

Comments on “Trade in services between India & Sri Lanka”

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Problem with research on services trade

- No customs chokepoints → no reliable data sources
- Actors have incentives to overstate/understate
- One of the world's best statistical agencies, StatsCan, uses mandatory questionnaires administered to a sample
 - “Roughly 3,200 firms receive the international trade in services questionnaires, 2300 of which are surveyed annually and 900 of which are surveyed once every 3 years. The surveys are believed to cover most of the large corporate importers and exporters of services.
 - “Responding to this survey is mandatory.”
 - <http://www.statcan.gc.ca/cgi-bin/imdb/p2SV.pl?Function=getSurvey&SDDS=1536&lang=en&db=imdb&adm=8&dis=2>
- How were data collected for the tables in this paper?

Table 4: Sri Lanka's service imports by sector: Does this pass the smell test?

	2004	2005	2006	2007	2008
Transportation	1134.66	1267.5	1462.46	1613.08	1960
Travel	295.98	314.46	373.1	392.9	428
Computer Services	0	0	0	0	0
Other Business Services	315.14	322.01	328.6	349.3	330
Communications	10.2	18.92	49.1	53.9	55
Insurance	110.44	122.94	139.73	152.97	187
Construction	6	5.52	5.52	5.5	6
Government Services	35.44	37.39	35.1	34.1	35

Illustrative case 1: Sri Lanka BPO export data

Total earnings (survey)	USD 98,000,000
Export-related employees (survey)	13,000
Annual revenue/employee	USD 7,538
Monthly revenue/employee	USD 628
Est. employee cost/month, excl. salary	USD 500
What remains for average salary	USD 128
In LKR (@110)	LKR 14,080

Makes no sense, even for captive BPOs. Either earnings are understated; employees overstated; or they are working in terrible conditions

Cannot be accurate. Something has to give: revenue number or employee number

Illustrative case 2: Sri Lanka software export data

Total earnings	USD 294,000,000
Export-related employees	27,000
Earnings/employee/year	USD 10,889
Earning/employee/month	USD 907
Est employee cost/month	USD 500
What remains for salary/month	USD 407
In LKR	LKR 44,770

WSO2 makes USD 40k/employee/year; almost x4. That suggests that some firms make less than USD 10k/employee/year.

Possibly not 100% accurate, but acceptable

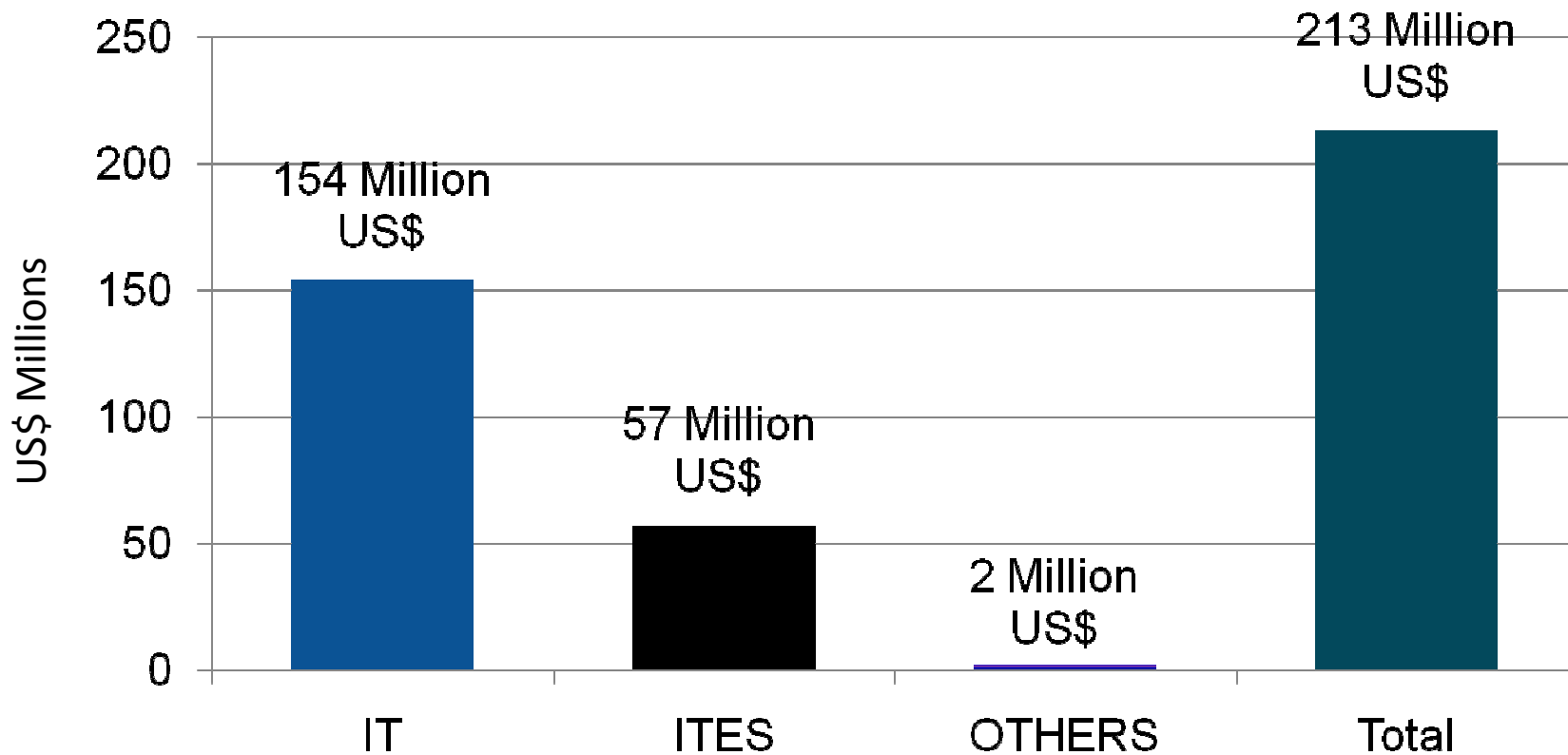
What are the solutions?

- Easiest: always state the limitations of data and use sophisticated analyses only after fully considering data quality
- Triangulate data to assess quality
 - Use corrective assumptions where necessary
 - For example, if the employee figures are relatively accurate for software and BPO export firms, the revenue numbers may have to be imputed from them

Table 2: Sri Lanka's service exports by sector

	2004	2005	2006	2007	2008
Transportation	624.16	673.37	750.7	837.8	999
Travel	512.88	429.06	410.3	385.3	342
Computer Services	72	82.47	98	175.2	230
Other Business Services	178.21	187.64	190.4	196.4	222
Communications	42.81	43.87	67.9	72	81
Insurance	50.33	72.97	57.2	55.2	68
Construction	25.89	29.36	29.2	32.8	40
Government Services	20.32	21.39	21.21	20.3	21

Software/BPO Export Revenue 2007



How can the differences be explained?

How StatsCan does it

- **Error detection**
 - Data received are compared with previous years' data, and large differences are further investigated. Respondents with no reported transactions are contacted for confirmation. Totals reported are compared with the sum of components and country codes are verified. When available, survey results are compared with data from other sources for validation.
- **Imputation**
 - In the case of non-response, data are imputed by one of the following methods:
 - applying the growth rate of a related variable for the same company if such information is available from another data source,
 - applying an average growth rate for the variable of interest reported by other respondents in a similar line of business,
 - applying results from the previous year to the current year.
- **Estimation**
 - Macro adjustments are introduced based on the results of the quality evaluation described below.
- **Quality evaluation**
 - Before the international trade in services data are published, steps are taken to ensure the quality of the estimates.
 - Aggregate level estimates of Canada's international trade in services are compared with previous years' data. The time series trend is also compared to the time series trend of other related indicators such as supply and disposition statistics, and partner countries' international trade data.
 - When data at the macro level appear suspicious, micro components of the suspicious macro results are examined for possible entry errors or erroneous imputation. Respondents are contacted if necessary.

Also, build an argument

- Based on principles
- Illustrated by concrete cases
 - I did not see enough discussion of transshipment services (Colombo port) where the data are of relatively good quality
- Anchored on The Joint Study Group Report (para 3.13) that recognized the need for Colombo to continue as a sub-regional hub:
 - “The JSG noted that maritime transport and logistics services are a critical element of the development of Sri Lanka as a services hub for South Asia. The improvement of these services in both countries is crucial to effective participation in the global economy. There is potential for Indian investment in Sri Lanka’s plans to develop the South Colombo port and other ports.”