

Overview of the Manual on Statistics of International Trade in Services

Workshop on Statistics of International Trade in Services

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Outline of presentation

- 1. The Manual on Statistics of International Trade in Services**
- 2. GATS and Modes of Supply**
- 3. The three statistical areas covered by the Manual**
 - Resident/ non-resident trade in services
 - Foreign affiliates trade in services statistics (briefly)
 - Movement of natural persons supplying services
- 4. Recommendations of the Manual**
- 5. Progress and areas of improvements**

The Manual on Statistics of International Trade in Services (the *Manual*)

❖ Published in 2002 jointly by 6 international organizations:

- ❖ United Nations
- ❖ European Commission
- ❖ International Monetary Fund
- ❖ OECD
- ❖ UNCTAD
- ❖ World Trade Organization

❖ Response to increased needs:

- ❖ Globalization caused by technological advances and trade liberalization
- ❖ Needs of GATS which was passed in 1995

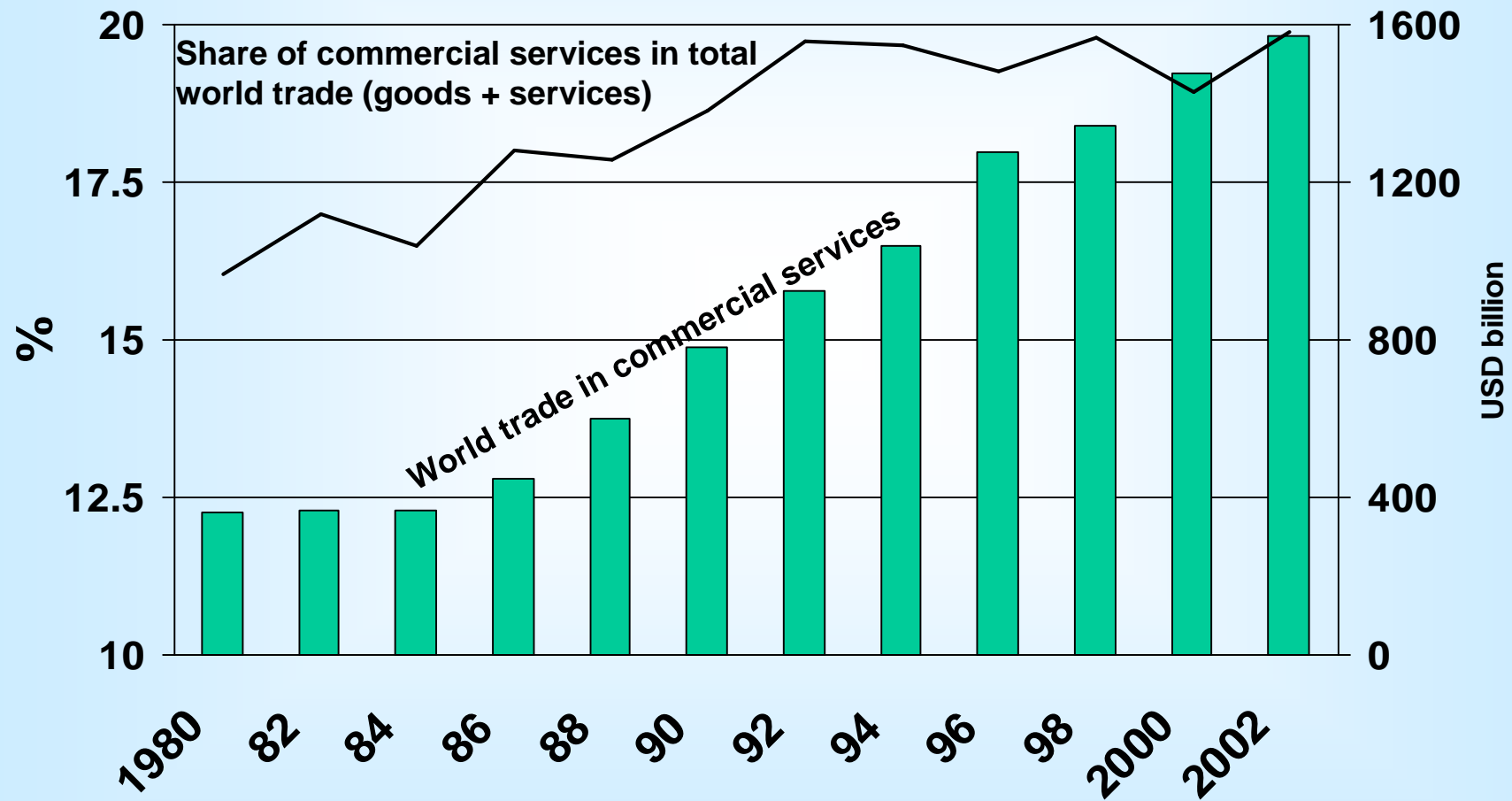


The *Manual's* broader view on trade in services

- ❖ Conventional Resident/ non-resident trade in services
 - ❖ Consistent with BPM5
 - ❖ But with more detailed classifications for services (EBOPS)
 - ❖ Treatment of mode of supply
- ❖ Sales through affiliates (Foreign Affiliates' Trade in Services – “FATS”)
- ❖ Movement of natural persons supplying services under GATS (treated in Annex 1)

Introduction

“Conventional” trade in services: World Trade in Commercial Services, Total Exports, 1980-2002 (USD billion and percentage)



Channels of Delivery – U.S. Example

2002

U.S. Sales

<i>-Across border (exports)</i>	<i>\$275 billion</i>
<i>-Trough affiliates</i>	<i>\$401 billion</i>

U.S. purchase

- Across border (imports)	<i>\$211 billion</i>
- Trough affiliates	<i>\$387 billion</i>

Source: United States Bureau of Economic Analysis

Specific Features of Trade in Services

❖ Services represent 20% of total world trade and account for the 2/3 of GDP

❖ **Characteristics of services**

1. Not separate entities over which ownership rights can be established.
2. They cannot be traded separately from their production
 - ⇒ Many services require physical proximity of provider and consumer
 - ⇒ Services perceived as **less easily tradable** than goods.
3. Typically consist of changes in the condition of the consuming units realized by the activities of the producers at the demand of the customers

The GATS

Set of rules covering international trade in services

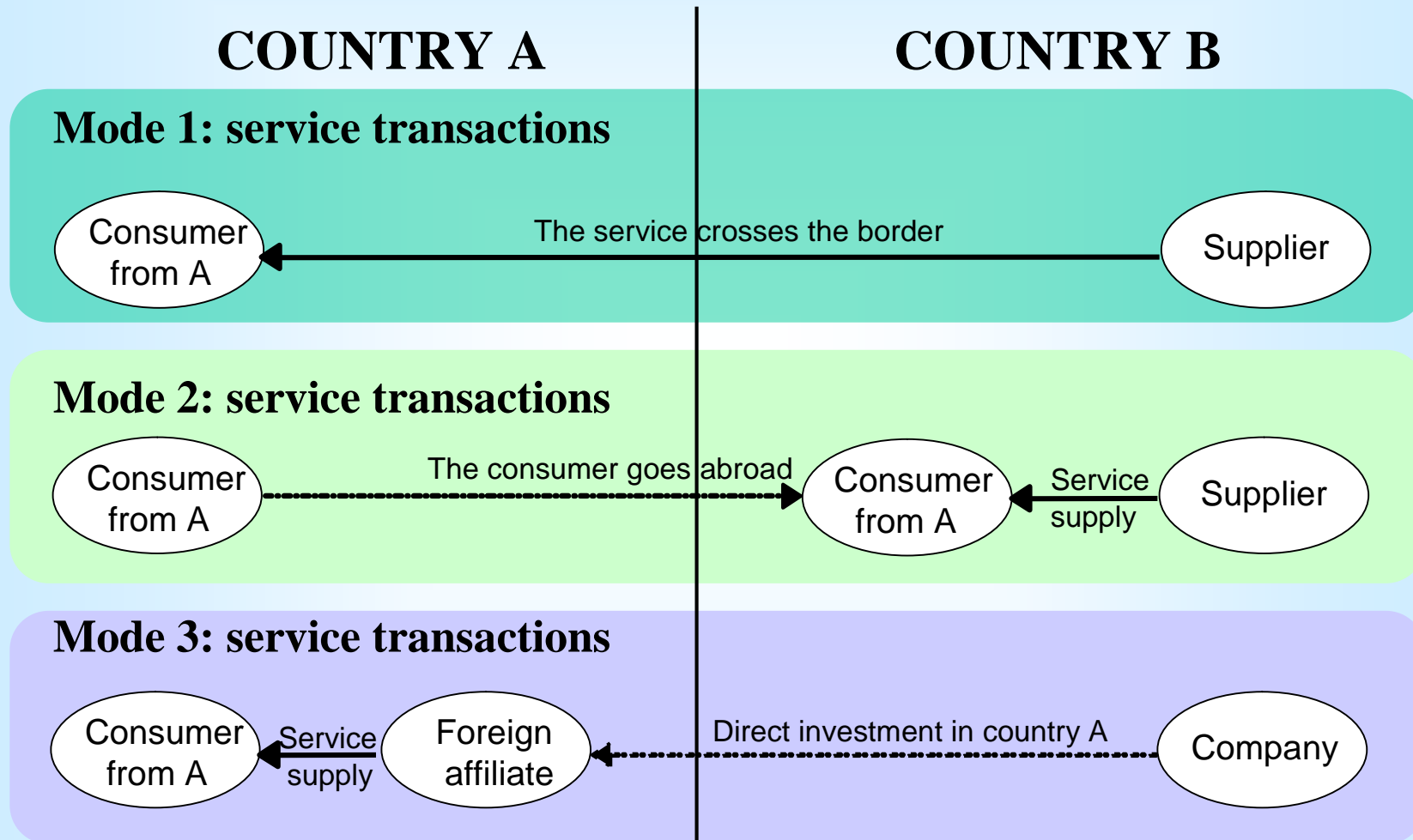
**GATS
Pillars**

Set of general obligations and disciplines
Countries schedules of specific commitments
Annexes on specific issues

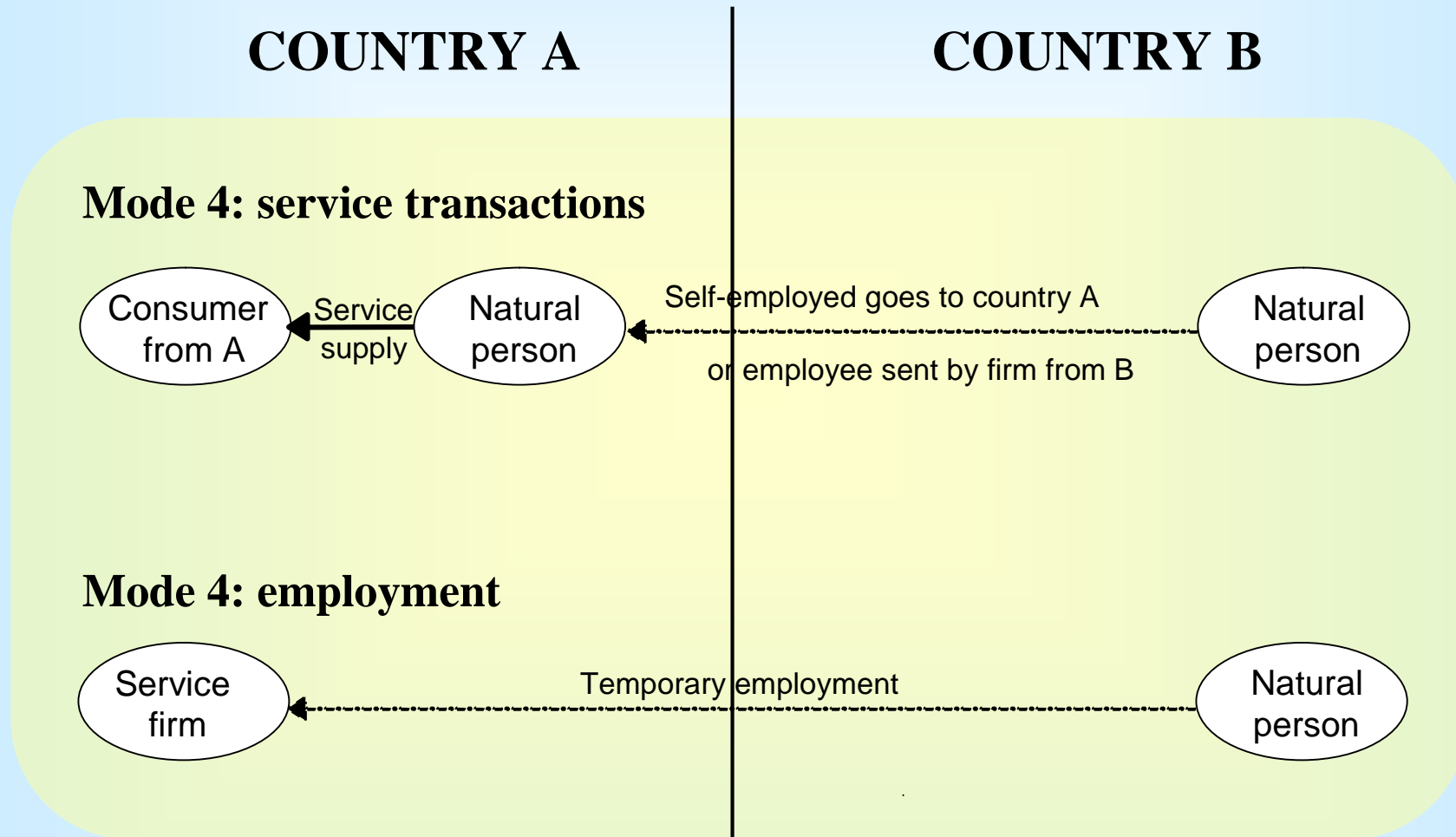
**Commitments
under GATS**

By services sectors
By mode of supply

The 4 Modes of Supply Under GATS (1/2)



The 4 Modes of Supply Under GATS (2/2)



Relative importance of the 4 Modes of Supply

Estimates at World level

Mode 1 – 35%

Mode 2 – 10-15%

Mode 3 – 50%

Mode 4 – 1-2%

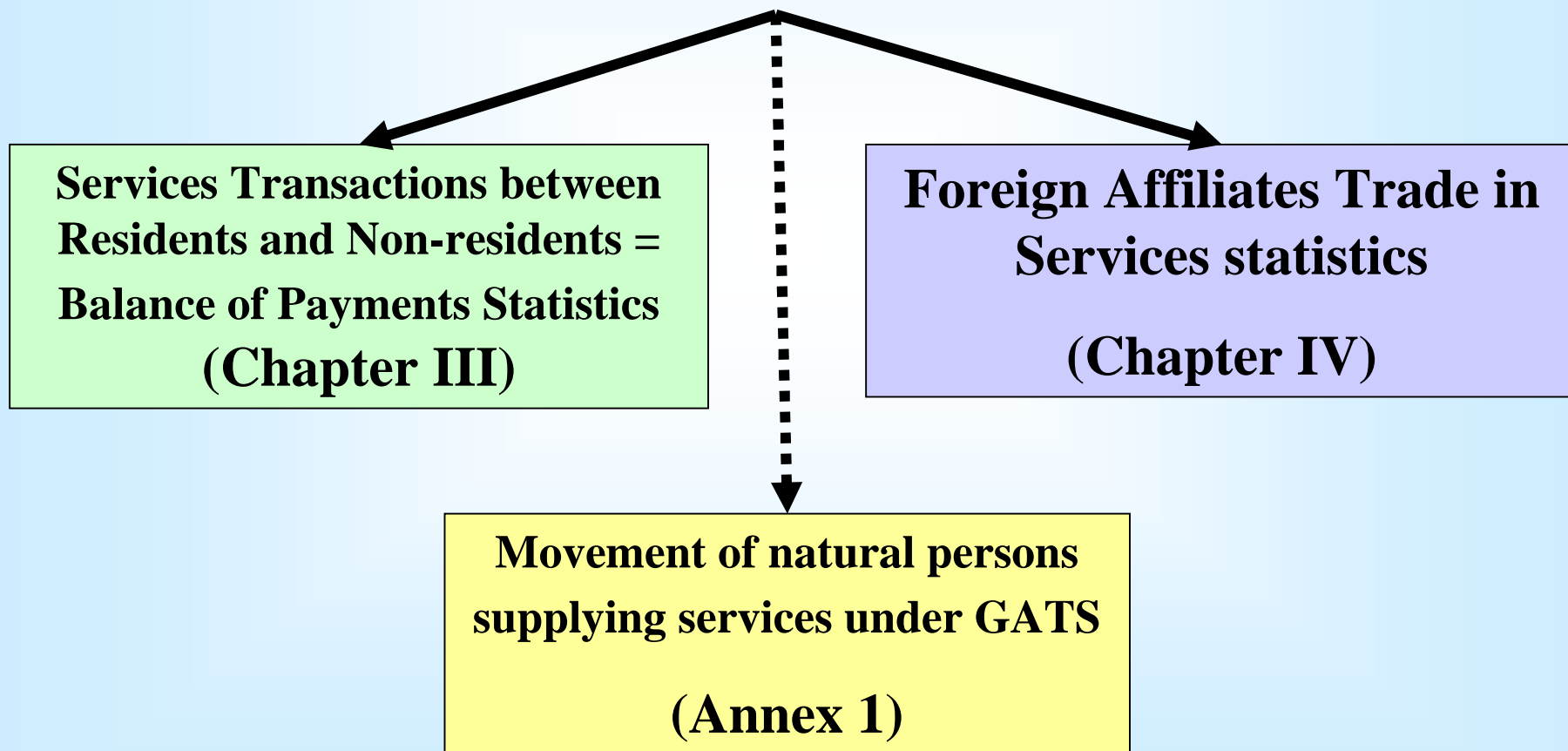
WTO/ OMC estimates

Modes of Supply and Statistical Domains

Mode of Supply	Relevant Statistical Domains
<i>Mode 1: Cross border supply</i>	BOP: commercial service (excluding <i>travel</i> and <i>construction services</i>)
<i>Mode 2: Consumption abroad</i>	BOP: <i>Travel</i>
<i>Mode 3: Commercial presence</i>	FATS statistics BOP: FDI data, <i>construction services</i>
<i>Mode 4: Presence of natural persons</i>	Insufficiently covered BOP: commercial service (excluding <i>travel</i>) BOP Statistics: Compensation of employees and workers' remittances

The Manual on Statistics of International Trade in Services

Guidelines and recommendations on the measurement of trade in services

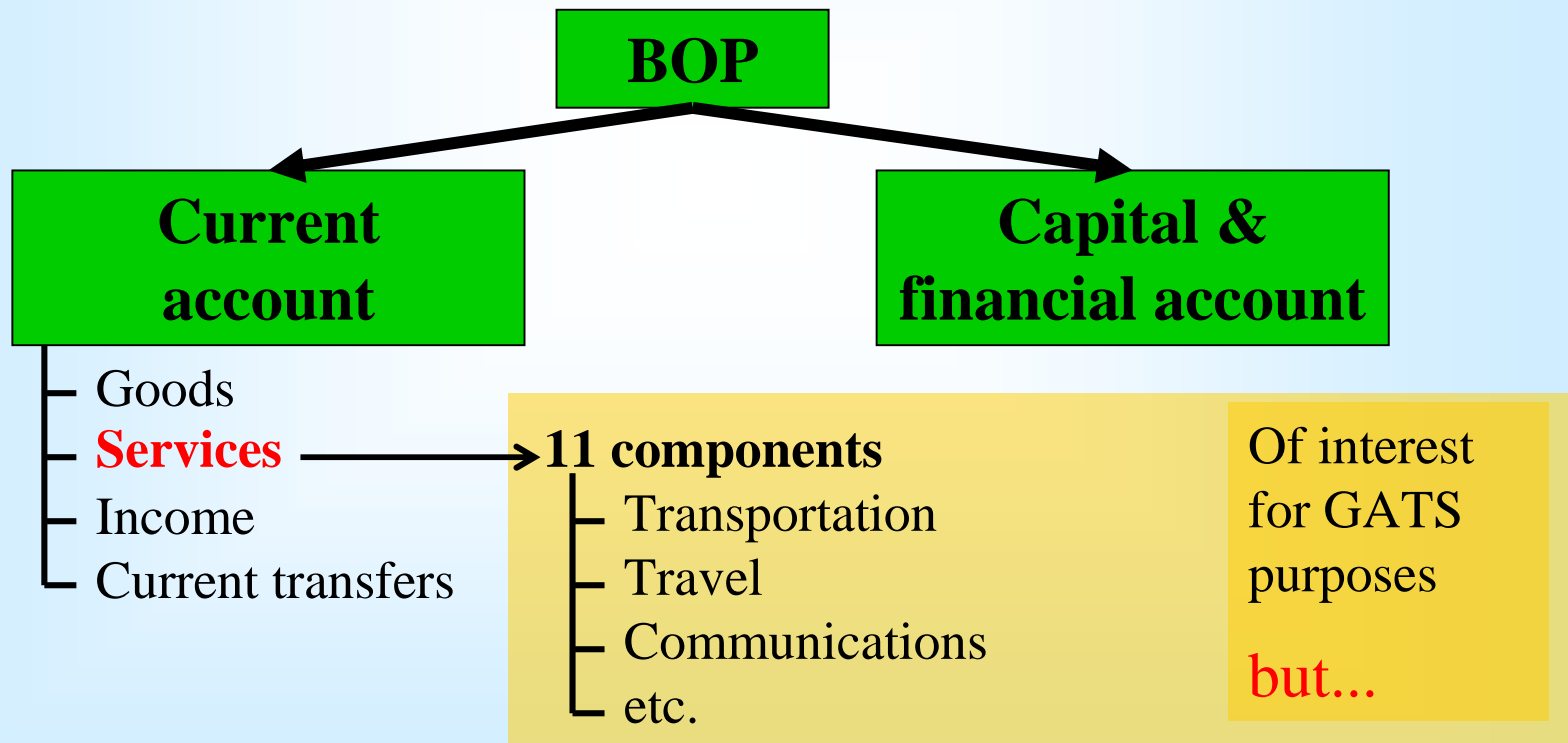


Statistics on Resident-Non Resident Trade in Services (Chapter III of the *Manual*)

- **Consistent with IMF Balance of Payments Manual, fifth edition – “BPM5”**
- **Principles of recording**
 - Transactions and residence
 - Other principles
- **The Extended Balance of Payments classification**
- **Statistics by trading partner**
- **Allocation of BOP/EBOPS items to modes of supply**

BOP Statistics - Overview (1/2)

BOP summarises transactions of an economy with the rest of the world



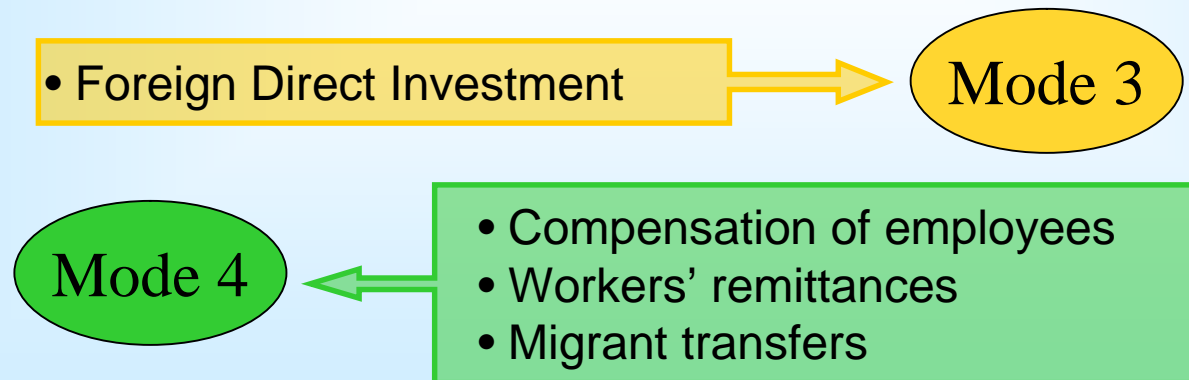
BOP Statistics – Overview (2/2)

- **More detail needed than 11 BPM5 services components**

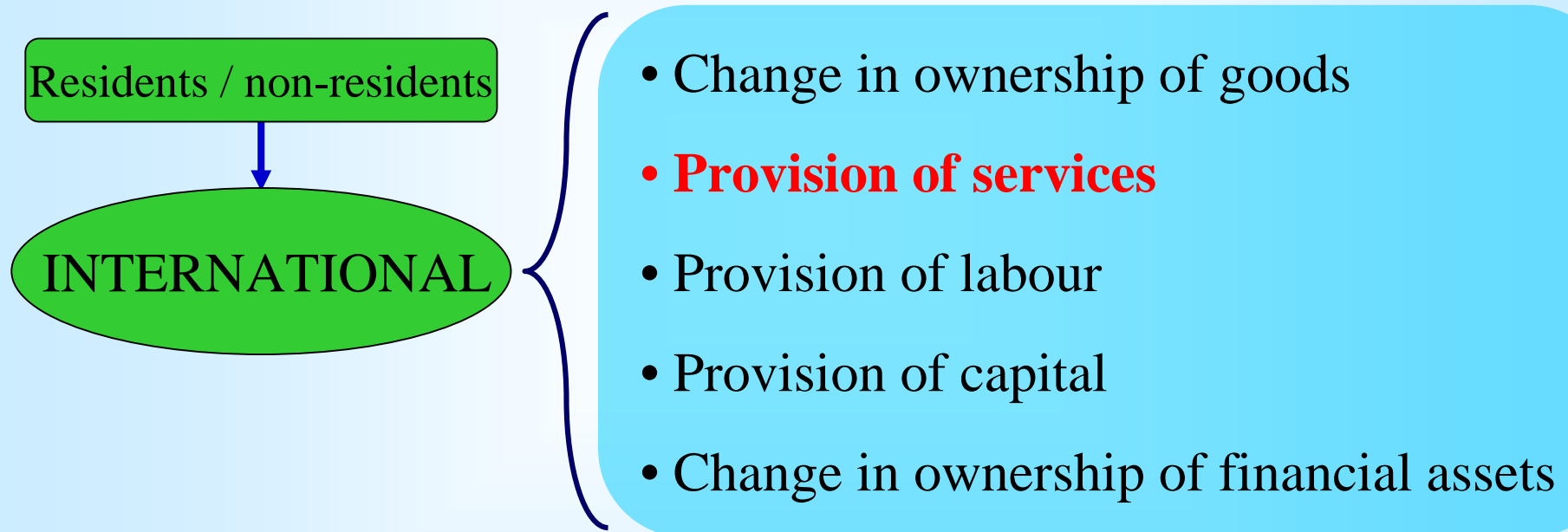
→ MSITS introduces EBOPS (breakdown of BPM5 services)

- **Most services delivered under Mode 3 and Mode 4 are not covered**

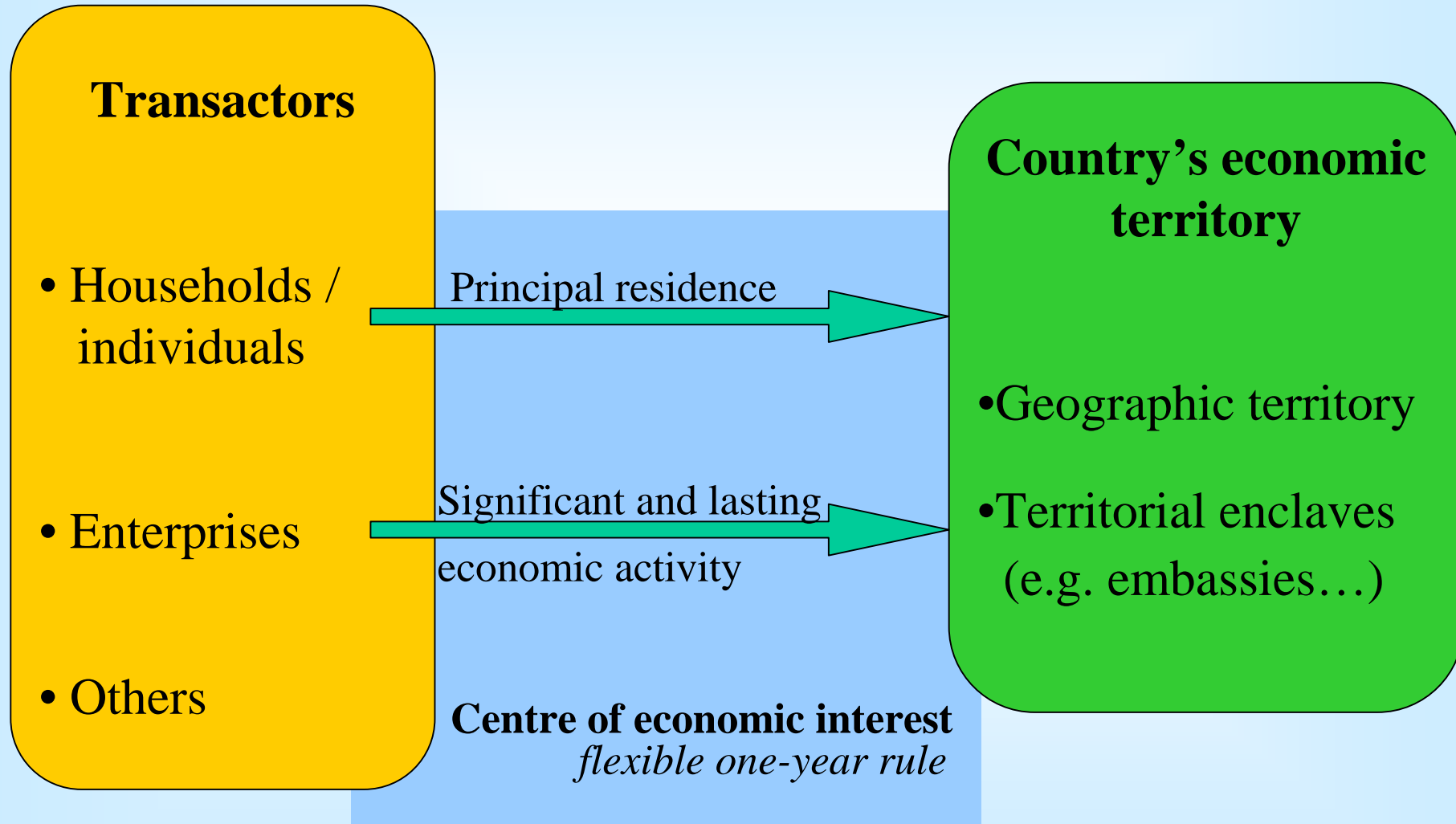
However, some BOP indicators helpful:



What is an International Transaction?



Concept of Residence



Valuation and Other Principles of Recording

Valuation

Market prices (price agreed between seller and buyer)

Time of recording

Time at which services are rendered (accrual accounting)

Unit of account

Transactions converted to a common unit of account (national currency, USD)

EBOPS

Extended Balance of Payments Services Classification

- **What is it?**
 - product-based classification,
 - consistent with 11 BPM5 services components,
 - more detailed than BPM5 services components,
 - including additional memorandum items.
- **How can it be used in the framework of GATS negotiations?**
 - MSITS provides a table of correspondence between EBOPS / CPC Rev.1 / GATS list of services GNS/W/120.

EBOPS Main Components

Commercial services:

1. Transportation

2. Travel

3. -10. Other commercial services

11. Government services
(not in GATS)

3. Communications services

4. Construction services

5. Insurance services

6. Financial services

7. Computer and information
services

8. Royalties and licence fees

9. Other business services

10. Personal, cultural and
recreational services

EBOPS Detailed Components

Breakdown of main components

1. Transport

- Sea transport (passenger, freight, other)
- Air transport (passenger, freight, other)
- Other transport (passenger, freight, other)
 - Space, Rail, Road, ...

2. Travel

- Business travel
 - Expenditure by seasonal and border workers
 - Other
- Personal travel
 - Health-related expenditure
 - Education-related expenditure
 - Other

3. Communications services

- Postal & courier
- Telecommunication

...etc

EBOPS Memorandum Items and Alternative Aggregations

- **Memorandum items: useful additional information:**

Example

Travel

- Expenditure on goods
- Expenditure on accomodation and food and beverages
- All other travel expenditure

- **Aggregations of services and non-services transactions**

Example

Audiovisual transactions

Services: audiovisual services; audiovisual-related royalties and license fees

Non-services: acquisition/disposal of audiovisual-related patents, copyrights...

Statistics by Trading Partner

MSITS recommendations

- Compile international trade in services statistics on an individual trading partner basis
- At least for :
 - Services as a whole
 - 11 main services components of BPM5/EBOPS
 - Main trading partners
- If possible:
 - More detailed EBOPS level
 - Common geographical basis for all trade in services data

Allocation of BOP/EBOPS Items to Modes of Supply (1/2)

As a first step, MSITS proposes a simplified approach:

- Items deemed to be predominantly delivered through one mode

Mode 1

- Transportation (except supporting and auxiliary services to carriers in foreign ports),
- Communications services
- Insurance services
- Financial services
- Royalties and license fees

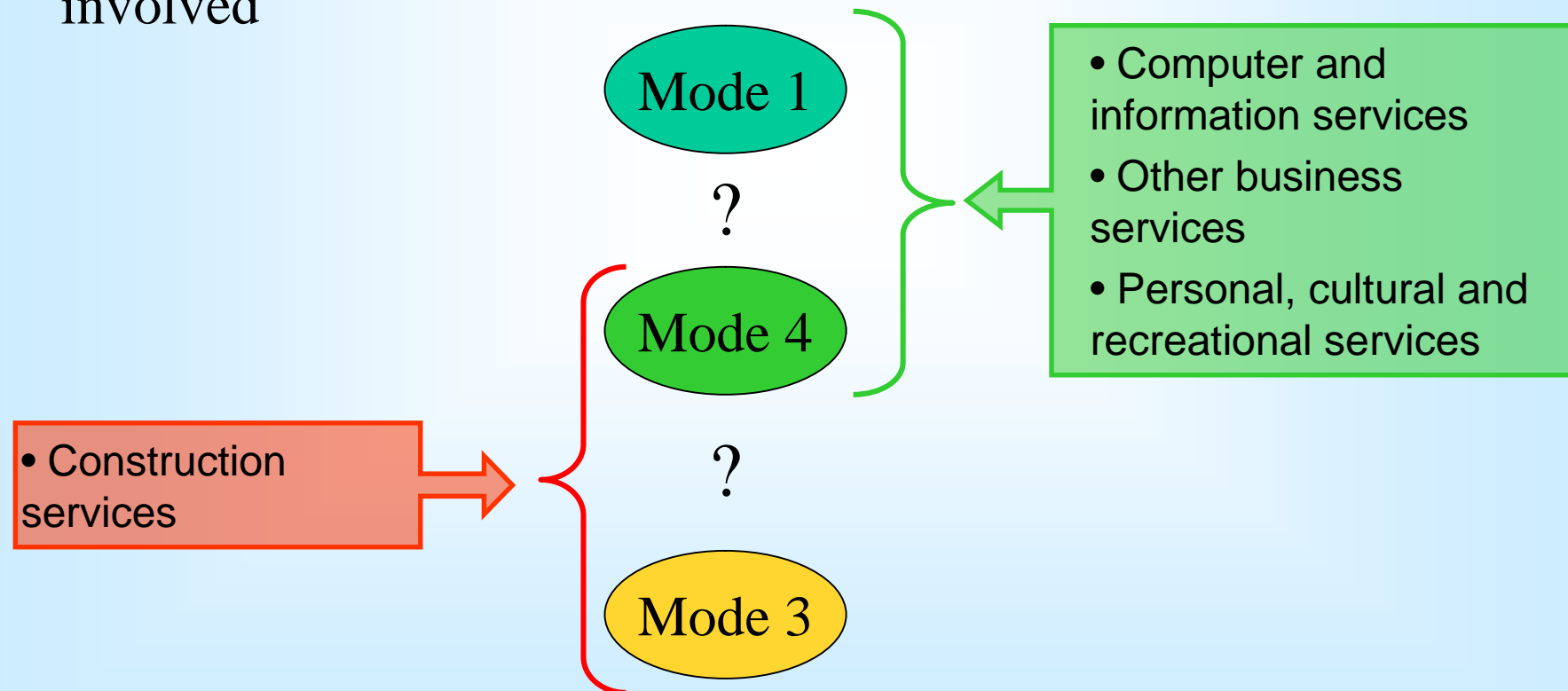
Mode 2

- Travel (excluding purchases of goods)
- Supporting and auxiliary services to carriers in foreign ports

Allocation of BOP/EBOPS Items to Modes of Supply (2/2)

Simplified approach (continued):

- Items for which significant elements of 2 modes of supply are involved



Collection Systems for BOP Statistics

Main alternatives for the collection of BOP statistics

- International Transaction reporting System (ITRS)
- Enterprise surveys
- A combination of both systems

Possible supplementary sources

- Surveys of travellers and household expenditure surveys
- Official sources and government transactions
- Partner countries and International Organizations

ITRS and Enterprise Surveys - Examples

- **System mainly based on enterprise surveys, with no use of ITRS**
e.g. United States, United Kingdom
- **Systems mainly based on ITRS, using a limited form of enterprise surveys**
e.g. France
- **Systems mainly based on enterprise surveys, using a limited form of ITRS**
e.g. Netherlands



Great benefits to be drawn from co-operation between different institutions

Other Sources for BOP

- **Surveys of travellers**
 - Surveys conducted at borders (e.g. migration surveys)
 - Household expenditure surveys
- **Official sources**
 - Government transactions
 - Statistics as a by-product of official institutions' activities
- **Other sources**
 - Data from partner countries
 - Data from International Organizations

 *Interest of BOP compiler to co-operate with other institutions*

Availability of BOP/EBOPS Data on Trade in Services (1/2)

Compilation of trade in services is relatively well established and widespread

- **BPM5 standard components** widely compiled:
the number of countries reporting these data has more than doubled since 1997 (breakdown of exports)
- Significant progress was made in compiling **more detailed items**, and in compiling a breakdown by **partner country**

Resident / non-resident trade in services

Availability of BOP/EBOPS Data on Trade in Services (2/2)

Main Service Categories	Reporting countries (in 2002)
Total	127
1. Transportation	123
2. Travel	123
3. Communications services	104
4. Construction services	73
5. Insurance services	114
6. Financial services	90
7. Computer and information services	79
8. Royalties and license fees	89
9. Other business services	120
10. Personal, cultural, and recreational services	77
11. Government services, n.i.e.	119

Source: IMF, Balance of Payments Statistics

International Dissemination of BOP/EBOPS Statistics

Where can I find statistics on trade in services...

... broken-down by type of service?

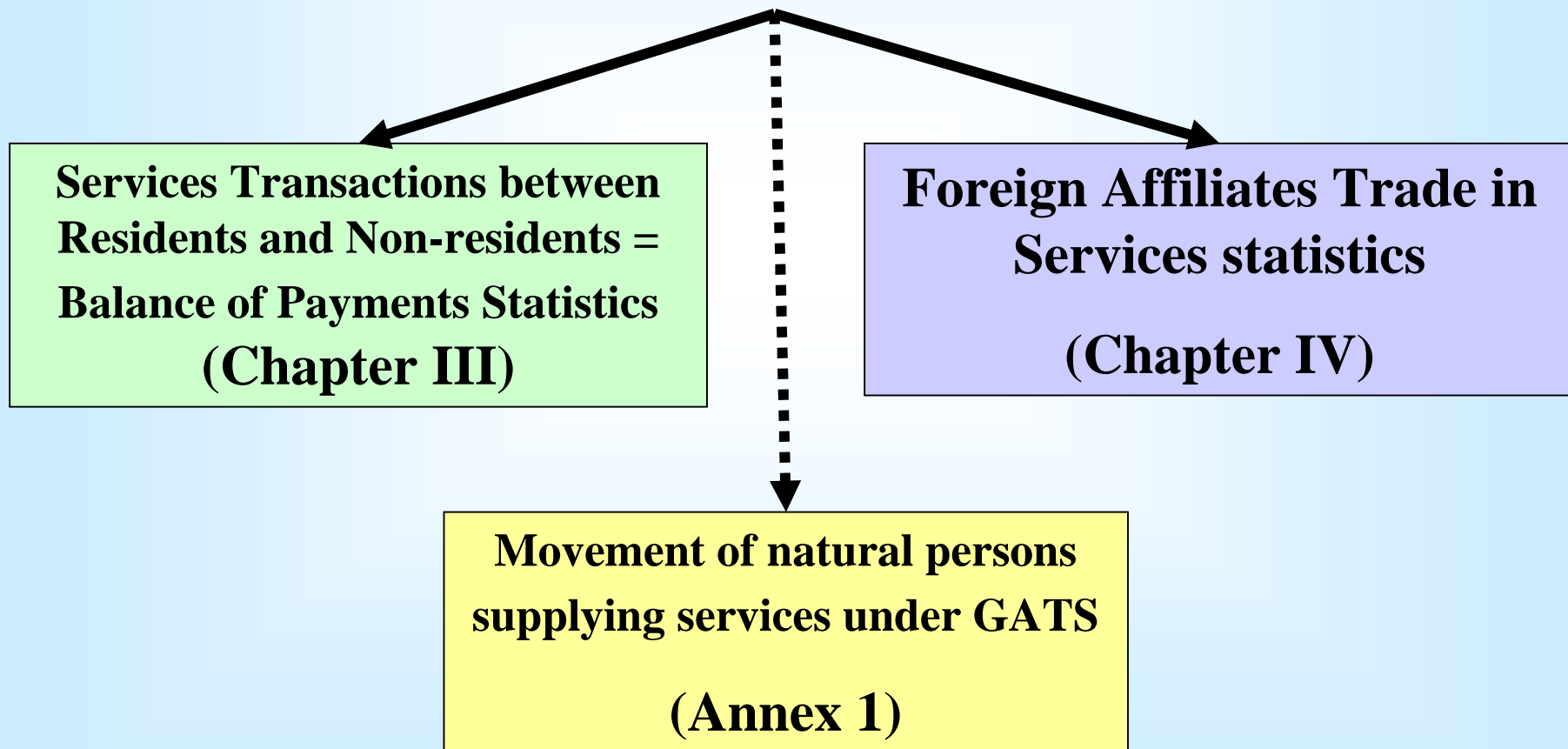
- Eurostat, OECD, IMF
- these organisations are adapting a co-ordinated collection on an EBOPS basis

... broken-down geographically?

- Eurostat and OECD
- UNSD conducting feasibility studies for worldwide collection

The Manual on Statistics of International Trade in Services

Guidelines and recommendations on the measurement of trade in services



FATS Statistics – Overview (1/2)

- ❖ The manual provided the first internationally accepted guidelines for compilation.
- ❖ Provides information (indicators) in respect to foreign affiliates delivering services.
- ❖ Major uses:
 - ❖ Globalization analysis – particularly relevant for services, due to the frequent requirement for proximity between producers and consumers
 - ❖ Monitoring the GATS commercial presence mode of supply (Mode 3)

FATS Statistics – Overview (2/2)

Firms Covered in FATS

- **Ownership criteria**

→ Majority-owned foreign affiliates (a single foreign investor owns more than 50% of their ordinary shares or voting power).

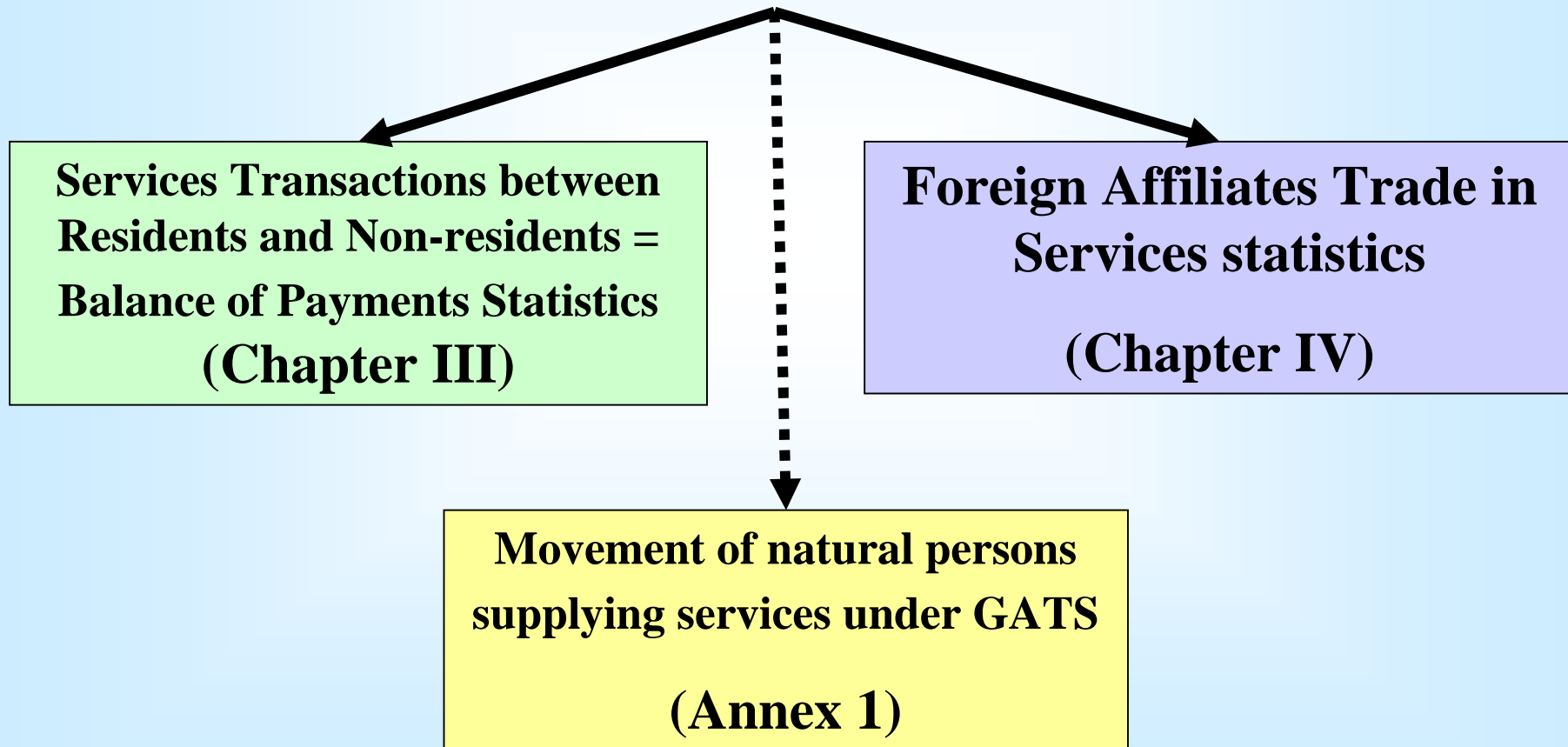
- **Types of producers**

→ Affiliates producing goods, services

- **Inward and Outward FATS**

The Manual on Statistics of International Trade in Services

Guidelines and recommendations on the measurement of trade in services



The Movement of Natural Persons (Annex 1 of the *Manual*)

- **The movement of natural persons in GATS**
 - **Mode 4 service suppliers**
 - **Temporary movement**
 - **Relations to existing classifications**

- **Statistics for measuring Mode 4**
 - **BOP statistics**
 - **FATS statistics**
 - **Migration statistics**
 - **Other possible sources**
 - **Improving Mode 4-related statistics**

Main Issues for Measuring Mode 4

Mode 4 in MSITS

- MSITS recognises that a statistical framework needs to be developed for measuring Mode 4
- Annex in MSITS as a first step

Main statistical issues

- Determining the coverage of Mode 4
- Only fragmentary indicators available

The 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 GATS' Annex in terms of

Purpose
of stay

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

Duration
of stay

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

Mode 4 Service Suppliers

From the point of view of the recipient/importing country...

Mode 4 comprises services delivered in the framework of:

service contracts with foreign service suppliers
(the individuals themselves or their employer)

employment contracts between enterprises established
in the host country and foreign individuals

Areas of uncertainty

- employment only with foreign-owned companies?
- what does the supply of a service refer to?
- many commitments currently focus on highly-skilled workers

Mode 4 and “Temporary”

GATS does not define “temporary”


- **In WTO Members’ schedules of commitments**

Varies between about **3 months** (businesss visitors) and **2 to 5 years** (intra-corporate transferees)

- **In international statistical standards (BPM5, SNA, migrations)**

One-year rule

→ distinction between residents/non-residents

 Statistics on residents also include Mode 4 service suppliers

Mode 4 and Existing Classifications

UN CPC

Basis for classifying services as product of economic activity, including services delivered through Mode 4

ISCO-88

Distinguishes categories of employment: can facilitate linkages statistics/negotiations

UN ISIC

Industrial classification: relevant if statistics by occupation are not available

ICSE-93

Status in employment: identifies « independent service provides »

Statistics for Measuring Mode 4

Categories	Statistical coverage
I. Service contracts, delivered in the host country by independent foreign supplier, or its employee(s)	<u>BOP</u> : Service transactions between resident and non-residents, major BPM5 services components
II. Employment contracts (non-permanent), for foreigners, in all domestic firms	<u>BOP</u> : Compensation of employees, with adjustments (service sectors, short-term but more than one year, etc.) <u>Employment/migration statistics</u> : short-term migrants working in services. Would need adjustments for short-term but more than one year
(a) of which: foreign-owned or controlled resident services companies	A subset of the above; could be derived using the FATS register

Other Possible Sources

- **Statistics on the number and type of work permits granted**
(e.g. by duration / occupation)
- **Information from social security systems / health insurance schemes**
in which foreigners may be distinguished
- **Statistics on arrivals and departures from migration or tourism authorities**
(origin/destination, length of stay, purpose of stay...)
- **Household surveys / population censuses**

Improving Mode 4 Related Statistics

Main difficulty in measuring Mode 4

⇒ Identify in available statistics the relevant subset of services and workers

Indicators on the value of Mode 4 services

- Identify Mode 4 in services sub-items
- Identify the services sector in *compensation of employees*

but little seems feasible at present

Migration/labour statistics

Souder ground for improvement

However not in short-term, and GATS Mode 4 not translated in precise statistical requirements

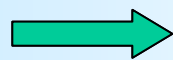
Current State and Prospects

- **Implementation: phased approach of MSITS**
 - 5 core recommendations
 - 5 other recommended elements
- **Recent progress and short-term plans**
- **Prospects for trade in services statistics**
 - Areas for improvement
 - Future work

MSITS' Phased Approach to Implementation (1/3)

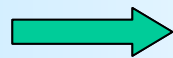
Consists of a set of 10 recommended elements

- **Core elements**



would provide a basis for internationally comparable statistics






- **Other elements** (long-term)



considerable increase in detail of available information on trade in services

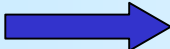

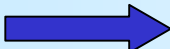


MSITS' Phased Approach to Implementation (2/3)

5 core elements

-  Implement BPM5 recommendations for trade in services
-  Compile BOP services according to EBOPS, starting with items of major economic importance to the country
-  Compile FDI by ISIC categories of activity
-  Compile basic FATS variables broken down by ICFA categories of activity
-  Compile statistics by partner country

MSITS' Phased Approach to Implementation (3/3)

5 other elements

-  Full implementation of EBOPS
-  Compile FATS additional detail
-  Compile statistics on the presence of natural persons
-  Split BOP trade in services among trade between related parties / trade with unrelated parties
-  Allocate BOP trade in services by mode of supply

Recent Progress

- **Dramatic improvement of quality and quantity of statistics on resident/non-resident trade in services**
 - for BPM5 main items, but also for more detailed items
 - ➔ a multi-country set of statistics available for major services categories
- **FATS statistics are increasingly compiled**

Short Term Plans (1/2)

- **Eurostat: 2 regulations**

- on the compilation of FATS statistics
- on BOP statistics, embodying EBOPS

 **FATS and EBOPS will become binding in EU member states**

- **IMF collect data according to EBOPS from 2003**
on a voluntary basis

Short Term Plans (2/2)

- **OECD:**
 - expand the collection of BOP trade in services by partner country
 - request BOP trade in services broken down by EBOPS, and BOP indicators on Mode 4
- **UNSD:** assess feasibility of collecting BOP trade in services by partner country from non-OECD countries
- **UNCTAD:** expand data collection on FATS

Areas Where Improvements are Needed

- **BOP trade in services**
 - Few countries report the full BPM5 detail
 - Lack of reliability
 - Documentation on coverage and deviations from international standards not available
- **FATS**
 - Lack of reliability and comparability
 - No FATS collected outside OECD
 - Confidentiality severely limits data availability
- **No framework for statistics by mode of supply, in particular for Mode 4**

Future Work

Interagency Task Force on Statistics of International Trade in Services

- need for technical assistance in the area of services statistics
- prepare **Compilation Guide**
- concentrate on further methodological work (Mode 4, but also e-commerce and trade in software)

Keys for Improvement of Statistics

- Efforts by **national agencies** in charge of statistics
- Governments' willingness to allocate **resources to statistics**
- **Co-operation between national institutions**
- **Co-operation between international and regional institutions, and support to national initiatives**
- **Effective technical assistance**
- **Compilation guidance**