Regional Seminar on International Trade Statistics

Services Modes of Supply - FATS

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What do we need to measure?

1) **Value of services trade flows**
   - By type of service product (or activity for FATS)
   - By origin and destination
   - By relation between the parties

2) **Additional indicators**
GATS Modes of Supply and Statistical Domains: The simplified approach

Balance of Payments Services Statistics

Mode 4: Remittances and compensation of employees are not measures of mode 4 trade

Foreign Affiliates Statistics (FATS)

Mode 3

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Overall response rate was **88%**

Of all the enterprises surveyed, 55.2% responded with data, while 32.8% reported no data.
## Exports of services by mode of supply and broad service type

**Year ended 30 June 2011**
**NZ$(million)**

<table>
<thead>
<tr>
<th>Broad service type</th>
<th>Mode of supply&lt;sup&gt;(1)&lt;/sup&gt;</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Cross-border supply&lt;sup&gt;(2)&lt;/sup&gt;</td>
<td>Presence of natural persons&lt;sup&gt;(3)&lt;/sup&gt;</td>
<td>Consumption abroad&lt;sup&gt;(4)&lt;/sup&gt;</td>
</tr>
<tr>
<td>Information and communication technology services</td>
<td>642</td>
<td>69</td>
<td>14</td>
</tr>
<tr>
<td>Financial services</td>
<td>189</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Trade and sales services</td>
<td>55</td>
<td>34</td>
<td>20</td>
</tr>
<tr>
<td>Business services</td>
<td>83</td>
<td>66</td>
<td>25</td>
</tr>
<tr>
<td>Technical and professional services</td>
<td>345</td>
<td>137</td>
<td>9</td>
</tr>
<tr>
<td>Intellectual property</td>
<td>469</td>
<td>--</td>
<td>...</td>
</tr>
<tr>
<td>Miscellaneous services</td>
<td>136</td>
<td>84</td>
<td>12</td>
</tr>
<tr>
<td>Entertainment and recreational services</td>
<td>219</td>
<td>71</td>
<td>24</td>
</tr>
<tr>
<td>Services not elsewhere classified</td>
<td>43</td>
<td>--</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3,424</strong></td>
<td><strong>463</strong></td>
<td><strong>105</strong></td>
</tr>
</tbody>
</table>

**Source:** Statistics New Zealand

Dominant Mode 1 (85.8%), due also to NZ geographical isolation
BOP services allocation to modes: Compiler’s Guide suggestions

- Simplified allocation as suggested in MSITS2010, using a step-by-step approach for improvement
- Direct data collection
  - At least for services sectors of interest
- Model based estimates
- Starting with travel (/tourism) and mode 2
FATS – Foreign AffiliaTes Statistics

Guidelines for measuring the activity of foreign affiliates

• What are FATS useful for?
  • Focus on services measuring Mode 3 (commercial presence),
  • Help understand the phenomenon of globalisation.

• What do FATS measure?
  • Range of indicators on the activity of controlled foreign affiliates
  • Inward and outward FATS
  • With a particular focus on services
FATS – what they are

Summary of the statistical framework

Foreign direct investment statistics (FDI)
=> (international) financial transactions / positions

FATS
=> indicators of the activity of the foreign controlled enterprises

Mode 3
Economic Variables for FATS

Most are drawn from SNA 2008

**Basic FATS variables**
(minimum recommended by MSITS2010)

- Sales (turnover) and/or output
- Employment
- Value added
- Exports and imports of goods and services
- Number of enterprises

**Additional FATS variables**

- Assets
- Compensation of employees
- Net worth
- Net operating surplus
- Gross fixed capital formation
- Taxes on income
- Research and development expenditures
- Purchases of goods and services

Most are drawn from SNA 2008
Classification by Partner, by Activity ..... and by Product

• FATS variables classified as a first priority by partner:
  • Country of foreign direct investors (inward FATS)
  • Country of operations of affiliates (outward FATS)

• FATS variables classified as a first priority on an activity basis (basis compatible with ISIC)

• Long-term priority…
  • FATS variables such as sales, imports and exports should also be broken-down by product according to EBOPS 2010 (at least total goods and total services)
Recording of Inward and Outward FATS

<table>
<thead>
<tr>
<th>Country A</th>
<th>Country B</th>
<th>Country C</th>
</tr>
</thead>
<tbody>
<tr>
<td>enterprise EA</td>
<td>enterprise EB</td>
<td>Investor EC (uci)</td>
</tr>
</tbody>
</table>

Inward FATS:
- Operations of EA
- Operations of EB

Outward FATS:
- Operations of EB
- Operations of EA

Controls:
- From Country B to Country A
- From Country C to Country B

Double counting:
For international aggregation identify mother companies foreign controlled.
Services Supplied to United States (billion USD, 1986-2011)

Source: Bureau of Economic Analysis, U.S. Department of Commerce, October 2013

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India - International Supply of Computer Services, IT-Enabled Services and BPO by Mode (%)

Why do we need additional indicators?

- **Need further information:** monetary and non-monetary indicators (as indicated in MSITS 2010)

- **Quantitative data for services:** same as interest in the value and *volume* of merchandise trade

- **Some data readily available, but need for more:** developing existing sources or creating new ones

More focus on mode 2 and **mode 4** quantitative indicators: number of persons
Measuring Modes of Supply and FATS
New experiences??

- **Brazil**
- **New Zealand**
- **Honk Kong, China**
- **Colombia**
- **Spain**
- **Canada**
- **Germany**
- **United States**
- **Austria**
- **Zambia**
- **Others…**

- **External stimulus/cooperation** often needed (e.g. Trade ministry), in particular for BOP compilers
- Respondents (and users) to be “educated”, need to keep relevant records (cost effectiveness)
- More information, enhancing quality of survey
- Need to evaluate existing sources and identify all synergy effects (e.g. micro-data linking)
- When not collected: mechanical/simplified allocation