

which sometimes use quite different concepts and methods to quantify business services trade. For example, the value of merchandise bought and sold by trading companies is sometimes recorded as services trade. This causes an overestimation of services trade. On the other hand, the GATT Secretariat also believes that many services trade transactions are not recorded. Services trade statistics are not available for some countries which are not members of the IMF, while reported statistics may include important omissions due to problems with the data used by national statistical agencies. These include non-reporting of transactions by firms and the misclassification of services trade as merchandise trade or investment flows. To quote the GATT Secretariat: "It is impossible to determine to what extent ... the available statistics underestimate the actual level of trade in services."⁶⁴

The problems with Canadian services trade statistics parallel the data problems with Canadian merchandise trade statistics. Canadian and U.S. bilateral services trade data are reconciled in much the same way as Canadian merchandise trade statistics. Statistics Canada and the U.S. Department of Commerce exchange and reconcile each other's services import data to produce bilateral services export and import numbers. As a result, our statistics for services trade with the United States are considered quite good. As this reconciliation process does not happen with countries other than the U.S., there is the strong possibility that Canadian statistics for services trade with other countries may be less accurate and perhaps under-reported.

In preparing its business services statistics, Statistics Canada examines the Revenue Canada administrative data for international transactions between related parties filed by Canadian companies. Statistics Canada is, therefore, quite likely to have very good statistics for services trade between affiliated companies. The data for trade between unaffiliated companies may be somewhat less reliable.

When Canadian services providers establish offices overseas, the services sales of these offices may or may not be counted as service exports. If these offices are considered as long-term establishments, then the profits of these offices are recorded by Statistics Canada as investment income in the current account. If an office considered to be a long-term establishment does not report a profit, for whatever reason, then it is unlikely that its sales will be reflected in any Canadian statistics.

Another possible problem with services data is the under-reporting of services imports. Statistics Canada has a fairly sophisticated understanding of which Canadian companies export services and believes it captures most of their service

⁶⁴ GATT Secretariat, *International Trade Statistics* (Geneva 1989), p. 328.