

Measuring the International Supply of Services by GATS Modes

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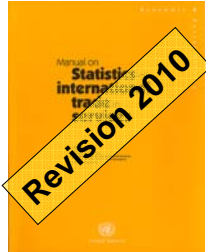
Measuring the International Supply of Services by GATS Modes

- **Background and information needsWhat are the GATS modes of supply? And mode 4?**
- **Value: what can we expect in the (not too distant?) future?**
 - Simplified allocation (with little resources)
 - Doing more: implementing data collection
 - Some country experiences
- **Additional indicators to assess trade in services commitments**



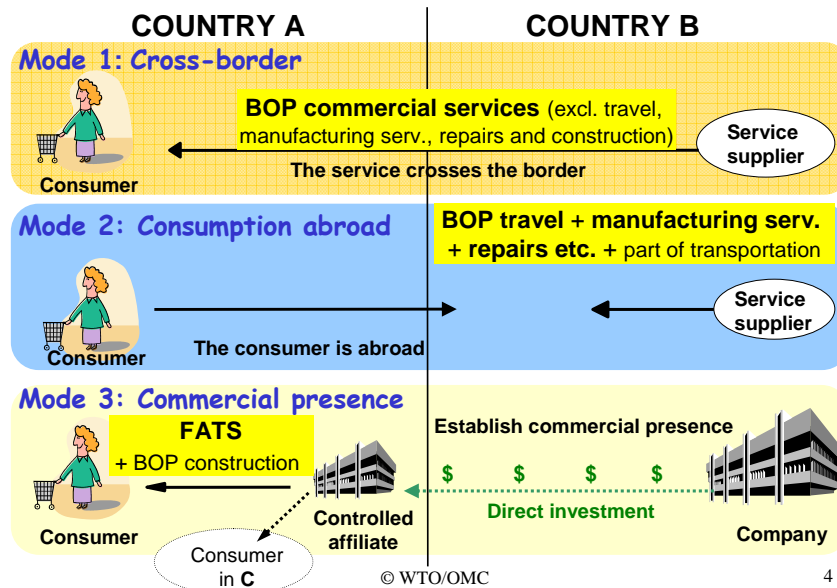
GATS: What do we need to measure?

Value of the international supply of services and additional indicators (in particular mode 4)



- By service product (or activity if not possible)
- By modes of supply
 - Mode 1: Cross-border trade
 - Mode 2: Consumption abroad
 - Mode 3: Commercial presence
 - Mode 4: Presence of natural persons
- By partner
- By relation between the parties

The GATS Modes of Supply (1/2)



The Presence/Movement of Natural Persons in GATS

Relevant framework

- GATS' main text: mode 4 → **presence** of natural persons
- GATS' Annex → **movement** of natural persons

Description of Mode 4 in main text and annex

Purpose of stay

Fulfilling *directly* a service contract, whether as a service supplier (**self-employed**) or as an **employee**

Indirectly: Presence *instrumental* to supply of service: through commercial presence or supply at a later stage

Duration of stay

Temporary: Rules regarding citizenship, migration, residence and permanent employment are not covered



Mode 4 categories in statistical framework?

Contractual service suppliers

- Self-employed (independent) service suppliers
- Employees of foreign service suppliers

Intra-corporate transferees and persons directly recruited by the foreign affiliate

Services sellers / Persons responsible for setting up commercial presence

Areas of uncertainty

- difference between employment and service contract
- what does constitute a service?
- many commitments currently focus on highly-skilled workers

The size of mode 4 trade?

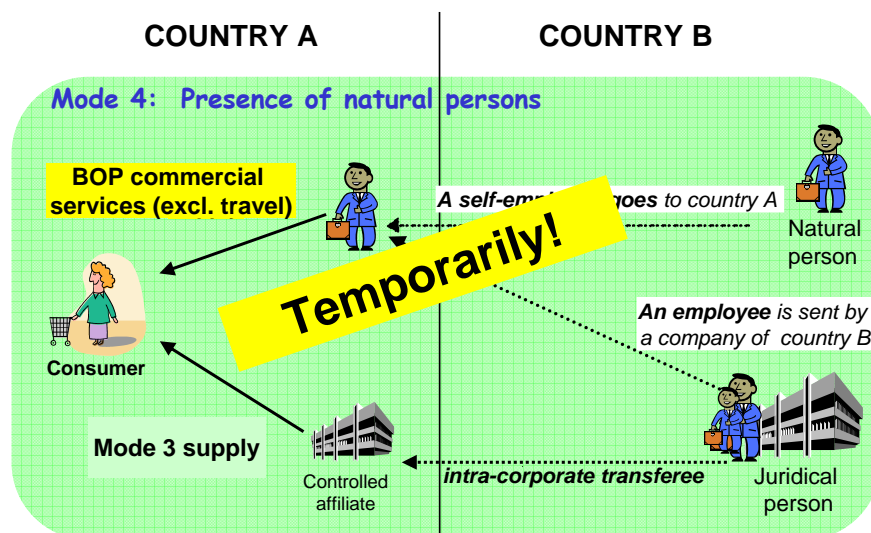


- **Small** compared to total trade, and to other modes of trade in services (*is the most restricted*)
- **Importance varies** across countries and sectors
- **Mobility for skilled workers increasing** and facilitated by special programs
- **Both developed and developing** countries are traders where mode 4 can be involved

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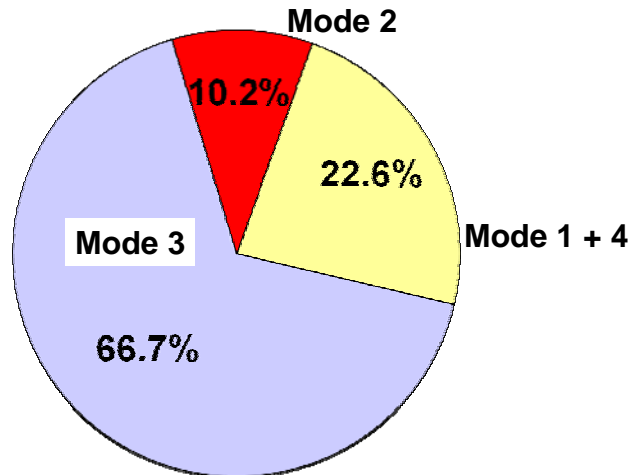
The GATS Modes of Supply (2/2)



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International Supply of Services to United States : a first breakdown by modes



Source: WTO calculations based on "U.S. International Services: Cross-Border Trade in 2008 and Services Supplied Through Affiliates in 2007" Survey of Current Business, BEA, U.S. Department of Commerce, 2009. 9

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Remittances and compensation of employees are not measures of mode 4!



Labour mobility

Trade in services

Value: Compensation of employees
Workers remittances
BPM6: Personal transfers

Services categories

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What is the problem with measuring GATS Modes of Supply?



Intermodal linkages

Services may be delivered through

several modes of supply

Mode 1

Mode 2

Mode 3

Mode 4

A single service transaction through different modes

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Simplified allocation of FATS and EBOPS data to modes of supply (1/2)



	FATS (sales or output) *	Balance of payments trade in services					
	Mode	Mode(s)					
	3	1	2	4	1 and 4	2 and 4	3 and 4
Manufacturing serv. on inputs owned by others	X		X				
Maintenance and repair services n.i.e.	X		X				
Transport	X	X					
• Passenger	x	x					
• Freight	x	x					
• Post and courier services	x	x					
• Other	x						
–Serv. to domestic carriers in foreign ports (and vice-versa)	x		x				
–Other	x	x					
Travel			X				
• Goods							
• Local transport services			x				
• Accommodation services			x				
• Food-serving services			x				
• Other services			x				
Construction	X						X
• Goods							
• Services	x						x
Insurance and pension services	X	X					
Financial services	X	X					
Charges for the use of intellectual property n.i.e. **	X	X					

* In territory where affiliate established. If not possible to breakdown by EBOPS 2010 product, by activity using ICFA Rev.1
 ** Certain degree of uncertainty regarding certain charges

Simplified allocation of FATS and EBOPS data to modes of supply (2/2)

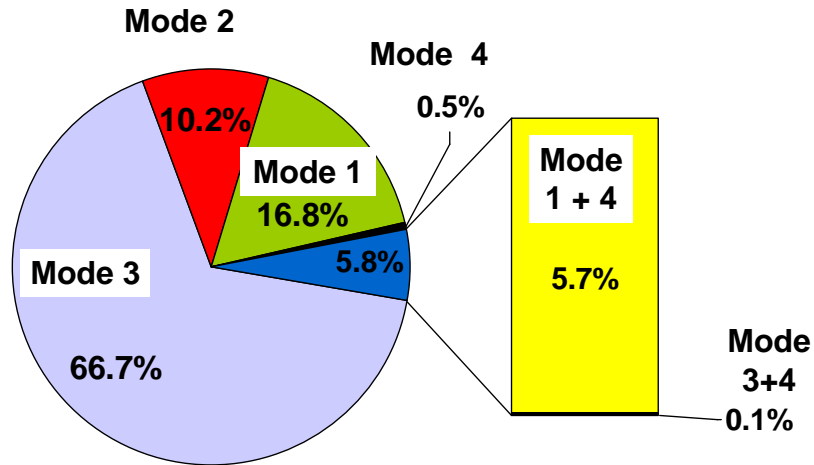


	FATS (sales or output)	Balance of payments trade in services					
	Mode	Mode(s)					
	3	1	2	4	1 and 4	2 and 4	3 and 4
Telecom., computer, and information services	X						
• Telecommunications services	x						
• Computer services							
• Information services							
Other business services							X
• Research and development services							x
• Professional and management consulting services							x
• Technical, trade-related and other business services							x
–Architectural, engineering, scientific, other technical services							x
–Waste treatment -depollution, agri. and other services							x
–Operational leasing			x				
– Trade-related services			x				
– Other business services					x		
Personal, cultural, and recreational services	X						X
Government goods and services n.i.e.							
• Government goods n.i.e., Credits and debits							
• Government services n.i.e., Credits							
• Government services n.i.e., Debits							
– Commercial services purchased in host economies							
– Government units in diplomatic and similar enclaves							x
– Personnel from home economy and dependants							x
– Other commercial serv. n.i.e purchased by government							x
– Non-commercial services acquired by government							
Distribution (wholesale, retail trade) services	X	X					

Implementation based on existing data....

CHALLENGE

International Supply of Services to United States : further breakdown by modes



Source: WTO calculations based on "U.S. International Services: Cross-Border Trade in 2008 and Services Supplied Through Affiliates in 2007" Survey of Current Business, BEA, U.S. Department of Commerce, 2009. 15

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Options to assess Mode 4 delivery in surveys



1. Did the service delivery involve physical presence of service provider?

Yes? Then, **how** was most of the service value provided (time/resources)?

Mostly by fax, email, etc.

Natural person at the end (e.g. to supervise)

The person was essential to deliver the service

Mode 1

Mode 4

**Combine with other sources?
Model based estimates?**

2. Require in services surveys allocation by each GATS mode of supply

3. Require estimated share of services inputs for Mode 4 services trade

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Example

Indian International Supply of Computer Services, IT Enabled Services and BPO by Mode, 2008-09



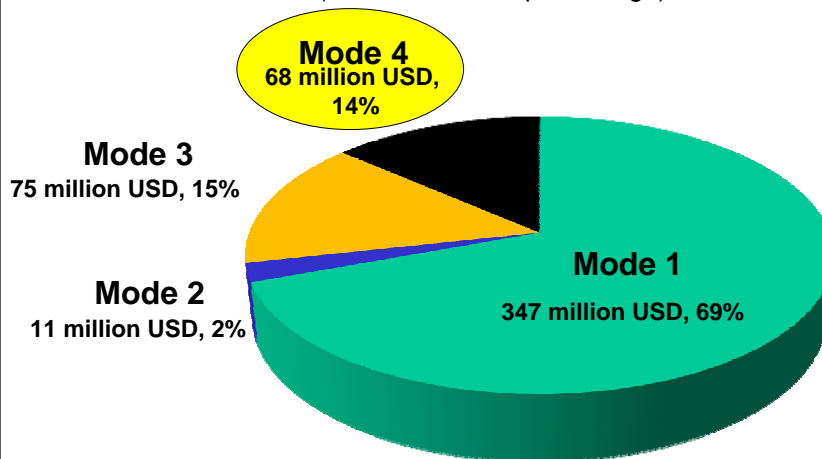
Size of transactions (million USD)	Amount (million USD)					Per cent Share in Total			
	Mode 1	Mode 2	Mode 3	Mode 4	Total	Mode 1	Mode 2	Mode 3	Mode 4
< 0.2	37	0	6	1	44	83.2	0.0	13.9	3.0
0.2-2.2	447	5	43	18	513	87.1	0.9	8.4	3.6
2-22	1930	0	225	111	2266	85.2	0.0	9.9	4.9
> 22	22194	28	7051	11592	40865	54.3	0.1	17.3	28.4
Total	24607	32	7326	11723	43688	56.3	0.1	16.8	26.8

Source: Reserve Bank of India (2010), converted to US dollars by WTO.

Example

Australia's Legal Services International Supply by GATS Modes, 2008-09

(million USD and percentage)



Source: WTO calculations based on ILSAC Survey of Australian Export Market for Legal Services 2008-09

Estimating the international supply of services by mode: a long-term process?

1. **Simplified allocation: MSITS 2010 table 5.2 as start**
guide for compilers for first estimation (have knowledge of services trade in their economy)
2. **Further refine**
Anecdotal information, discuss with business associations, major players, users (hint: evaluating mode 4 is key)
3. **Develop survey for specific (important) service**
Joint development? Use results to refine BOP? Collect additional data (e.g. details, quantitative information)?
4. **Use BOP trade in services or business survey**
Selection of services? Full-fledge? Exports and imports? Census approach? Joint development?

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Additional indicators to analyze the international supply of services



- Sectoral statistical frameworks: tourism , health, etc.
- Production, quantitative, employment indicators
- on **Mode 3**: FDI stocks, flows in services, number of foreign affiliates, employees, value of assets etc. (FATS)
- on **Mode 4: Number (stocks and flows) of persons**
 - Tourism and migration statistical frameworks for defining, with some amendments necessary
 - Possible sources:
 - Migration authorities or other administrative sources
 - Household, labour force, border/passenger surveys
 - Trade in services or more generally business surveys?

Need to clearly define “mode 4” questions/categories in existing data sources!

For which categories should we measure the number of mode 4 persons?



Natural persons	Number of persons
<i>Contractual services suppliers</i> -Self-employed - Employees of foreign service suppliers	Yes
<i>Intra-corporate transferees and directly recruited by foreign affiliate</i>	Yes
<i>Services sellers - Persons responsible for setting up commercial presence</i>	Yes (less important)

Mode 4, migration, tourism statistics (1/2)



Purpose of trip or migration	Length of stay of individuals		
	Less than 3 months	3 to 12 months	more than 12 months
IRTS 2008 categories			
Visits / trips			
Personal			
Holiday, leisure and recreation			
Visiting friends and relatives			
Education and training			
Health and medical care			
Religion/pilgrimages			
Shopping			
Transit entering eco./legal territory			
Other			
Business and professional (no employer-employee relationship with entity established in compiling economy)			
Contractual service supply:			
- <i>by self-employed</i>			
- <i>by employee of which intra-corporate</i>			
Serv. sales / commercial pres. negotiation			
- <i>serv. sales/personal commercial pres. of serv. producer negotiation</i>			
- <i>commercial pres. of goods producing company negotiation</i>			
- <i>Other (incl. meetings, conferences, etc)</i>			

RSIM Rev.1 categories

Categories of the UN Recommendations on Statistics of International Migration, revision 1:

Non-Migrant categories

Migrant categories

Mode 4, migration, tourism statistics (2/2)



Purpose of trip or migration	Length of stay of individuals		
	Less than 3 months	3 to 12 months	more than 12 months
Employment (migrant workers, employment-based settlement)			
Intra corporate transfer:			
- <i>in services producing company</i>			
- <i>other</i>			
Directly recruited by a foreign established:			
- <i>services producing company</i>			
- <i>other</i>			
International civil servants			
Other			
Trainees			
Family reunification/formation			
Family based settlement; Ancestry based settlement			
Retiree settlement			
Entrepreneurs and investors settlement a			
Humanitarian reasons (refugees, etc.)			
Border workers; Frequent crossers; Nomads			
Transit not entering economic/legal territory			
Diplomatic/consular personnel; Military pers.			

RSIM Rev.1 categories

Categories of the UN Recommendations on Statistics of International Migration, revision 1:

Non-Migrant categories

Migrant categories

RECOMMENDATIONS OF MSITS 2010

To measure modes of supply



- **FATS: Mode 3; BOP essentially to Modes 1,2, and 4 (except construction); BOP construction to modes 3 and 4;**
- **Each BOP service transaction to the dominant mode;**
- **Allocate services transactions to modes of supply according to EBOPS. If not possible allocate the 12 main BPM6 categories and the estimate of distribution services;**
- **Estimate distribution services;**
- **Other indicators for analysis, e.g.: Number of persons for mode 4 for all categories (migration/tourism statistics).**