

## **SINGAPORE'S INTERNATIONAL TRADE IN SERVICES: NEW STATISTICAL ESTIMATES AND ANALYSIS**

### **Introduction**

1 International trade in services has been and will remain important to Singapore. These services have traditionally been confined to transportation and tourism. With globalisation and the emergence of a knowledge-based economy, international trade in other services, e.g. financial, engineering and business management, are becoming increasingly important.

2 The traditional data sources used by the Singapore Department of Statistics (DOS) to compile trade in services statistics for the compilation of Singapore's balance of payments captured adequately the traditional services but not the new and emerging services. In recognition of this inadequacy, DOS initiated and launched a new survey on *International Trade in Services* (TIS) in 1996.

3 With the successful completion of the TIS for reference years 1995-97, DOS has compiled a new set of statistics on Singapore's international trade in services. These new statistics are compiled in accordance with the recommendations and guidelines of the IMF's Balance of Payments Manual, 5th Edition (BPM5), the present international statistical framework for the compilation of balance of payments, including international trade in services.

4 This paper discusses the data sources, in particular the TIS, and the underlying statistical framework for the compilation of statistics on international trade in services. The paper also presents an analytical overview of Singapore's international trade in services for the period from 1995 to 1997 on the basis of the new statistics.

### **Survey on International Trade in Services (TIS)**

5 DOS initiated and launched the TIS in 1996 as a new and additional data source for the compilation of more detailed trade in services statistics. TIS data supplement and augment our existing data sources, including DOS's annual establishment surveys and STB's Survey of Overseas Visitors (see Annex 2).

6 On the basis of data from previous surveys and other indicators, about 8,000 companies were identified and covered in the first survey. These initial companies provided the basis for the development of a comprehensive sampling frame of companies trading in international services. The sampling frame is updated on a continuous basis. For the subsequent surveys, about 3,000 companies are selected using probability sampling.

7 The TIS collects highly disaggregated data by trading partner. The definition and classification of trade in services in the TIS is based on BPM5's recommended statistical framework. As the nature of services varies across industry, TIS uses 6 different survey forms for each of the 6 major industries covered, i.e. General, Commerce, Financial, Travel, Transport-Agents, Transport-Others. The TIS collects about 50 data items from each respondent. A copy of the survey form is provided in Annex 3.

8 As TIS is a large-scale and complex survey, it posed significant challenges to both DOS and survey respondents. DOS would have to help respondents to understand the requirements of the TIS. Respondents' internal accounting system would also have to be enhanced to provide the necessary data. For example, several respondents in the first TIS were not able to provide data by trading partner as the information was not recorded in their internal accounting system. In conducting the survey, DOS had taken care to minimise respondent burden even while efforts are made by both DOS and respondents to increase the accuracy and relevance of the survey returns.

9 In the compilation of the disaggregated trade in services statistics, DOS has to be realistic and mindful of the practical difficulties faced by respondents. For example, many OHQs operating in Singapore are fully reimbursed by their head office for all the expenses incurred in Singapore. These OHQs do not value and record separately the services they provide to their related companies in the region. As such, it would be difficult, if not impossible to identify the type of services by trading partner. OHQ services would therefore be recorded as business management services and attributed to the head office.

10 In view of the above, it was considered both necessary and prudent to conduct the TIS for a further two years before using the data to develop new statistics on Singapore's trade in services. The additional time was necessary for us to refine and improve our survey sample and questionnaires, and for respondents to enhance their internal accounting systems. The availability of three years' data would also provide us with a short time series to assess and remedy possible data inconsistencies. Our assessment is that the quality of the data reported has improved over time.

## **International Statistical Framework for Measuring Trade in Services**

### **IMF Balance of Payments Manual, 5th Edition**

11 The IMF's Balance of Payments Manual (BPM) is the international standard for the compilation of the balance of payments (BOP). The BOP records transactions between residents of an economy ('residents') and the rest of the world ('non-residents')<sup>1</sup>. Trade in services is one main type of BOP

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<sup>1</sup> A person (individual or institutional unit) is a resident of an economy if his centre of economic interest is in the economy for one year or more.

transactions. The BPM trade in services classification has the following 11 major components:

- i) Transportation,
- ii) Travel,
- iii) Communications,
- iv) Construction,
- v) Insurance,
- vi) Financial,
- vii) Computer and Information,
- viii) Royalties,
- ix) Social (Personal, Cultural and Recreational),
- x) Government, and
- xi) Other Business Services (include Trade-Related, Business Management, Legal, Accounting, Architectural, Advertising, Engineering, Research and Development)

#### WTO's General Agreement on Trade in Services

12 The General Agreement on Trade in Services (GATS) is the first multilateral, legally-enforceable rules covering international trade in services. The Trade-Related Aspects of Intellectual Property Rights (TRIPS) is the counterpart to the GATS for intellectual property such as patents, licensing and copyrights.

13 For the purpose of trade negotiation, GATS categorised trade in services in accordance to their modes of supply. The GATS' four modes are defined as the supply of a service:

- M1 : from the territory of one Member into the territory of any other Member (Cross Border Supply), e.g. international transportation of goods;
- M2 : in the territory of one Member to the service consumer of any other Member (Consumption Abroad), e.g. consumption by tourist;
- M3 : by a service supplier of one Member, through commercial presence in the territory of any other Member (Commercial Presence), e.g. services by the branch of a foreign bank;
- M4 : by a service supplier of one Member, through presence of natural persons of a Member in the territory of any other Member (Movement of Natural Persons), e.g. on-site software development by a foreign consultant.

14 In 1991, the GATT secretariat issued a classification list ('GNS List'), to aid members in the negotiation and scheduling of specific commitments in the Uruguay Round and subsequent negotiations<sup>2</sup>. The GNS List has eleven broad sectors and 140 sub-sectors.

15 The key difference between the BOP and GATS frameworks is that the former adopts the residency concept while the latter adopts the nationality concept in defining trade in services. The BOP framework therefore covers M1, M2 and part of M4<sup>3</sup>, but does not cover M3.

16 The residency concept is the fundamental principle adopted by the international statistical community in compiling national accounts and other macro-economic statistics. On the other hand, in trade negotiations the emphasis is on the nationality (or ownership) of the service provider, regardless of where he resides.

17 In terms of classification, while both the GNS list and BPM5 follow the UN's Central Product Classification (CPC), there are a number of differences. Firstly, two of BPM5's standard components, *travel* and *government* services, do not have analogues in the CPC/GNS List. Secondly, the BOP framework classifies some forms of processing and repairs on goods as goods instead of services. The GNS list also contains considerably more disaggregation than BPM5.

#### UN Manual on Statistics of International Trade in Services

18 The UN Manual on Statistics of International Trade in Services (*manual*) has been prepared in response to calls for the development of a more comprehensive and better integrated approach to statistical issues pertaining to trade in services. In particular, it seeks to meet the need for statistics to guide negotiations on trade in services and to support their implementation. The *manual* is at its final stage of development. The draft of the *manual* was released recently, and the *manual* is scheduled for formal release in 2001.

19 The *manual* builds on the framework of the UN System of National Accounts and BPM, but extends the definition of trade in services from the residency concept to the nationality concept. The scope of trade in services in the *manual* therefore includes foreign affiliates trade in services (i.e. FATS statistics, which is M3 type services) and persons working abroad (all M4 type services).

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<sup>2</sup> GATT(1991), *Services Sectoral Classification List – Note by the Secretariat*, MTN.GNS/W/120.

<sup>3</sup> When a person delivers his service in a foreign economy, he can be a resident or non-resident in that economy, depending on his length of stay there. If he stays for more than one year, then he is a resident in the foreign economy and the services he delivered is not included in the BOP as a trade in services, but included in the GATS under M4.

20 The *manual* does not, however, recommend the compilation of a completely new set of trade in services statistics based on the nationality concept. Instead, it recommends that countries should first compile trade in services statistics in accordance with BPM5. These statistics should be supplemented with other data (e.g. FATS statistics) for the purpose of trade negotiations.

21 This is spelt out in the ‘phased implementation’ recommended by the *manual*, which consists of a set of elements for compilers to implement in phases so as to progressively achieve comparability of published statistics on international trade in services. The elements are broadly divided into ‘Core Elements’, which are to be implemented first, and ‘Other items’ which are to be implemented incrementally thereafter. They are summarized in Table 1.

TABLE 1 PHASED IMPLEMENTATION OF TRADE IN SERVICES STATISTICS

	Core Elements	Other Elements
BOP-Based (Trade in Services by Residency)	BPM - BOP Classification Extended BOP Classification Partner Country data	Trade between related and unrelated parties
Others (Trade in Services by Nationality)	FATS : Basic Variables	FATS : Further Variables Persons working abroad Modes of supply

22 By distinguishing trade in services based on the residency and nationality concepts, the *manual* recognizes the need to conform to internationally accepted statistical concepts and frameworks even as it seeks to accommodate the data needs for trade negotiation in the GATS.

23 The *manual* also recognizes the practical difficulties of collecting data on the basis of the GATS’ four modes of supply, and recommends the allocation of each BOP-based service to one dominant, or the two most significant modes of supply. Guidelines for the allocation of BOP-based service are provided in the *manual*.

24 The new trade in services statistics for Singapore are compiled in accordance with the recommendations and guidelines of BPM5, the internationally accepted statistical framework for the compilation and measurement of trade in services.

25 In addition, DOS is able to re-classify the disaggregated BOP-services data to the various modes of supply according to the guidelines provided by the *manual*. To meet the data needs for trade negotiation (i.e. to provide data in accordance with the GATS’ four modes of supply), DOS would only have to compile statistics on FATS on the basis of data from DOS’s Survey on Overseas Investments.

## Overview of Singapore's Trade in Services

### Export

26 Singapore's export of services amounted to \$44 billion in 1997, or one-third of our GDP (at current market prices). Our export of services can be broadly divided into the traditional transportation and travel services, and the emerging trade-related, financial, business and technical services. These emerging services have recorded very strong growth in recent years.

TABLE 2 SINGAPORE'S TRADE IN SERVICES –  
OVERALL SIZE AND MAIN COMPONENTS, 1995-97

	\$ million					
	Export		Import		Balance	
	1995	1997	1995	1997	1995	1997
Transportation	11,784	12,876	12,834	15,105	-1,050	-2,229
Travel	10,977	9,445	7,121	7,919	3,856	1,526
Trade-Related	10,851	13,614	1,693	1,940	9,158	11,674
Financial	2,346	3,011	850	1,084	1,496	1,927
Insurance	839	658	2,116	2,039	-1,277	-1,381
Business	2,795	2,993	1,298	1,735	1,497	1,258
Technical	1,605	1,520	1,176	1,548	429	-28
Royalties	119	97	2,451	2,845	-2,332	-2,748
Social	6	13	27	13	-21	0
Government	132	142	168	166	-36	-24
Total	41,454	44,369	29,734	34,394	11,720	9,975

27 Trade-related services has overtaken transportation and travel as the largest component (Table 2). Singapore has developed into a major centre for merchanting, contributing to our large export of trade-related services. Turnover in merchanting was \$134 billion in 1997, larger than our re-exports. A large number of international traders, in particular traders of petroleum products, have adopted Singapore as a trading base. Singapore-based MNCs has also contributed to the development of merchanting through their use of Singapore as a base to source for components for their regional and global operations.

28 Financial services is the second largest component among the emerging services. While commissions is the largest sub-component of financial services, investment services and bank services registered much stronger average annual growth of 21 per cent between 1995 and 1997. This is consistent with Singapore's emergence as a fund management and banking hub.

29 Business services comprises largely business management services, or OHQ-type services. This has grown steadily in recent years, reflecting our success in establishing Singapore as a regional business hub for MNCs.

30 The rest of business services comprises business professional services, which are the M4 type. These are not yet substantial, reflecting the difficulties in overcoming legal and regulatory barriers of entry. Exports of technical services, which are also of the M4 type, are however more substantial. This reflects our greater comparative advantage in this area.

### Import

31 The key feature of our import of services is the large payments in royalties, and research and development (under technical services). They accounted for more than one-third of our import of other services, and nearly all of them are by Singapore subsidiaries of foreign MNCs. A significant portion of business services is also payments by Singapore subsidiaries of foreign MNCs to their head office for administrative and other support expenses. Their strong growths in recent years reflect the stronger presence of foreign MNCs in Singapore.

32 The strong growth in import of transportation services between 1995 and 1997 is due to freight on imports (see appendix para 3), freight on merchanting, and passenger fares. They reflect respectively the strong growth in our merchandise imports, merchanting trade, and number of Singaporean travelling overseas.

### Net Balance

33 The net surpluses have declined from \$12 billion in 1995 to \$10 billion in 1997. Only the balances for trade-related and financial services have improved. The balances for all other types of services deteriorated, in particular travel and transportation services.

34 The deficits in transportation and insurance services are mainly due to payments for freight and insurance on imports, which amounted to \$7.8 billion and \$1.5 billion respectively in 1997. The large freight and insurance on imports reflect our large merchandise imports.

## Modes of Supply

35 The BOP-based export of services are reclassified to the modes of supply largely based on guidelines provided in the draft *manual*, but some modifications are made to reflect Singapore's special circumstances. For example, financial services is classified under M2 instead of M1, as most of our export of financial services (commissions, asset management) are delivered within Singapore.

TABLE 3 CLASSIFICATION BY MODES OF SUPPLY

Mode of Supply	Type of BOP-based services	1997 Value (\$ million)	
		Exports	Imports
M1 : Cross Border Supply	Transportation, Insurance, Trade-related, Royalties, Social	27,258	21,942
M2 : Consumption Abroad	Travel, Financial, Business Management, Government	15,327	10,631
M4 : Movement of Natural Persons	Technical and Other Professional Services	1,784	1,821

36 Classification by mode of supply (Table 3) shows that Singapore's trade in services is predominantly within the 1st two modes (M1 and M2). Singapore's export of services is characterised by the foreign consumption of services delivered within Singapore. Services exports provided by Singapore professionals in foreign countries (i.e. M4) are currently relatively less developed. With Singapore's development into a knowledge-based economy, there is potential for the further development of these services.

## Major Trading Partners

37 In this paper, analysis by trading partner is restricted to data collected from the TIS (see Annex 2). Our major trading partners are US, EU and Japan, the NIEs, and the regional developing economies (Table 4). The top 10 trading partners together accounted for two-thirds of our trade in services. The geographical pattern of our trade in services is broadly similar to trade in goods.

38 US, EU and Japan are also our three largest foreign investors. There is therefore a close relationship between trade in services, trade in goods and foreign direct investment. For example, payments of royalties, technical and business services are predominantly to US, Japan and EU. US alone accounted for three-quarters for royalties payments, half of technical services payments, and 40 per cent of business services payments.

39 Singapore had surpluses with all our major trading partners except US. We had a \$1.3 billion deficit with US due to our large payments of royalties.

Our large surpluses with EU and Japan were mainly due to our large export of transportation services.

40 As noted above, some respondents are unable to report their trading partners. These transactions are classified under 'unallocated'. 'Unallocated' is the most significant for transportation and trade-related services (Annex Tables 2 and 3). Companies engaged in transportation and trade-related services typically transact with a large number of parties, and hence would face the greatest difficulties in reporting their trading partners. 'Unallocated' transactions for the rest of other services are not significant<sup>4</sup>.

TABLE 4 MAJOR TRADING PARTNERS, 1997<sup>1</sup>

\$ million							
Country <sup>2</sup>	Export			Import			Net
	Transportation	Others	Total	Transportation	Others	Total	
1. US	909	2,792	3,701	746	4,261	5,007	-1,306
2. EU	2,183	2,668	4,851	1,114	860	1,974	2,877
3. Japan	1,939	2,113	4,052	678	932	1,610	2,442
4. Malaysia	783	1,002	1,785	422	266	688	1,097
5. Hong Kong	564	1,440	2,004	375	563	938	1,066
6. Indonesia	903	1,202	2,105	408	195	603	1,502
7. South Korea	485	1,137	1,622	200	92	292	1,330
8. China	364	708	1,072	307	120	427	645
9. Taiwan	778	311	1,089	263	95	358	731
10. Australia	617	499	1,116	310	126	436	680
Others	2,160	3,692	5,481	1,588	934	2,522	2,959
Unallocated	1,191	4,464	5,655	907	1,281	2,188	3,467
Total	12,876	21,657	34,533	7,318	9,725	17,043	17,490

1 For data collected in the TIS only. See Annex 2.

2 Rank by Total value of Export and Import.

### *Transportation Services*

41 EU and Japan are our largest markets for transportation services (Table 5). Together they accounted for 27 per cent of our export of transportation service. Our large export to these two economies is due to the following:

- i) EU and Japan own some of the largest airlines and shipping lines in the world, contributing to our port, charter and commission receipts;

<sup>4</sup> Australia also faces the same problem. Their 'unallocated' transactions are more significant (15 per cent) for other services (see Australian Bureau of Statistics, *Balance of Payments and International Investment Position, Australia: Concepts, Sources and Methods*, 1998).

- ii) Some of the busiest airports and harbour in the world are situated in EU and Japan, contributing to our *freight* earnings;
- iii) EU and Japan are also important customers of SIA, contributing to our *passenger* receipts.

42 Export to Malaysia and Indonesia are much smaller as they do not own major airlines and shipping lines. The air passenger markets of these countries are also smaller.

TABLE 5 TRANSPORTATION SERVICES-  
MAJOR TRADING PARTNERS, 1997

	\$ million					
	Export			Import		
	Freight	Others	Total	Freight	Others	Total
EU	645	1,538	2,183	277	838	1,114
Japan	739	1,200	1,939	193	486	679
US	370	539	909	291	456	747
Indonesia	410	493	903	68	340	408
Malaysia	336	446	782	61	362	423
Others	2,469	3,690	6,160	1,525	2,420	3,946
Total	4,969	7,906	12,876	2,415	4,902	7,317

43 On the whole our markets for export of transportation services are quite diversified. The top 5 markets only accounted for half of our total receipts. The other major markets are Taiwan, Australia, Hong Kong and South Korea.

44 Import of transportation services is strongly related to export. Hence EU is also our largest country of import. We imported less transportation services from Japan in comparison to US due to smaller *passenger* payments.

#### *Trade-Related Services*

45 In merchanting, there are two non-resident counterparties to one transaction. The service is therefore rendered to the two parties equally. The allocation of export of merchanting service (measured by the margin) to a particular country is based on the country's share of gross sale and purchase in merchanting.

46 Japan, EU and South Korea are our largest markets for export of trade-related services (Table 6). A large number of international traders from these economies are established in Singapore to service their home economies. They would trade with regional countries such as Indonesia and Malaysia, or among themselves (e.g. South Korea trade with EU).

TABLE 6 EXPORT OF TRADE-RELATED SERVICES  
-MAJOR TRADING PARTNERS, 1997

	\$ million
Japan	1,552
EU	1,348
South Korea	1,024
Indonesia	618
US	815
Hong Kong	564
Malaysia	564
Others	7,129
Total	13,614

### *Financial and Insurance Services*

47 US and EU have the most developed fund management industry in the world. Some of these fund managers have set up regional operations in Singapore. Most of the funds that are managed by these fund managers are global funds based in their home economies. The fees received for managing these funds in Singapore are therefore attributed to their home economies as our export of investment services (Table 7).

48 Indonesia is our largest market for our regional banking. In contrast, Malaysia appears to be a much smaller market. However, most Singapore banks have subsidiaries in Malaysia that carried out their regional banking operations. The services rendered are therefore not recorded here (but would be revealed in FATS statistics). The large export of banking services to EU is mostly due to services rendered by local branches of EU banks to their head office.

49 Commissions paid by foreign investors to local agents for trading in the domestic equity and derivative securities markets are recorded under export of services. The data reveals that the major foreign investors in our securities markets are Hong Kong, US, EU and Malaysia.

TABLE 7 FINANCIAL SERVICES –  
MAJOR TRADING PARTNERS OF SELECTED COMPONENTS, 1997  
\$ million

	Export			Import		
	Investment	Bank	Commission	Investment	Bank	Commission
US	406	82	229	35	184	130
EU	159	160	172	20	65	79
Hong Kong	86	41	237	29	67	36
Indonesia	30	145	54	3	8	18
Malaysia	27	19	142	5	7	67
Japan	49	34	68	6	42	65
Others	175	234	213	23	108	86
Total	932	715	1115	121	481	481

50 Bank services payments mainly reflect financial support services rendered by overseas banks to their local branches, while commission payments records commission paid by local investors (including fund managers) for investing in overseas securities. Our payments of financial services are therefore mainly to the major financial centers in US, EU, Hong Kong and Japan. Commission payments to Malaysia are significant due to the popularity of investing in Malaysian shares through CLOB.

### *Business Services*

51 Our large export of business management to US and EU (Table 8) largely reflect the strong presence of US and EU OHQs in Singapore (see par 17). Business management services that are of the M4 type, e.g. management consultancy, are relatively smaller. But they constitute a significant share of our export of business management services to regional countries.

TABLE 8 EXPORT OF BUSINESS SERVICES  
-MAJOR TRADING PARTNERS, 1997  
\$ million

	Business Management	Others	Total
US	958	43	1,001
EU	565	28	593
Hong Kong	284	21	305
Japan	222	12	234
Indonesia	93	30	123
Malaysia	66	17	83
Others	541	113	654
Total	2,729	264	2,993

## *Technical Services*

52 Export of technical services is well diversified, and the share of the regional developing countries is large (Table 9). US, the largest market, only accounted for 17 per cent, and most of these are contributed by US MNCs as engineering/research and development service rendered to their head office. China and Malaysia are the second and third largest markets for our engineering services, while Indonesia and Thailand are our first and third largest markets for construction services. This again reflects our greater comparative advantage in technical services, which helps us overcome the entry barrier.

TABLE 9 EXPORT OF TECHNICAL SERVICES  
-MAJOR TRADING PARTNERS, 1997

	\$ million				
	Engineering	Computer and Information	Construction	Research & Development	Total
US	135	38	2	50	225
Hong Kong	19	96	17	35	167
Indonesia	50	30	78	0	158
EU	57	27	45	11	140
China	85	7	30	0	122
Malaysia	60	28	14	1	103
Japan	37	39	19	1	96
Thailand	22	18	36	0	76
Others	171	125	136	1	433
Total	636	408	377	99	1,520

## **Conclusion**

53 In view of the importance of trade in services to the Singapore economy, DOS has invested considerable efforts to develop new data sources, in particular, the TIS, to facilitate the compilation of more disaggregated data on Singapore's trade in services statistics. These statistics are compiled in accordance with the IMF's Balance of Payments Manual. The disaggregation available has also made it possible for these statistics to be re-classified in accordance with the GATS' modes of supply as recommended in the forthcoming UN Manual on Trade in Services Statistics.

54 The new statistics on Singapore's trade in services confirm their importance to the Singapore economy. While the traditional hub services of transportation and travel continue to be significant, the emerging services are becoming increasingly important. Trade-related services has overtaken transportation and travel as the largest component in our export of services. Export of financial, business and technical services have all recorded strong growths in recent years. This recent trend reflects Singapore's emergence as an international business hub.

55 Trade in services shows a very close relationship with foreign direct investment. Our three largest foreign investors, US, EU and Japan, are also our three largest trading partners in services. MNCs' inter-company trade accounts for a significant proportion of our trade in the emerging services. For example, payments of royalties by US subsidiaries to their parent companies account for three-quarters of our royalties payments. Singapore-based subsidiaries of MNCs have demonstrated the potential to develop a niche in the provision of technical services to related companies in the region.

Singapore Department of Statistics  
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## **Annex 1 Definition and Classification of Singapore's Trade in Services**

### *Transportation*

1 Transportation covers services that involve the carriage of passengers (*passenger*), the movement of goods, charter of carriers with crew (both under *freight*), and related supporting and auxiliary services (*others*).

2 In Singapore's case, in order not to compromise the confidentiality of data reported by Singapore Airlines and Silkair, data on *passenger* are consolidated under *others*, which also includes port services and commissions. Port services refer to the earnings of our port operators (i.e. PSA, CAAS, SATS) from serving foreign ships and aircrafts that call at our ports. Commissions refer to earnings of our local shipping/airline agents from serving foreign shipping lines/airlines.

3 *Freight* payments include payments for freight on merchanting, freight on imports<sup>5</sup>, and payments for charter with crew. *Others* payments include proceeds collected by foreign airlines from the sale of air tickets in Singapore, payments for overseas port services and commissions to foreign agents by our shipping lines and airlines.

### *Travel*

4 Travel covers the goods and services acquired from an economy by travellers during visits of less than one year in that economy. It also includes expenditure of students and medical patients, but exclude the international carriage of travellers (i.e. passenger fares).

### *Trade-Related Services*

5 Merchanting is the main item under trade-related services. Merchanting is the purchase of a good by a resident of the compiling economy from a non-resident and the subsequent resale of the goods to another non-resident, during the process the goods do not enter or leave the compiling economy. Merchanting service is measured by the margin from the sale of the goods.

6 Also included in trade-related services are commissions earned from trade-related activities, communication services, charter without crew and other

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<sup>5</sup> Refers to the implicit freight charges in our merchandise imports. In trade statistics, merchandise exports are valued on a f.o.b basis while merchandise imports are valued on a c.i.f. basis. The BPM recommends that in BOP, merchandise imports should be revalued to the f.o.b. basis. The implicit freight charges should be recorded as import of freight services while the implicit insurance charges should be recorded as import of insurance services.

miscellaneous services. Communication services is included here due to the need to maintain confidentiality of data provided by Singapore Telecoms.

### *Financial Services*

7 Financial services cover financial intermediary and auxiliary services. They are broadly classified into bank services, investment services and commissions.

8 Banks derive most of their income from the intermediation of funds, i.e. interest income. In the BPM, interest income is classified as investment income rather than services. Bank services in the BPM context refer to fee-based income of banks, as well as reimbursements for expenses from foreign banks to their local branches.

9 Similarly, for investment activities, services refer to the fees earned from performing intermediary service, and not the dividends or capital gains/losses from investment. Thus for the equity and derivative securities market, the services performed are reflected in the commissions received/paid for trading in the markets, while for fund management, the services performed are reflected in the management fees earned and recorded under investment services.

### *Insurance Services*

10 Insurance service is measured by the net premiums earned, and commission income. The net premiums earned from inward reinsurance are recorded in export of services, while the net premiums paid for outward reinsurance are recorded in import of services. Also included in insurance payments is insurance on imports.

### *Business Services*

11 Business services include business management, and the business professional services of advertising, legal, accounting and architectural. In Singapore, the most important activity here is business hub services, which are spending by Singapore subsidiaries of foreign MNCs to support their operations in Singapore as well as in the region (OHQ-type service). The spending are completely borne by the foreign head office. The hub services include a wide range of activities, from administration, business planning, co-ordination, marketing, sales promotion to technical support services.

### *Technical Services*

12 Technical services include engineering services, computer and information services, construction services and fees for research and development.

### *Royalties*

13 Royalties cover receipts and payments for the use of patents, copyrights, trademarks, industrial processes etc.

### *Social Services*

14 Social services include personal, cultural and recreational services such as production of movies, fees to actors, fees associated with sports etc.

### *Government Services*

15 Government services include expenditure of foreign embassies in an economy and expenditure of an economy's overseas embassies, including personal expenditure incurred by diplomats and consular staff in the economies in which they are located.

## Annex 2 Details of Singapore's International Trade in Services

\$ million

	Exports			Imports		
	1995	1996	1997	1995	1996	1997
Transportation	11,784	12,483	12,876	12,835	13,945	15,105
Freight on Imports*	-	-	-	6,928	7,294	7,788
Other Freight	4,571	4,954	4,969	1,767	2,046	2,415
Others	7,213	7,530	7,907	4,140	4,606	4,903
Travel*	10,977	10,552	9,445	7,121	8,113	7,920
Trade-Related	10,851	11,638	13,614	1,694	1,751	1,940
Financial	2,346	2,631	3,011	849	937	1,084
Investment Services	635	755	932	118	139	121
Bank Services	485	565	715	319	378	481
Commission	1016	1097	1115	412	421	481
Imputed Service Charge on Foreign Exchange Trading*	210	214	250	-	-	-
Insurance	839	833	658	2,116	2,105	2,039
Insurance on Freight*	-	-	-	1,375	1,408	1,478
Other Insurance	839	833	658	741	697	561
Business	2,795	2,838	2,993	1,299	1,325	1,735
Business Management	2,533	2,583	2,729	1,038	1,114	1,461
Legal	52	65	67	22	21	31
Accounting	21	18	25	14	15	15
Architectural	58	56	61	9	8	16
Advertising	134	116	111	216	167	212
Technical	1,605	1,736	1,520	1,176	1,299	1,548
Engineering	667	753	636	217	169	151
Computer and Information	454	488	408	263	237	291
Construction	409	415	377	99	96	109
Research & Development	75	80	99	597	797	997
Royalties	119	107	97	2,451	2,844	2,845
Social	6	10	13	27	9	13
Government*	132	138	142	168	137	166
Total	41,454	42,966	44,369	29,734	32,467	34,394

\* Data not collected by the TIS.

### **Annex 3 TIS Survey Form**

**DR PAUL CHEUNG**  
**CHIEF STATISTICIAN**  
**SINGAPORE**

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## SECTION A GENERAL INFORMATION

### Business Activity

Please state the main business activity of your enterprise :

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### Reporting Period

Data reported in this form should relate to the calendar year ending 1997. If you are unable to do so, please report based on your financial year and state your reporting period.

From \_\_\_\_\_ / \_\_\_\_\_ to \_\_\_\_\_ / \_\_\_\_\_ (mth/yr)

### Alternative Reporting Arrangements

Our Department is studying the feasibility of developing alternative reporting arrangement to facilitate the provision of information by your company. Please indicate with a tick ( ✓ ) if your company prefers the following alternative arrangements :

1. Electronic Data reporting in diskette provided by our Department	
2. Internet – On-line reporting	
3. Internet – Survey form electronically mailed to your company	

### Contact Person and Number

Person to contact if any queries arise regarding this form :

Name:		Tel. No:	
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Main Telephone and Fax Number of Company :

Main Tel No :		Fax No :	
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## SECTION B DECLARATION

I hereby declare that the information given in this form is complete and correct to the best of my knowledge and belief. I agree/disagree to the Singapore Trade Development Board having access to the information given in this return. I understand that they would also treat the information as confidential.

☐ Agree    ☐ Disagree    (Please tick the appropriate box)

Name:		Designation:	
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Signature:		Date:	
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## SECTION C    REPORTING INSTRUCTIONS

### Transactions to be reported in this form

1. In this form you are required to report all transactions with non-residents, unless otherwise stated. **Non-Residents** are defined as :
  - (a) Persons whose main centre of interest is **not** in Singapore or whose residence in Singapore does not exceed one year ;
  - (b) Companies and other bodies whose permanent or registered address is outside Singapore, including overseas branches or subsidiaries of Singapore-registered companies or institutions. Branches or subsidiaries of foreign companies located within Singapore are considered as residents.

### Transactions not to be reported in this form

2. In general, you need not report any transactions with **residents**. For example, payments to Singapore Telecoms for international calls need not be reported in this form. However, there are some exceptions. Please refer to specific instructions for these items.
3. Except for item 215, do **not** report any goods imported into and exported from Singapore which have already been reported to Singapore's customs.
4. Do **not** report any remitted profits, interest, dividends, capital gains, loans, deposits, investments or any other capital flows.
5. Do **not** report any transactions with the following entities in Singapore, including their transactions on behalf of their non-resident principals :
  - (a) business representative offices of foreign companies ;
  - (b) branches and offices of foreign airlines and shipping lines ;
  - (c) shipping agencies acting on behalf of foreign shipping lines.

### Residency of Transacting Parties

6. For services transactions, you should identify transactions based on the residency of the party whom you render services to or receive services from, and not based on the party whom you receive reimbursement from or make payments to. For example, if your company provided legal services to a Malaysian firm but was paid through a local business associate of that Malaysian firm, you should report the legal services as receipts from Malaysia.
7. Transactions with non-residents through your overseas agents should be treated as your own transactions with non-residents. Services rendered by your overseas agents to you should be reported as imports of services.

### Accrual Basis

8. Report amount earned and expenses incurred during the period whether or not the amount had been received or paid.

### Gross Reporting

9. Transactions are to be reported on a gross basis. Expenses incurred in the course of rendering the service, e.g. commissions, other services, tax etc are to be included. Report them separately if applicable.
-

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### Distinction between Goods and Services

10. Some goods are classified under services, e.g. direct subscription of newspapers; certain services may be imputed in the value of the goods, e.g. royalties for computer software; or goods are used in the provision of services, e.g. advertising services. In all these cases report the value of the goods if it has not been reported to Singapore's customs (see para 3).

### Currency

11. Report payments and receipts in **Singapore dollar**. Convert payments and receipts denominated in foreign currency to Singapore dollar at the exchange rate prevailing at the time of transaction.

### Intra-Corporate Accounting System

12. Reporting transactions with non-resident related companies which are made through the intra-corporate accounting system.

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### How to fill in the form

13. After you have read the instructions, please proceed to Section D where you are required to tick the items in which your company has transactions with non-resident overseas subsidiaries/branches and other enterprises. Thereafter, please proceed to Sections E and F to fill in the details for the items you have ticked in Section D.

### Example

14. Suppose a firm in Japan provided your company engineering services for \$10,000 and a non-resident British engineer came to Singapore for one month to provide your company engineering consultancy for a fee of \$20,000. In addition, your company attached two staff to a Chinese subsidiary for three months to provide engineering consultancy for a fee of \$25,000.

- (a) In **Section D**, tick the appropriate item.

SECTION D Transactions in Services Checklist			
Code	Item Description	Receipts	Payments
560	Engineering and Technical Services	<input type="checkbox"/> ✓	<input type="checkbox"/> ✓

- (b) In **Section E**, transfer the code given and then fill in the country details and corresponding amounts.

SECTION E Details of Transactions			
RECEIPTS		PAYMENTS	
Code:	<input type="text" value="560"/>	Code:	<input type="text" value="560"/>
Countries	Value S\$	Countries	Value S\$
<input type="text" value="China"/>	<input type="text" value="25,000"/>	<input type="text" value="Japan"/>	<input type="text" value="10,000"/>
<input type="text"/>	<input type="text"/>	<input type="text" value="UK"/>	<input type="text" value="20,000"/>
Total :	<input type="text" value="25,000"/>	Total :	<input type="text" value="30,000"/>

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## SECTION D TRANSACTIONS WITH NON-RESIDENTS CHECKLIST

If your establishment had any transactions (receipts and/or payments) with **non-residents** in any of the items listed below in **1997**, please indicate with a tick ( ✓ ).

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Code	Item Description	Receipts	Payments
005	<b>Reimbursement of Operating Expenditure</b> <div>For receipts, report reimbursement received from your overseas Head Office/other related entities to cover your general operating expenses, including wages. For payments, report reimbursement to your overseas branches/business representative office/other related entities for similar purpose. You need not report the details in other items.</div>	<input type="checkbox"/>	<input type="checkbox"/>
	<b>Business Services</b>		
010	Advertising, Public Relations and Design Services <div>Design, creation and marketing of advertisement; purchase and sale of advertisement space.</div>	<input type="checkbox"/>	<input type="checkbox"/>
015	Administrative and Management Services <div>Include management consultancy and hotel management.</div>	<input type="checkbox"/>	<input type="checkbox"/>
020	Recruitment and Placement Services <div>Refer to fees received/paid for recruitment/placement of professionals and workers. Do not report any wages here.</div>	<input type="checkbox"/>	<input type="checkbox"/>
025	Trade Fairs, Exhibitions and Conferencing Services <div>Receipts from and payments to non-residents for exhibitions, trade fairs and conferences in and outside Singapore.</div>	<input type="checkbox"/>	<input type="checkbox"/>
030	Real Estate Services <div>Commission for sale/purchase of real estate, property valuation, property management. Please exclude property rental.</div>	<input type="checkbox"/>	<input type="checkbox"/>
035	Training Services <div>Receipts from training of non-residents in and outside Singapore. Payments for training of residents in and outside Singapore.</div>	<input type="checkbox"/>	<input type="checkbox"/>
040	Marketing Services and Market Research <div>Marketing or purchasing agent's fees, sales commission, procurement services and representative fees.</div>	<input type="checkbox"/>	<input type="checkbox"/>
055	<b>Charter, Rental and Operational Leasing</b> <div>Charter, rental and operational leasing of equipment/machinery/ships/aircraft/vehicles. Please exclude property rental.</div>	<input type="checkbox"/>	<input type="checkbox"/>

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Code	Item Description	Receipts	Payments
<b>Communications Services</b>			
Do not include any transactions with Singapore Telecoms/Singapore Post.			
100	Postal and Courier Services	<input type="checkbox"/>	<input type="checkbox"/>
105	Telecommunications Services	<input type="checkbox"/>	<input type="checkbox"/>
Telegram, telefax, teleconferencing, virtual private network, cable or satellite transmission, international leased circuits, frame relay, related technical support services.			
<b>Computer and Information Services</b>			
150	Computer Services	<input type="checkbox"/>	<input type="checkbox"/>
Data processing, database, computer consultancy, software development and programming, system analysis, hardware/software technical support. Do not report exported/imported softwares that have already been reported to Singapore's customs.			
155	General Information Services	<input type="checkbox"/>	<input type="checkbox"/>
On-line news/financial information; provision of news, photographs, articles in all forms of media.			
160	Direct Subscription of Newspaper and Periodicals	<input type="checkbox"/>	<input type="checkbox"/>
165	Printing, Publishing, Editing and Photographic Services	<input type="checkbox"/>	<input type="checkbox"/>
170	Translation and Interpretation Services	<input type="checkbox"/>	<input type="checkbox"/>
<b>Construction Services</b>			
Under receipts, report gross receipts accrued to your company in the period for direct involvement as a main/nominated/sub contractor, project management team, installation work team etc. in overseas projects.			
Under payments, report gross payments to non-resident main/nominated/sub contractor for your overseas projects.			
Exclude those accrued to/paid by your overseas branches and subsidiaries.			
For expenses incurred on labour hired in country of project, report under item 210.			
For expenses on materials, report those materials exported from Singapore under item 215, and report those materials purchased overseas, including those purchased in country of the project, under item 216.			
For other expenses incurred in the projects, e.g. legal services, report under the relevant items elsewhere.			
200	Amount accrued for Construction Services	<input type="checkbox"/>	<input type="checkbox"/>
205	Construction related Consultancy	<input type="checkbox"/>	<input type="checkbox"/>
210	Construction Labour		<input type="checkbox"/>
215	Construction Materials Exported from Singapore		<input type="checkbox"/>
216	Construction Materials Purchased Overseas		<input type="checkbox"/>

Code	Item Description	Receipts	Payments
<b>Cultural, Sports and Recreational Services</b>			
250	Fees for production of motion picture, radio, television programs, musical recording	<input type="checkbox"/>	<input type="checkbox"/>
255	Fees for Entertainment and Cultural Performances	<input type="checkbox"/>	<input type="checkbox"/>
	Include fees paid to non-residents performing in Singapore and fees received by residents performing overseas.		
260	Fees for Sporting and other Recreational Services	<input type="checkbox"/>	<input type="checkbox"/>
	Include fees paid to non-resident sportsman/sports teams and fees received by resident sportsman/sports teams.		
<b>Educational Services (applicable only to commercial schools, Information technology training schools, language schools, etc.)</b>			
	Please note that all non-Singapore citizens/non-PRs studying in Singapore are regarded as non-residents regardless of length of stay in Singapore.		
300	Fees received from non-residents studying in Singapore	<input type="checkbox"/>	
	Include those fees for overseas courses conducted in Singapore and correspondence courses.		
305	Foreign courses conducted in Singapore and Singapore courses conducted overseas	<input type="checkbox"/>	<input type="checkbox"/>
	Fees paid to or received from overseas institutions for conducting such courses including registration/examination fees etc remitted abroad on behalf of students.		
310	Correspondence Courses	<input type="checkbox"/>	<input type="checkbox"/>
	Fees received from overseas institution for conducting such courses. Fees remitted to overseas institution on behalf of resident students for such courses.		
320	Other Education Consultancy	<input type="checkbox"/>	<input type="checkbox"/>
	Include fees for non-residents teaching in Singapore and residents teaching overseas, miscellaneous commissions and fees.		
<b>Financial Services</b>			
350	Investment and Other Financial Consultancy Services	<input type="checkbox"/>	<input type="checkbox"/>
	Fees for asset management, investment consultancy, security custody, nominee services, financial consultancy.		
355	Bank Services	<input type="checkbox"/>	<input type="checkbox"/>
	Charges and fees associated with fund transfers, loans, letters of credit, bankers' acceptance, cheque clearing, factoring, financial leasing, foreign exchange transactions, remittances, credit card commission, guarantee fees. Do not report any interest on loans/deposits here.		
360	Commission, Brokerage, Underwriting Fees on Financial Instruments such as shares, securities, financial derivatives	<input type="checkbox"/>	<input type="checkbox"/>

Code	Item Description	Receipts	Payments
<b>Government Services</b>			
400	Payments to foreign governments and foreign bodies in Singapore (e.g. embassies) for services charges, fees, etc.		<input type="checkbox"/>
403	Custom Duties paid to foreign governments		<input type="checkbox"/>
405	Tax and Other Duties paid to foreign governments		<input type="checkbox"/>
	Do not include tax on dividends or interest.		
<b>Insurance Services</b>			
	For payments, provide gross premium paid to non-resident insurers. For receipts, provide gross claims received from non-resident insurers.		
460	Insurance on cargo excluding those on imported/exported goods	<input type="checkbox"/>	<input type="checkbox"/>
470	General Insurance excluding insurance on cargo	<input type="checkbox"/>	<input type="checkbox"/>
<b>Medical and Health Services</b>			
	Please note that all foreigners working in Singapore are residents; for example, those on work permit or employment pass.		
500	Medical fees received from non-residents seeking medical treatment in Singapore	<input type="checkbox"/>	
	Include fees for medical consultation, treatment, operation, medicine and ward charges.		
505	Other medical related transactions with non-residents	<input type="checkbox"/>	<input type="checkbox"/>
	Include fees paid to non-resident medical personal providing service in Singapore or fees received from non-residents for providing medical treatment overseas, other forms of medical and health related consultancy.		
<b>Professional Services</b>			
430	Membership and Subscription Fees	<input type="checkbox"/>	<input type="checkbox"/>
550	Legal Services	<input type="checkbox"/>	<input type="checkbox"/>
555	Accounting, Auditing, Bookkeeping & Tax Consultancy	<input type="checkbox"/>	<input type="checkbox"/>
560	Engineering and Technical Services	<input type="checkbox"/>	<input type="checkbox"/>
	Product testing, technical inspection, servicing; general repairs.		
565	Architectural and Surveying Services	<input type="checkbox"/>	<input type="checkbox"/>
	Include interior design, landscaping.		
570	Research and Development Services	<input type="checkbox"/>	<input type="checkbox"/>
575	Agricultural and Mining Services	<input type="checkbox"/>	<input type="checkbox"/>
580	<b>Manufacturing and Processing Services</b>	<input type="checkbox"/>	<input type="checkbox"/>
	For receipts, report fees received for manufacturing or processing of goods in Singapore. For payments, report fees paid for manufacturing or processing of goods abroad. Do not include the value of goods that has already been reported to Singapore's customs.		

Code	Item Description	Receipts	Payments
610	Repairs Repairs of ships, aircraft and other transportation equipment.	<input type="checkbox"/>	<input type="checkbox"/>
<b>Royalties</b>			
Items 650 to 680 refer to the <i>right to use</i> while for item 690, the transaction results in a <i>change of ownership</i> of an intangible asset.			
650	Patents, industrial design, industrial know-how, manufacturing rights & prototypes	<input type="checkbox"/>	<input type="checkbox"/>
655	Royalties on Computer Software and Multimedia	<input type="checkbox"/>	<input type="checkbox"/>
660	Trademark and Franchising Fees	<input type="checkbox"/>	<input type="checkbox"/>
665	Publication Copyrights	<input type="checkbox"/>	<input type="checkbox"/>
680	Other Royalties, patents, distribution rights etc	<input type="checkbox"/>	<input type="checkbox"/>
690	Purchase/Sale of Patents, Copyright, Trademarks etc	<input type="checkbox"/>	<input type="checkbox"/>
<b>Trade and Transport Related Services</b>			
620	Cargo Handling , Warehousing and Logistic Services Warehouse and storage charges, freight forwarding, repacking, grading, onward delivery and other distribution services.	<input type="checkbox"/>	<input type="checkbox"/>
700	Commission on trading of goods that do not enter into or outside Singapore.	<input type="checkbox"/>	<input type="checkbox"/>
705	Merchanting Services Refer to purchase and sale of goods by your company where the goods are shipped directly between third countries and do not enter Singapore. Do not include any imported and exported goods that have already been reported to Singapore's customs.	<input type="checkbox"/>	<input type="checkbox"/>
755	Charges for carriage of goods Freight charges/voyage charter fees incurred for the carriage of goods. Exclude those incurred on goods imported into & exported from S'pore.	<input type="checkbox"/>	<input type="checkbox"/>
780	<b>Staff Travel Expenses</b> (In Section F, you need not provide country breakdown for this item) Reimbursement to staff for expenses incurred on overseas business trips, including entertainment, accommodation, air tickets, prepaid expenses, phone charges, etc.		<input type="checkbox"/>
<b>Other Transactions not indicated above</b> Please refer to Para 1-5 in Section C. If spaces provided are insufficient, please attach separate sheets.			
990	Please specify:	<input type="checkbox"/>	<input type="checkbox"/>
991	Please specify:	<input type="checkbox"/>	<input type="checkbox"/>
992	Please specify:	<input type="checkbox"/>	<input type="checkbox"/>

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## SECTION E    DETAILS OF TRANSACTIONS WITH OVERSEAS SUBSIDIARIES/ BRANCHES

1. Overseas subsidiaries or branches are companies incorporated outside Singapore in which your company owned at least 10 per cent of the total paid-up shares as at the end of the year of reference. Overseas branches refer to establishments belonging to your company which are registered overseas to operate business under the same name as your company, and unincorporated joint ventures and partnerships which your company has at least 10% equity interest.
  2. Please provide details of transactions with **overseas subsidiaries/branches** for items you have ticked in Section D.
  3. Please refer to Section D for item codes and description. If spaces provided are insufficient please attach separate sheets.
- 

Name of overseas subsidiary/branch : \_\_\_\_\_

Country of Operation of overseas subsidiary/branch : \_\_\_\_\_

### RECEIPTS

Item Code

Value S\$



### PAYMENTS

Item Code

Value S\$



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Name of overseas subsidiary/branch : \_\_\_\_\_

Country of Operation of overseas subsidiary/branch : \_\_\_\_\_

### RECEIPTS

Item Code

Value S\$



### PAYMENTS

Item Code

Value S\$



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## SECTION F DETAILS OF TRANSACTIONS WITH OTHER ENTERPRISES

- (a) Please provide details of transactions for items you have ticked in Section D.
- (b) If spaces provided are insufficient, please attach separate sheets.
- 

### RECEIPTS - During 1997

Code:

Countries

Value S\$


Total :

Code:

Countries

Value S\$


Total :

Code:

Countries

Value S\$


Total :

Code:

Countries

Value S\$


Total :

PAYMENTS - During 1997

Code:

Countries	Value S\$
Total :	

Code:

Countries	Value S\$
Total :	

Code:

Countries	Value S\$
Total :	

Code:

Countries	Value S\$
Total :	