following definitions for trade in services:
1)" services produced by residents of one country and used/received/paid for by residents of another country";
2) "services exported from a supplier country and imported into another country";
3) " services essentially produced in one country and used/received/ paid for by residents of another country"

DEFINING THROUGH MODES OF DELIVERY

14. In following experts like Geza Feketekuty we can now come back to the fundamentals and note that there is in fact always some kind of crossborder movement associated with trade in services, without trying to identify *a priori* whether those should be labelled factor or non-factor movements. In each of the categories of services trade listed in table 1, "something" moves accross a border, either to *receive* or to *provide* a service: this is true for people (as 'receivers' moving to the exporting countries -tourists, patients, students- or 'providers' moving to the importing country-consultants, engineers, seasonal workers), capital (as a physical or financial service provider, or money "receiving" a financial service), goods (as 'receivers' moving to the exporting country -repair- or 'providers' to the importing country -leased goods-)., or information (as a service 'provider' embodied in persons, capital, goods or moving electronically).[39] Hence, we can always identify some type of movement, where the consumer/ factors of production dichotomy found in commonly accepted typologies allowed for a category where *neither sides moved* (corresponding to what is usually referred to as the "narrow" definition of trade. Hence we can define international trade in services as designating movements of physical persons, capital, goods or information accross borders in their capacity as either 'receiver' or 'provider' of services to the territory where the service is performed. In this light, delineating trade in services consists in setting criteria to determine whether the cross-border movement of persons, capital, goods or information is actually associated with *receiving* or *providing* services and does not constitute simply immigration, investment, trade in goods or media.

39 The concept of service-provider (as opposed to 'producer') allows to bypass the question of whether information is actually a factor of production or a product, by consider it as a mean to provide a service. If information flows are taken as movements of service-provider, categories 1 and 3 of the above cited academic typologies are lumped together.

table 2. Types of movements associated with trade in services

People, capital, goods and information as contactors

as: Movement of	providers (of services)	receivers	not as...
people	professionals, seasonal workers	patients, tourists, students	*immigration*
capital	specific bank lending, services transaction means	money receiving a financial service	*investment*
goods	leasing	repair and maintenance	*goods trade*
information	transborder data flow to end users	remote processing of information	*media*
Service performed in:	*importing (country)*	*exporting*	

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15. In order to set criteria for trade in services it can be useful to take the statistical definition to its ultimate conclusion. The IMF definition of trade as a transaction taking place between a residents of two different countries, rests on the basic assumption that an economic entity has a "closer association" with its country of residence than with its country of ownership (in the case of a firm) or its country of citizenship (in the case of an individual), when those differ. Obviously the ambiguity of this definition is due to the fact that, as noted above, a great proportion of economic entities engaged in international services transactions have some degree of association with more than one territory; in other words, various 'parts' of the same entity or the same entity at various points in time, can have a "closer association" with different countries, which, has necessitated rather arbitrary definitions in the statistical framework. These "conventions", required to ensure international comparability of balance-of-payment statistics, may not need to be transposed in the legal framework. For example, the arbitrary criterion of one year residence for statistical purposes would seem to have little relationship with the many varying legal criteria applied by different governments for determining residence, work permit conditions and citizenship. If we consider that an harmonization of these types of value-bound regulations is a long way down the road, we are to the following assessment: for the purpose of a legal definition of trade taking into account regulatory descrepancies, each country could decide which persons or enterprises it considered to be in a "closer association" with it, i.e. "resident"s, "citizens", "national companies", or with foreign countries, "temporary workers", "trading" or "offshore" companies. Each group would be governed by different national law and regulations, with corresponding rights

and obligations, the second group would be considered to be trading in services and eventually governed by a possible multilateral framework.

16. In this context, it is hard to imagine how a single definition of "trade" could apply either in all types of regulatory contexts or to each one of those types of movement, and still be operational. It would appear extremely difficult to arrive at a general definition of " trade in services" which could be applied with equal relevance to all four modes of delivery. A more pragmatic approach would be to seek to define "trade" with respect to each mode. Yet, we think that the previous discussion has shown that there can be some solid "rules of thumb" which could be helpful in providing an integrated approach to defining trade in services, without claiming to dispense experts in having to draw specific criteria in order to label the specific movements of persons, capital, goods or information. Analytical rules of thumb can be used -or rather, interpreted- by countries for determining whether an economic actor transacting in services does have or not a "closer association" with it, in order to identify the activities to be included under the label "trade in services".We have noted above that various 'parts' of the same entity or the same entity at various points in time, can have a "closer association" with different countries: in fact, this is most generally the case for those engaged in providing services. This leads to the following observation: it would be helpful to be able to devide systematically actors involved in services transactions into two 'parts' or two 'moments', the first of which would be called the "contractor" and the second the "contactor":

(1) The term "contractor" designates the economic actors (firms or individuals) in their original capacity as entering the service transaction,[40] or entering a contract to receive (provide) a service. The term "contract" is meant to be a generic one, referring to a number of legal situations. Ultimately, we are referring here to the source and ultimate recipient of payment. For a given activity to comply as trade in services, there *must* be identifiable "contractors" in at least two different countries.

(2) The term "contactors" designates people, capital, goods or information, involved in a service transaction in their capacity as service receivers/providers.[41] For a service transaction to occur, "representatives" of the contactors in the form of people, capital, goods or information *must* be in contact, that is, at least one type of contactor must move accross borders.[42] Hence, for a given activity to comply as trade in services, contactors *must* be located in the same place, which implies of course in the same country.

We can summarize this dichotomy as follows:

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[40] Participants in actual production are conceptually separated from parties to the transaction.

[41] The concept of contactor is meant to deal directly with the lack of pertinence of the input/output dichotomy in the case of services mentionned above. Contactors are meant to describe factors of production *in the process of* becoming products.

[42] If the service must be performed in the exporting country, the contactors move in their capacity as receivers; if the service must be performed in the importing country, the contactors move in their capacity as providers.

table 3: Contrators vs Contactors

Contractors	Essence Nature	Parties to the transaction	different countries	Legal reality
Contactors	Action	receivers /providers	same country	Physical constraint

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17. In this light, a key to defining trade in services is to decide when persons, capital, goods and information move accross border only in their capacity as receivers or providers of services. A possible criteria is the one of specificity, i.e. whether what moves accross the border does so to perform - or to be 'performed on' - a specific task. Specificity would be taken to imply that a person moving accross a border has a 'closer association' with the territory he or she come from than the territory where the specific service is performed .[43] Closer association in this case is a broader concept than 'residency' as used by the IMF. Parties can consider that they have a closer association with a home country in which they are no longer resident if their current residency is determined by a specific *function, activity* rather then a choice of *status* which implies a change in nature.[44] This approach boils down to changing the definitional focus from the *means* of delivery to the *ends* of crossborder movements. The question which is asked is *why* rather then*how* . Trade in services occurs when the end of a crossborder movement is to *do* something specific or -have something specific done- abroad rather then *be* abroad. In this vein, services are actually traded when :

(1) There is a movement of 'receivers' or 'providers' of services between two different territories, in the form of persons, capital, information or goods , and,

(2) the purpose of the crossborder movement associated with the services delivery is specifically determined or related to specific contingencies.

We can examine how these criteria play out in the case of movements of persons, capital, goods and information accross borders.

Specificity of crossborder movements

18. Movements of persons: The IMF concept of residence adopted for individuals is designed to encompass all persons who may be expected to to consume goods and services,

43 This corresponds to classical definition, according to which only a specific *mix* of factor of production can be bound to a specific function, not factors of production themselves.

44 The choice of the territory with which the party will have a 'closer association' can depend on (i) decision on the part of the party itself (ii) sovereign prerogatives of governments (iii) a negotiated agreement between governments and parties. The two alternatives obviously correspond to different rights and obligations.

participate in production, or engage in other economic activities in the territory of an economy on other than a temporary basis. These are the persons whose general center of interest is considered to rest in the given economy.[45] In fact, each country has its own laws and regulations pertaining to residency and immigration and the design of these laws are very sensitive political issues. Movements of persons for the specific purpose of receiving or providing a given service should be defined as trade which would imply that countries develop visa procedures to facilitate these movements. Specificity implies that the contract to provide or receive a given service is entered into by the person as a non-resident transactor.[46] That is to say that a state of the person as a contractor can be identified. Hence a person would be free to enter a country as long as it is in order to provide a predetermined service instead of merely to be living in that country. Remmitted earnings can be a condition for trade in some case but they don't have to exist for trade to be observed. It should be noted that the decision as to consider activities of a person outside its country of citizenship as trade in services from the point of view of the exporting country is often based on purposes which unrelated to policies towards the movement of these persons.[47] With the traditional approach, in order to include issues of temporary relocation of labor under "trade in services", the definition would have to be expanded to include transactions between residents of the same country if the residence is "temporary", with due qualification of the term 'temporary'.

19. <u>Movements of capital</u>. Movements of money as a 'receiver' of specific financial management services provided by a non-resident bank or financial institutions easily qualify as trade in services.[48] At the other end of the spectrum, return on capital (such as interest on a loan or dividends on equity), that is capital which moved accross borders in its original capacity as a factor

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[45] According to international conventions, the following <u>individuals</u> should not be considered residents of the economy in which they might be located while transacting and hence such transaction are considered as entering the real of international trade: (a) visitors (tourists, patients, athletes,) in a given economy for less then one year; (b) crew members of vessels or aircraft stopping off in a territory; (c) commercial travelers who are to be in the given economy for less than one year and employees of nonresident enterprises who have come to the economy for less than one year for the purpose of insatalling machinery or equipment purchased from their employer; (d) employees of foreign governments and international bodies who are on a mission of less than one year in duration; (e) official diplomatic and consular representatives, members of armed forces, and other government personnel of a forign economy (together with their dependents) who are stationned in the given economy; (f) seasonal workers, i.e. persons who are, and will be in the given economy explicitly for the purpose of seasonal employment only.

[46] An equivalent criteria would be whether the ultimate transaction takes place is between residents and non-residents.In the case of labor movements as trade in services this would implly either that the contract is signed with a firm of the exporting country with this firm remunerating the workers itself. Another possibility is to consider that the persons will have to sign a work contract *outside* the importing country in its capacity of non-resident.

[47] As stressed for instance by Charles Kindleberger, *op cit*"...the Italian balance of payments treats permanent and temporary migrants entirely differently, although there is very little difference between them (i.e. some temporary workers are in fact permanent, and vice versa). The earnings of permanent workers are part of national income abroad , and all that enters into the balance of payment is their remittance to Italy as "transfers." The earnings of temporary workers abroad, however, are sales of services which form part of Italian national income and go into the foreign account as exports; their local expenditures... are imports and their remittance are an internal italian transaction excluded from the balace of payment. *Whichever way it is done makes no difference for the total balance.* ; but the nationsl income apptoach in this case is the enemy of the foreign exchange budget approach, which would be interested in knowing how much is remitted from abroad by emigrants".

[48] In spite of the fact that the inclusion of financial issues in trade negotiations is a controversial issues.

of production and not in order to provide a specific service, clearly does not qualify as the counterpart of trade in services.[49] In between, movement of capital aimed at the production of a specific output is usually referred to as investment. According to a definition based on the criteria of specificity, an activity rendered possible through local investment would be an export of services if payment had been made *specifically* for a service on the part of the importer (which allows to exclude return on capital invested to produce goods).[50] Capital income (or return on investment) would be considered as payment for a traded services if the initial capital investment crossed the border of the importing country in order to provide a specific service. Under the traditional criteria of residence for an enterprise most of such income would be treated as the counterpart of internal transactions rather than international trade.[51] The IMF rule of residency makes it necessary to devide into two or more enterprises, a single legal entity (a parent firm and its foreign affiliate(s) or branch(s)) or a single establishment (a pipeline or railway spanning the territory of two or more economies). The different units being resident of different economies, their exchanges are considered as international trade. Statisticians struggle with the problem of accounting for intra-firm international trade. The convention is that "the costs and proceeds of the separate units are to be calculated as if the units bought and sold [to each other] at market prices, eventhough some, most or all of what they receive from or transfer to the other units of the complex of which they form a part may be omitted from their records or entered only at nominal value". Each unit is considered to bare a share of the operating costs and the net income of the units is considered to be accruing to the economy where the head office is located. This implies that trade in services covers only the service contribution of parent firms to their foreign subsidiaries (transfers).[52] Alternatively, the specificity criterion would imply that in their capacity as 'providers' of a specific service (in this case as the foreign branch), e.g. their 'part' located in the same country as the receiver, the activities conducted by a firm would be considerd as trade, regardless of the fact that this 'part' was called a resident. This would imply that the local branch would only be allowed to provide specifically determined services which would be included in agreements.

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[49] In the SNA, interest payments remain a payment for property, which is implied that non-factor services are not recorded in debt repayment issues. Introducing a non-factor service would involve drawing a distinction between the payment from the borrower to the lender of the intermediary service and pure interest-service as a reflection of time-preference and risk considerations. The former would then become a service. This would increase the item of "international financial services"

[50] The fact that "investment income" is part of the current account balance while other types of capital flows are repertoriated in the capital account doesdn't clarify the issue. For instance, the rapatriation of net income, while it represents a "factor service" (the service of capital invested abroad) for the current account purposes, can be the counterpart of foreign delivery of goods as well as services. Hence, this statistical item, while under invisibles trade doesn't entirely correspond to activities which could be described as trade in services.

[51] Resident enterprises are the actual or notional units that engage in (i) production of goods and services on the territory of a given economy, (ii) transactions in land located within the territory of that economy, or (iii) transactions in leases, rights, concessions, patents, copyrights, and similar nonfinancial intangible assets issued by the government of that economy. Privately and publicly owned enterprises are included.

[52] see the OECD debates on intrcorporate Transborder Data Flows, for instance.

20. Statistics are adapted to serve macroeconomic purposes for which what counts is activities conducted within a governed territory. Yet, the services issue raises a more ancient debates as to whether sales made by firms who are citizens of a given territory should not be considered as more crucial for a country's assessment of its position in the international division of labor. If this was considered to be the case, the location approach to identifying trade would need to be replaced by the ownership approach. On the basis of the ownership concept all the activities of a corporation are attributed to its country of origin. On the basis of ownership, trade includes transactions between foreign affiliate and local entities but excludes intra-corporate transactions. The ownership approach encompasses all activities which *ultimately*, not directly, correspond to a flow of foreign exchange out of the importing country and into the exporting countries. The ownership concept as a basis for defining trade in services would be considered as expanding the scope of trade only insofar as the domestic sales of foreign affiliates are much greater than intracorporate transfers (which themselves are greatly undervalued and often correspond to cross-subzidization purposes). Yet, if it can be argued that the volume of trade would be expanded under this definition (threefold), the conceptual scope would simply be a change of focus.

21. If transactions between units residing in different countries are to continue constituting the basic building block on which to rest a definition of trade in services the question is whether some degree of ownership consideration can be included in the definition. In other words, are there cases where *ownership* of the parent firm will be more determinant than the fact that the direct "actor" in a transaction is *located* in the importing country. The IMF framework does provide for attributing a transaction to the parent firm and hence consider its dealing with a foreign client as international trade if the resident unit acting as intermediary is an agent "representing or acting on behalf of the principal" . Hence, under the location concept, transactions involving a foreign entity taking up the status of resident become domestic activities *on the basis of FDI,* except insofar as the entity can be labelled an 'agent'. In this case, the transaction itself is considered as occuring between the parent firm and its client; the agent is then reintroduced in the accounting by being considered as rendering a service to the enterprise he represents, with his activities accounted for as exports of the economy of which this agent is a resident. If a subsidiary markets a product (an airline ticket, a data processing service, ...) on behalf of its parent firm, earnings covering for its own costs can be considered as exports for the host country; If the subsidiary is considered as producing the service with inputs from the parent firm, only those inputs will be considered as exports from the home country. Whether to consider a transaction as trade rests on judging whether services are locally transformed from inputs to outputs or whether they are solely *channeled* to the local consummer by the resident in the host country. What must be noted here is that the statistical definition does include cases of indirect trade between residents of different countries, where actual contact takes place between residents of the same country, to the extent that services are *channeled* not *processed* locally. Yet, ultimately, the agency concept does not allow to introduce as trade any local activity with a

productive dimension. Alternatively, the status of agent could be granted if the agent is clearly 'part' of a non-resident entity (brand name, necessity of parent input) and is a 'provider' of a specific service. The key question is to evaluate the role played by the local "arm" of the foreign service provider, along two dimensions: a) The degree to which its residence is based on strategies to incorporate local inputs in the production process; b) the ratio of the retribution of the local factors to the total value of the transaction.

22. Movements of goods. The issue of the relationship between trade in goods and trade in services rather then the borderline between them has been treated widely.[53] The Canadian Task Force in Trade in Services proposed in 1982 to distinguish between trade in services complementary to trade in goods (transport, insurance,...), substitute for trade in goods (leasing, franchising) or unrelated to trade in goods. By convention, services transactions complementary the purchase of goods are treated in national accounts as goods transaction, if the seller covers these costs (transport, insurance, installation, financing). The entire value of the transaction is reflected in the "purchaser price". Those services reappear only if the seller himself purchases them from an outside source. As far as international trade is concerned, this issue has been addressed by the conventional external trade valuation principles. The convention is to value both exports and imports at f.o.b. prices, i.e. this means that services provided until the "free-on-board" stage are treated as goods, services after this stage (overseas transpotation, overseas insdurance) are treated as services, event if the exporter (seller) covers the costs. It seems that the next revision of the SNA will in turn adopt this convention. In any case only international transportation services exchanged between residents of the different country are considered as trade in services.

23. A good crossing a border as such or a service embodied in a good crossing a border often "look" similar. The distinction between goods and services in national account basically depends on the tangible vs non-tangible characteristic of the outcome. Services are most commonly defined as any economic output which is not tangible. This definition is in effect a residual definition including anyting which is not goods or primary products. The distinctions can often seem arbitrary: If one pays for information from a database there is trade in services. If one buy the whole database and uses it is then considered as trade in goods; books are considered as goods while motion pictures are considered as embodiement of services and treated as such; computer services or consultancy services may result alternatively in tangible (printout, tape, disk, written studies) or intangible (data flows, presentations) final outputs, while these alternative embodiements can be arbitrary and in any case substituable. Hence there is no clearcut answer as to whether a computer tape crossing a border is a trade in goods or services. [54] By convention the

[53] See for instance Baghwati "Splintering and disembodiement in trade in servces"; Juan Rada.

[54] A GATT panel ofexperts has recently decided that it could be a combination of both.

generation of electricity is treated as a good, even though it would be far fetched to define electricity as "something that falls on one's foot".[55] Hence, sales abroad of electricity is -by convention- presently not considered as trade in services. Possible criteria proposed by UNSO to single out services [56] are (i) whether the inputs of a product are typically services inputs. (ii) "whether the conditions of the observation of the end resut are more similar to the observation of goods or to the observation of services. One of the convention proposed is that goods embodied in services should be treated as services and that services embodied in goods should be treated as goods. For instance, food consumed in a restaurant are included in the restaurant's service while a guaranty for future repairs paid for with a goods are included in the value of the good. Alternative modes of delivery could be crossed by different arrangements, but obviously restrictions on one mode would encourage resort to another.

24. A movement of a good can be the necessary embodiement of a services trade which substitutes for the trade of this specific good. Ship repair or equipment repair imply the movement of ships or equipement into the exporting country as 'receivers' of a specific service. Conversely, leasing implies the movement of the leased good into the importing country as the 'provider' of a specific service. The service stops to be specific if the good changes its nature through the service transaction. Hence , the EEC has proposed to consider the movements of such goods as import/export of goods only if the good changes from one item line of the external account to another before and after the alledged service provision. Alternatively, a criterion similar to the GSP rules of origin could be adopted, whereby a good changes origin [becomes traded as a good] if more then 40% of its value is added in the intermediary country. In the first case it would be difficult to considerparts assembly (or outward processing) abroad as imports of services given that parts on one hand , the final output on the other are not very likely to be consider as the same items in statistical classifications. On the other hand, if the value added criteria was adopted, there would be cases where outward processing would qualify as trade in services. The degree of specificity of the service received by the goods depends here on whether the service has changed its nature or not.

25 . Movement of information. Movement of information is trade in services if a payment is made by a resident of the country in which the given inforamtion provides a services. Information has previously been embodied in persons, capital or goods, now it is also taking place electronically, i.e. transborder data flows. News from news agencies, to the extent to which they

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55 Richard Cooper in " Survey of issues", *Pacific Trade and Development Conference:* Wellington, New Zealand, January 1987

56 UNSO, *opt cit*

enter a country without the aim of providing a specific service to an identify economic entity, are not considered as trade in services. The flow of these types of information nevertheless raises other concerns related to the World Information Order. On the other hand, intra-corpaorate information flows are statistically considered as trade in services if they are transferred to a branch which is resident in another country and if their counterpart is a transfer payment from the branch to the parent firm. Considering these flows as services trade theoretically implies the possibility for countries to impose tarrifs on them. Yet, an issue to be confronted is whether, if the branch is considerd as 'provider' of a service on behalf of the parent firm, the information flow can be consider as a necessary condition for the "provision" and "reception" of the branch's service locally. Similarly, the consultation of information in the home country would not be considered as trade in services if the movement of information is necessary to the local provision of a specific service.[57]

26. A question arises as to whether international communication services allowing for international trade in information services should be considered as trade in services. The issue has been discussed [58] on the basis of differentiating between basic services and value added services, the former being provided by national monopolies and the later being open to international competition. By convention international telecommunication services where provided separately by the respective governments who were attributed half of the payments for each calls originating from or entering their territory, on the basis of perequations. Hence, only domestic transactions were involved. Increasingly payment can be made to a domestic telecommunication company for services provided by foreign companies. Given the high pace of both technological pace and government regulatory policies in this field, the extent to which government would accept to consider communication services as possibly international trade market is constantly changing.[59] The scope of communication services trade will be defined by a classification of the specific services which foreign companies will be allowed to provide in territories in which they are not resident.

27. Finally, as pointed out by UNSO, information services can be considered as transfers payment instead of services trade in the balance of payment, while they are actually services trade issues. For instance if the staff of one enterprise went to another enterprise and gave some technical advice (on technology to be used) this clearly would be a services activities. If, however,

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[57] Last but not least, it can be noted that Intellectual Property concerns imply that trade in services include conditions of access for information but also (restricted) condditions for access to information.

[58] In fora such as the ITU, WATTC and the OECD

[59] refer to Peter Cowhey and Jonathan Aronson "When countries talk: International trade in communication services (1987)

the same advice was provided in a written form , in a form of a know-how, then the service would disappears and the payment by the user will be considered as income from property. Theoretically, it can be argued that information can not be owned in a strict sense and hence, that it can not yield property income. The fact that a different party then its originator will use it changes its overall value, hence the international transaction occurs on the basis of value change rather than use value.

28. Last but not least, the last element of "an adequate definition" mentionned in paragraph 5 was the question as to whether an activity which qualified as a "service" internally , automatically qualified as trade in services. This question relates to concerned raised about the "broadening" of the notion of trade in services understood not as including factor movements but as including services which are not marketted internally, e.g. public services. A question has been raised during the negotiations as to whether current working hypothesis for the definition of trade in services do not amount to restricting the concept to private sectors activities. This would amount to excluding activities such as construction, power, water and gas services, public administration, , social service, health services and defense. The bias would arise in part because such service are provided for by the State to various degrees in different countries.

Options for definitions

29. In order to clarify the relationship between definitions for negotiation purposes and definitions proposed from a theoretical perspective there is a need to recognize that the extent to which an economic entity is engaged in a 'trade' activity is a different question then the issue of the extent to which government actions pertaining to this activity raises trade-related issues. At the two ends of the spectrum, definitions can be (1) expansive, e.g. including as trade any crossborder movement necessary to provide a service abroad, or (2) restricted only to the movement of contactors which are clearly different entities than the contractors involved. In the first case, the movements of goods, information, people and capital, basically considered as trade, would raise non-trade issues, which should be taken into account as constraints.[60] In the second case the necessary movements of persons, capital, goods and information, not included as trade, would in any case raise trade-related issues. In all cases, the boundaries drawn by a definition can at the most reflect a political compromise but not delineate, once and for all, an issue space.

60 It has been recognised that the expansion of international trade in services can to a large extent, involve factors related to international investment (OECD)