



# **Measuring Trade in Services**

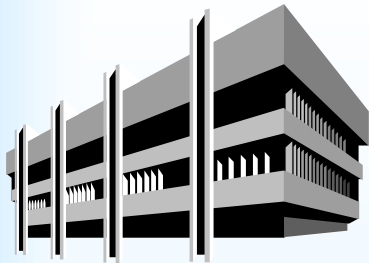
## **Modes of supply**

**Contact: [joscelyn.magdeleine@wto.org](mailto:joscelyn.magdeleine@wto.org)**



# The 1<sup>st</sup> Mode of Supply

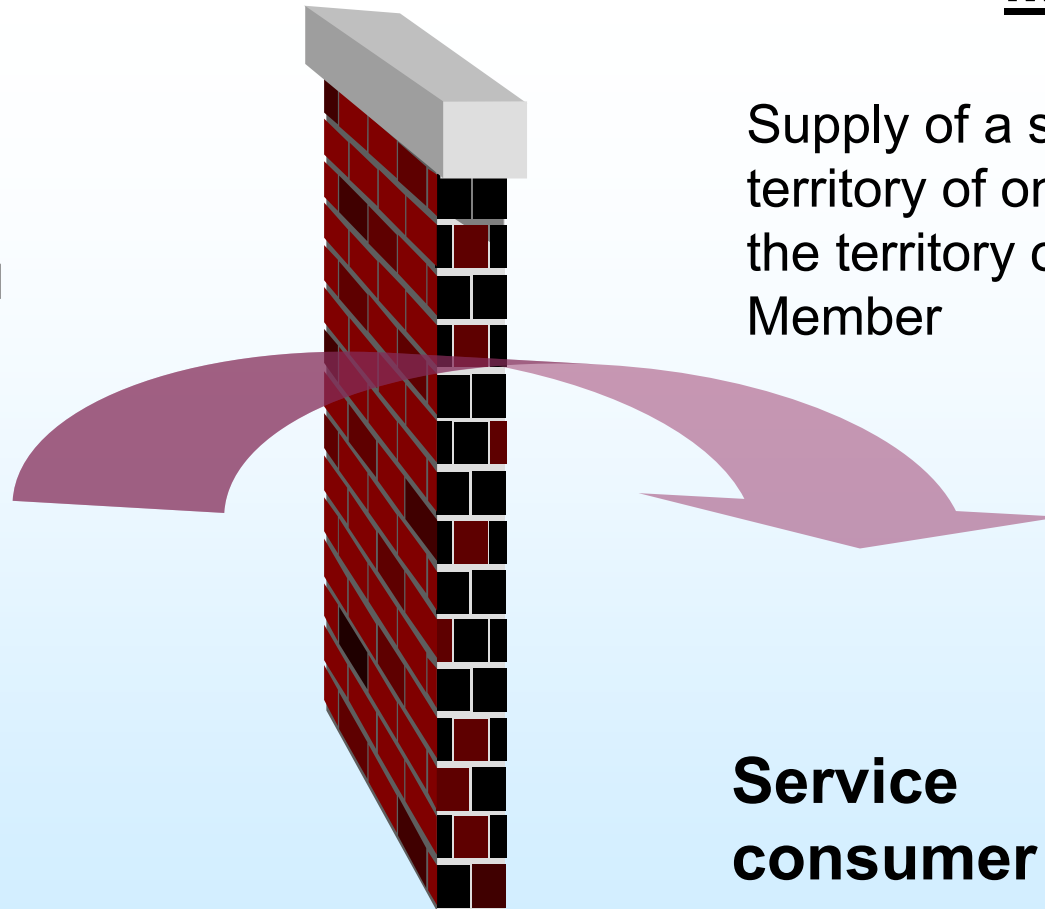
## Member A



**Service  
supplier**

## Member B

Supply of a service from the territory of one Member into the territory of any other Member

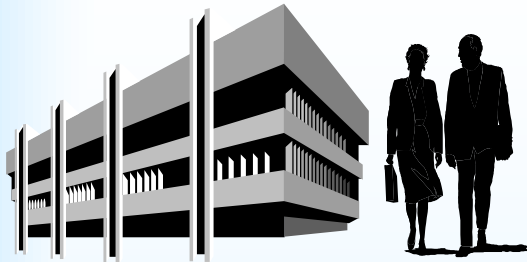


**Service  
consumer**



# The 2<sup>nd</sup> Mode of Supply

## Member A



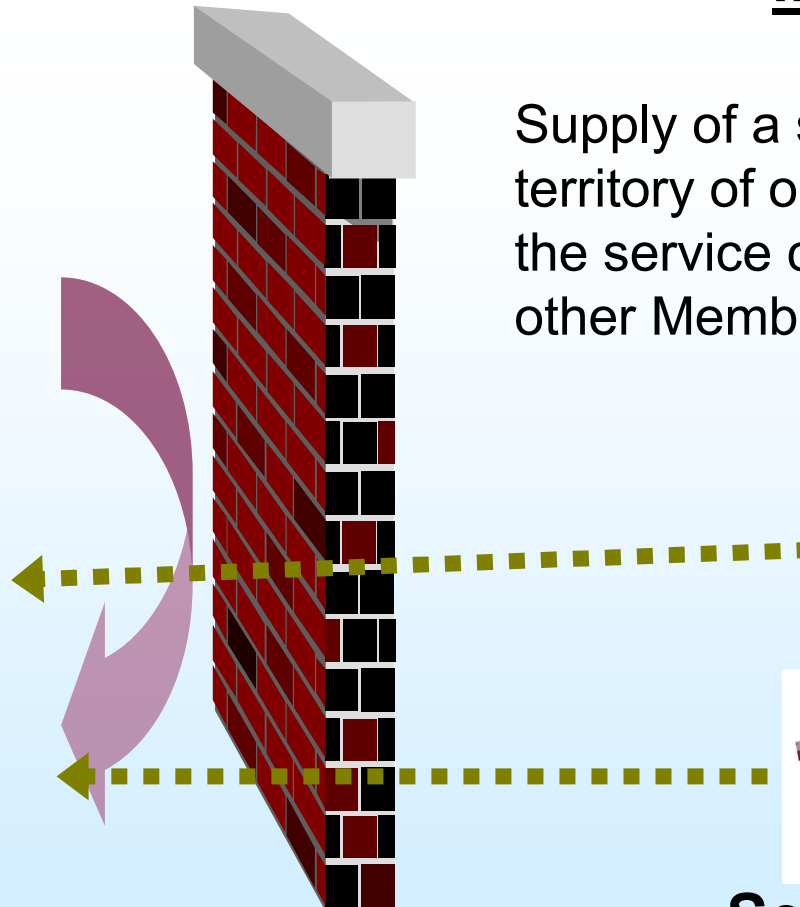
**Service  
supplier**

## Member B

Supply of a service in the territory of one Member to the service consumer of any other Member



**Service  
consumer**

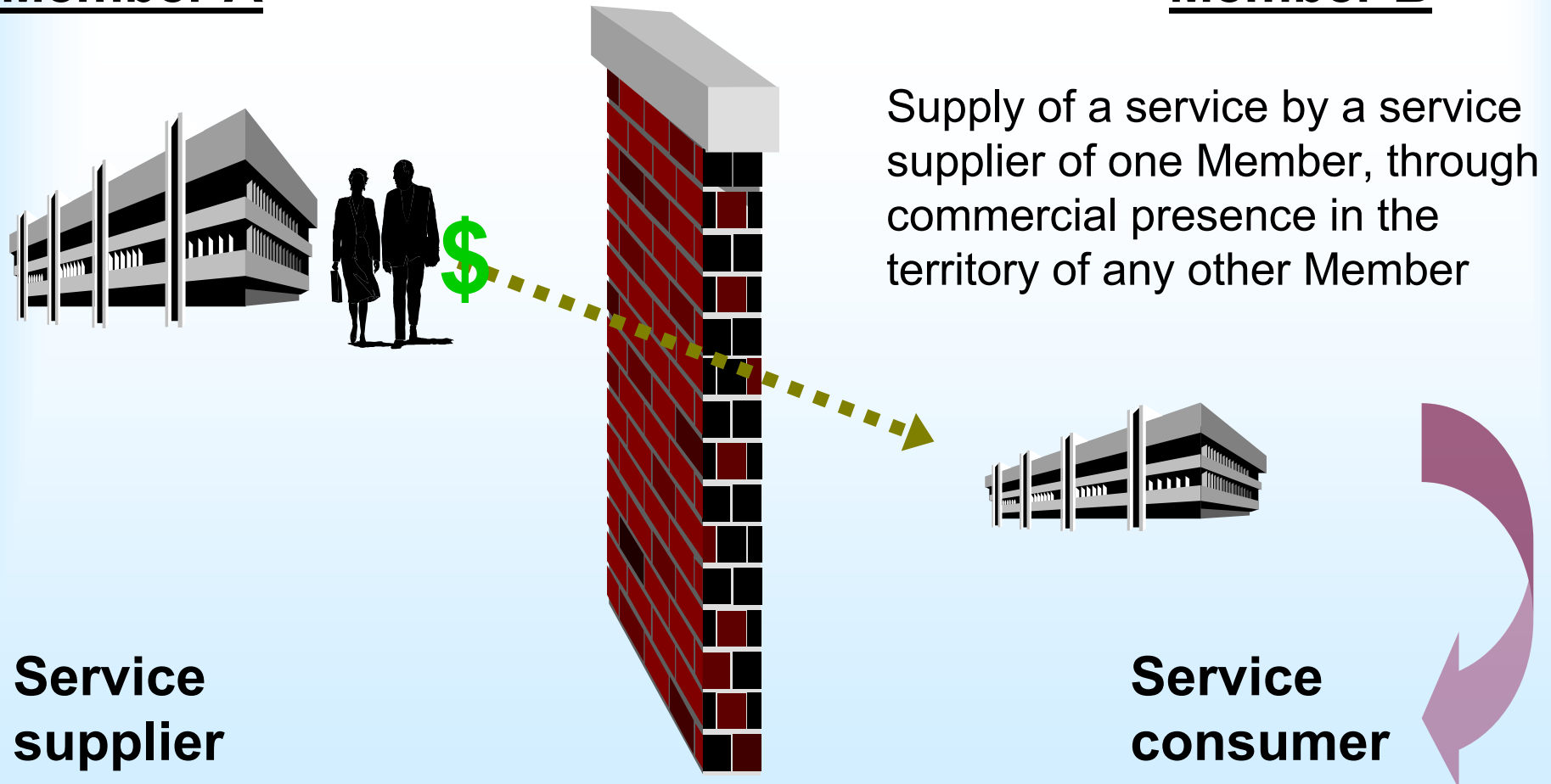




# The 3<sup>rd</sup> Mode of Supply

## Member A

## Member B

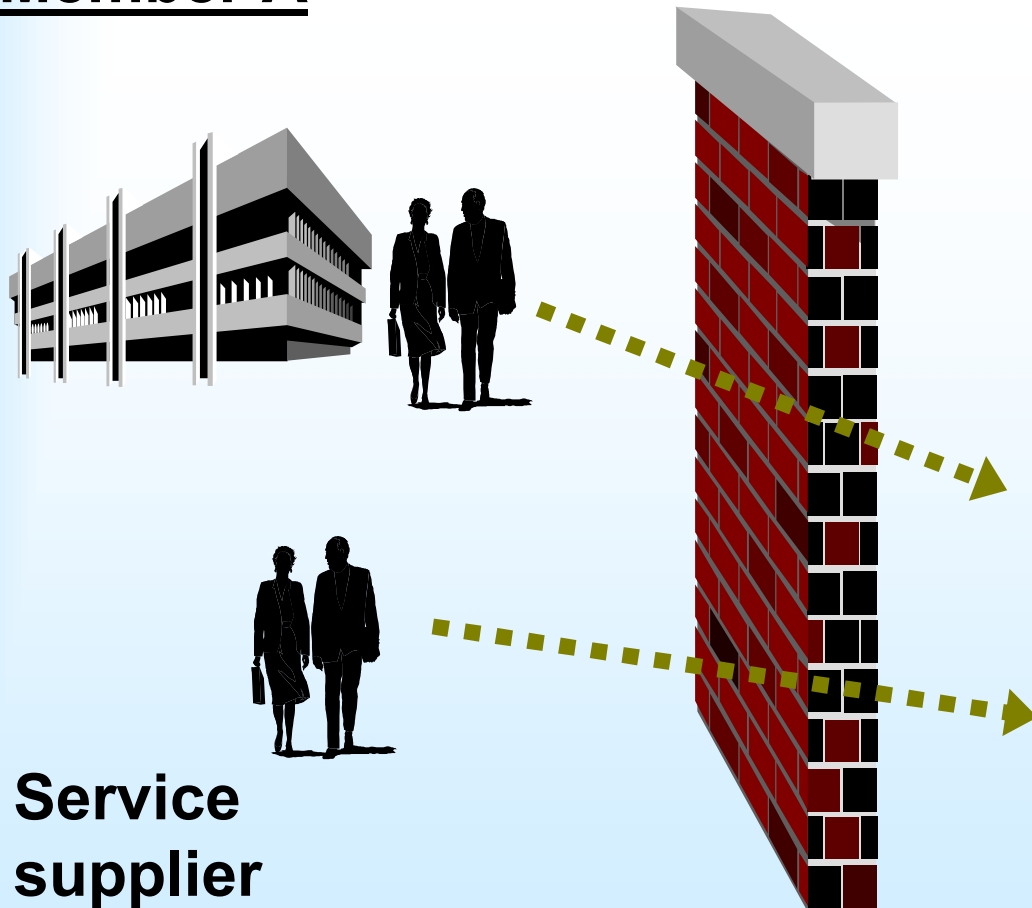




# The 4<sup>th</sup> Mode of Supply

## Member A

## Member B



Supply of a service by a service supplier of a Member, through presence of natural persons of a Member in the territory of any other Member

**Service supplier**

**Service consumer**



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

# MODE 4 Who is in and Who is out?



<b>Falling under Mode 4</b>	<b>Not falling under Mode 4</b>
<ul style="list-style-type: none"><li>• Supply of services <i>(Definition of particular services?)</i></li><li>• All skill levels</li><li>• Self-employed serv. supplier Employees of foreign service supplier:<ul style="list-style-type: none"><li>– Sent abroad to supply service</li><li>– Working for foreign affiliate of service supplier</li></ul>Also: Services sellers, etc.</li><li>• Temporary movement</li></ul>	<ul style="list-style-type: none"><li>• Employees in the “goods” sector</li><li>• (No skill level excluded)</li><li>• Employees of host country firms</li> <li>• Permanent migration</li></ul>



## Movement of persons

- Employment opportunities
- Income prospects
- Improved technology



Where to draw the boundary?







# Terminology / Boundary

## Labour mobility

(employment contract)

Relocation of workers to improve allocation of resources with impact on income distribution, e.g.

- Recruitment of non-residents by resident company
- Intra-corporate transfer, etc.

## Trade in services

(service contract)

Employees of foreign service providers

Self-employed


→ Intra-corporate transfer

→ Sales persons



# Mode 4 and “Temporary”

## GATS does not define “temporary”

- **In WTO Members’ schedules of commitments**  
Varies between about **3 months** (service sellers)  
and **2 to 5 years** (intra-corporate transferees)
- **In international statistical standards** (BPM6, SNA, migration, tourism)  
**One-year guideline**  
→ distinction between residents/non-residents  
 Statistics on residents may also include  
Mode 4 service suppliers  
+ in GATS: nationality



# Mode 4 categories in statistical framework?

## ***Contractual service suppliers***

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

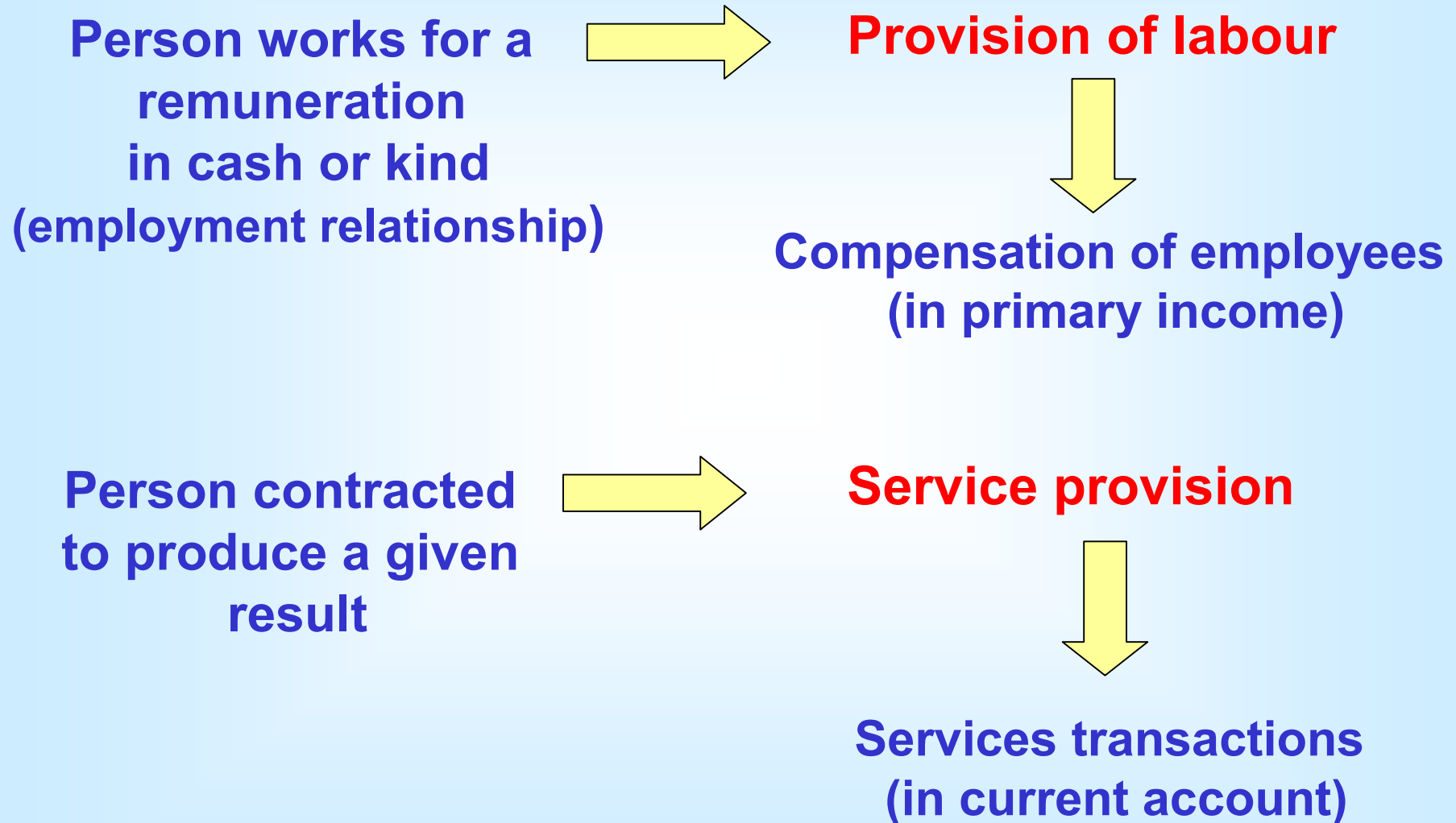
## ***Intra-corporate transferees and persons directly recruited by the foreign affiliate***

## ***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

# Service provision or provision of labour?





# Self-employed service supplier... or employee?



## Self-employed:

- Operates own enterprise
- Makes own decisions
- Owns or rent machinery or work equipment
- Pays own social security contribution
- Pays taxes on the provision of service
- Remuneration depends on the profits made

## Who controls the work?

## For which categories should we measure **the value** of services trade?



Natural persons	Value of service trade flows
<b><i>Contractual services suppliers</i></b> -Self-employed -Employees of foreign service suppliers	<b>Yes</b>
<b><i>Intra-corporate transferees and directly recruited by foreign affiliate</i></b>	<b>No</b>
<b><i>Services sellers - Persons responsible for setting up commercial presence</i></b>	<b>No</b>



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

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

# New Chapter in revised 2010 Manual



- More on services delivery compared to BOP services transactions
- Chapter on modes of supply/mode 4:
  - Scope of chapter
  - Defining modes of supply
  - Mode 4 and relevant information for measuring
  - Allocation by mode of supply for measuring value
  - Additional indicators for analysis, e.g. number of persons, FDI
- Finalization of draft: December 2009



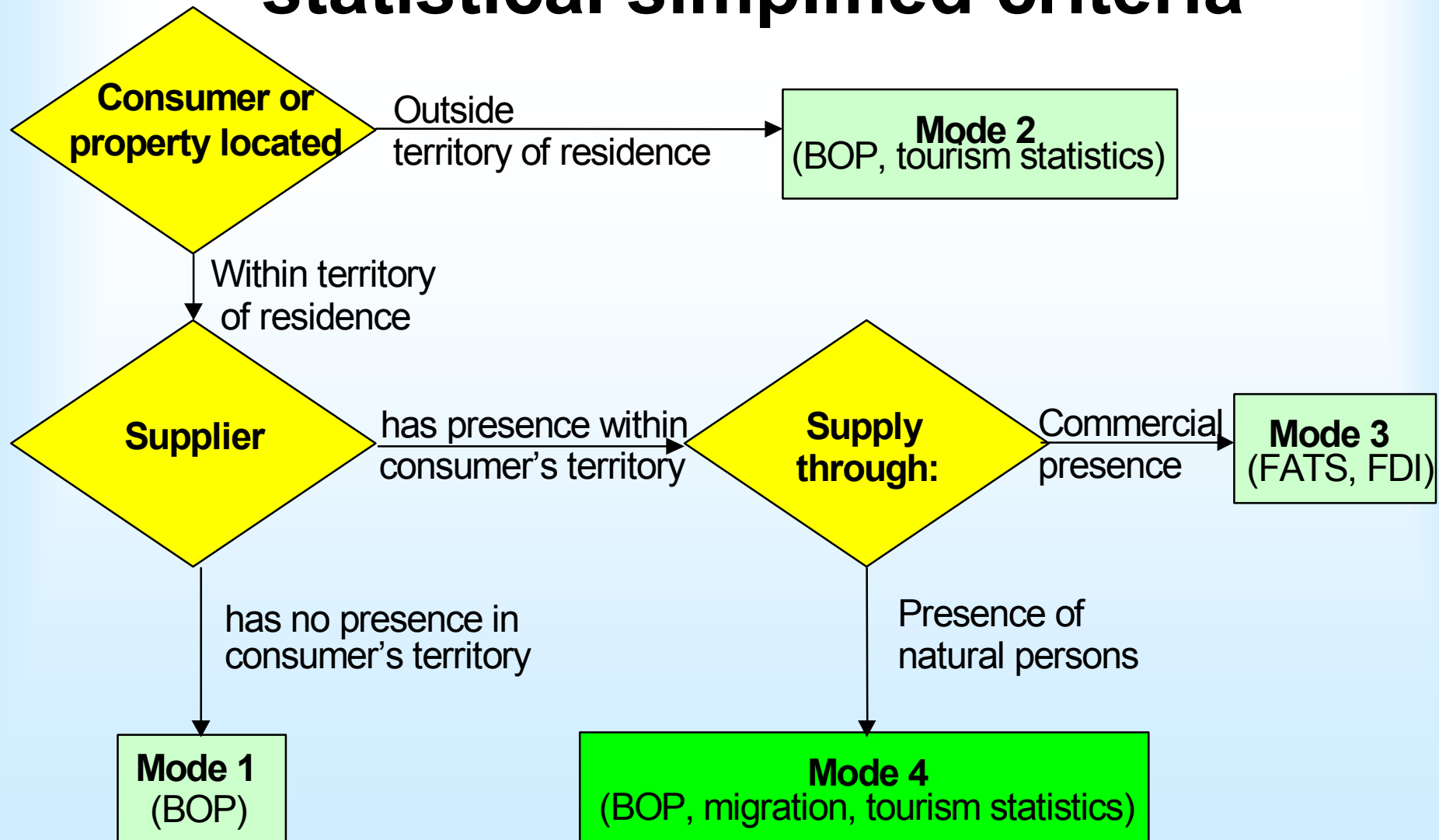
## More information:

<http://unstats.un.org/unsd/tradeserv/msitsintro.htm>

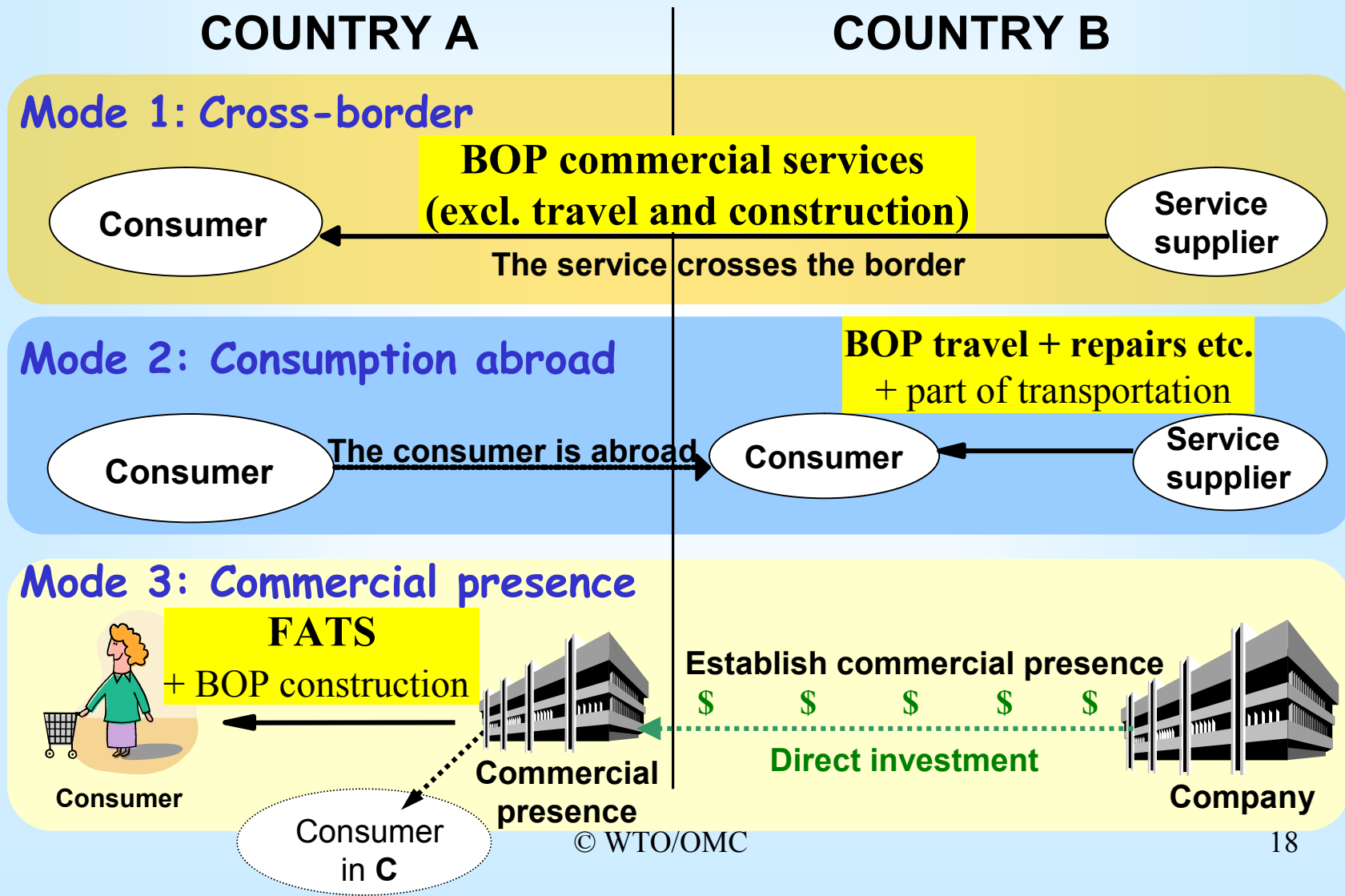




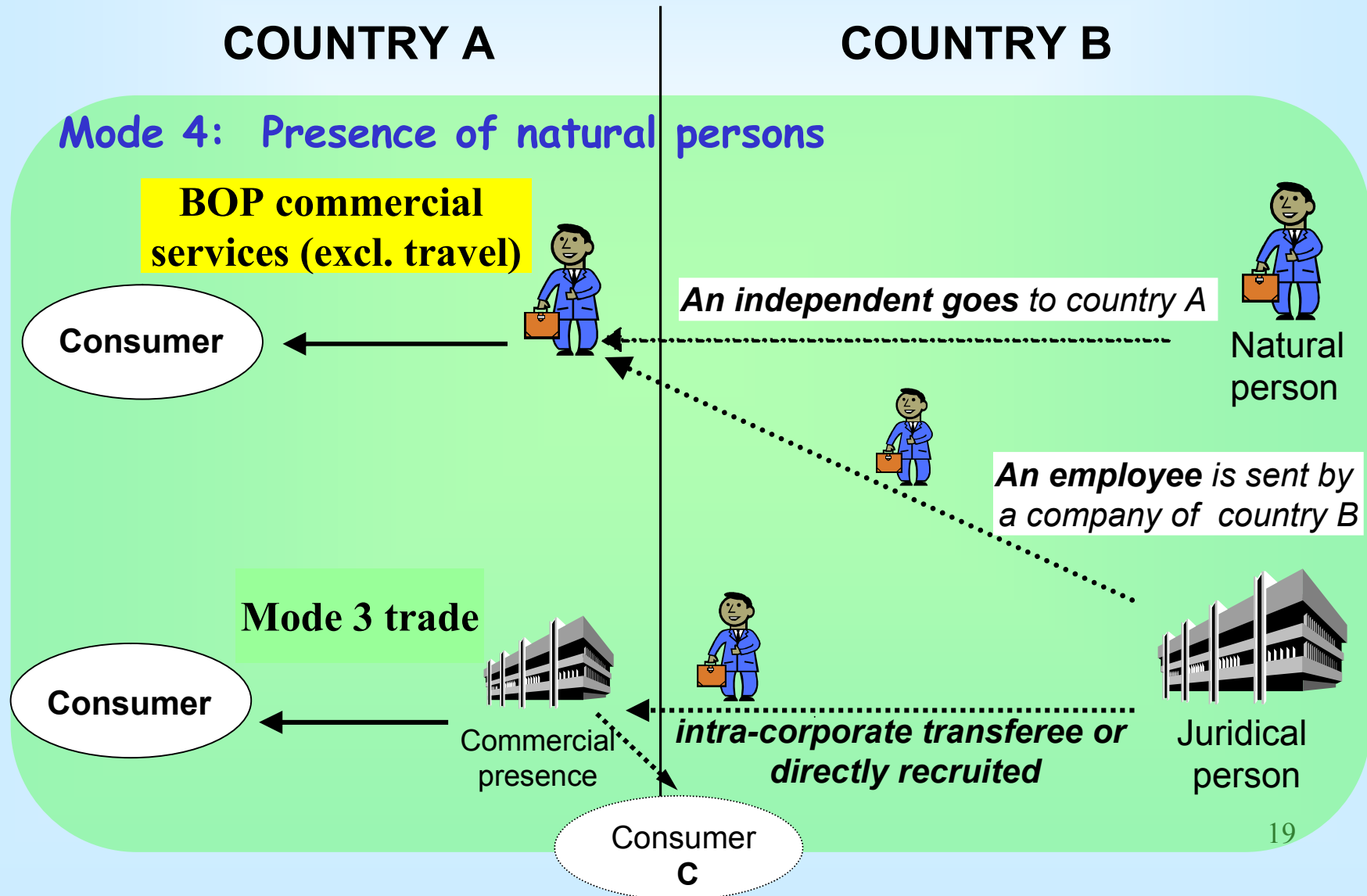
# The four modes of supply: statistical simplified criteria



# Value of trade by GATS Modes of Supply (1/2)



# Value of trade by GATS Modes of Supply (2/2)





# What's the problem with measuring the value of GATS Modes of Supply?



## Intermodal linkages

Services may be delivered through

**several modes of supply**

Mode 1

Mode 2

Mode 3

Mode 4

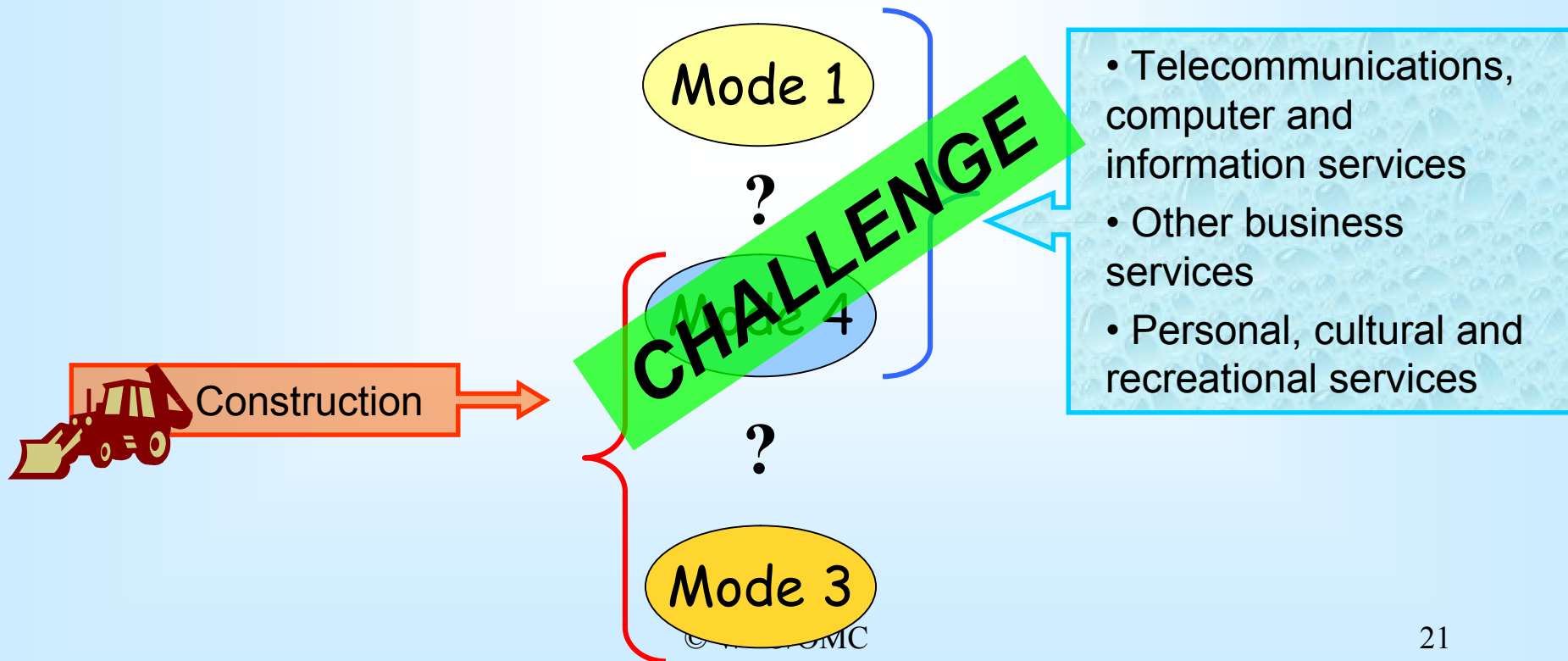
**A single service transaction through different modes**



# Allocation of BOP/EBOPS Services Items to Modes of Supply

## Simplified approach:

- Services delivered through 2 modes of supply:



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



	Modes of supply						
	1	2	3	4	1 and 4	2 and 4	3 and 4
<b>Foreign Affiliates Statistics (by service product using EBOPS; if not possible by service activity using ICFA)</b>							
<b>Services sales/output (by type of service)</b>			X				
<b>Balance of Payments (by service product using EBOPS)</b>							
<b>Manufacturing serv. on physical inputs owned by others</b>		X					
<b>Maintenance and repair services n.i.e.</b>		X					
<b>Transport</b>	X						
• Passenger	x						
• Freight	x						
• Post and courier services	x						
• Other							
– <i>Serv. to domestic carriers in foreign ports (and vice-versa)</i>		x					
– <i>Other</i>	x						
<b>Travel</b>		X					
• Goods							
• Local transport services		x					
• Accommodation services		x					
• Food-serving services		x					
• Other services		x					
<b>Construction</b>							X
• Goods							
• Services							x
<b>Insurance and pension services</b>	X						
<b>Financial services</b>	X						
<b>Charges for the use of intellectual property *</b>	X						

\* Certain degree of uncertainty regarding certain charges

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



	Modes of supply						
	1	2	3	4	1 and 4	2 and 4	3 and 4
<b>Telecommunication, computer and information services</b>					X		
• Telecommunication services	x						
• Computer services					x		
• Information services	x						
<b>Other business services</b>					X		
• Research and development services					x		
• Professional and management consulting services					x		
• Technical, trade-related and other business services							
– Architectural, engineering, scientific, other technical serv.					x		
– Waste treatment, de-pollution, agricultural, mining services							
o Waste treatment and de-pollution						x	
o Services incidental to agriculture				x			
o Services incidental to mining				x			
– Operational leasing services	x						
– Trade-related services	x						
– Other business services, n.i.e.					x		
<b>Personal, cultural and recreational services</b>					X		
<b>Government goods and services n.i.e.</b>							
• <i>Government goods n.i.e., Credits and debits</i>							
• <i>Government services n.i.e., Credits</i>							
• <i>Government services n.i.e., Debits</i>							
– <i>Commercial services purchased in host economies</i>							
o <i>Government units in diplomatic and similar enclaves</i>					x		
o <i>Personnel from home economy and dependants</i>		x					
– <i>Other commercial services n.i.e purchased by government</i>					x		
– <i>Non-commercial services acquired by government</i>							
<i>Distribution (wholesale, retail trade) services</i>	X						

# Options to assess Modes of supply 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)?

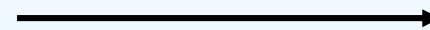
Mostly by fax, email, etc.



Mode 1

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

The person's knowledge  
was essential  
to deliver the service



Mode 4

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

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





# Provision of Services by GATS Modes of Supply: 2005 Statistical Approximation

Mode of Supply	Estimated share
1 - cross-border supply	25 - 30 %
2 - consumption abroad	10 - 15 %
3 - commercial presence	55 - 60 %
<b>4 - presence of natural persons</b>	<b>less than 5%</b> (Approx. 150 billion USD)

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



**RSIM Rev.1 categories**

Purpose of trip or migration	Length of stay of individuals		
	Less than 3 months	3 to 12 months	more than 12 months
<b>IRTS 2008 categories</b>			
Visitors			
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)	X		X
Contractual service supply:	X		X
- self-employed	X		X
- employed	X		X
Intra-corporate transfer:			X
- in services producing company	X		
- other			
Serv. salespersons/ commercial pres. negotiation			
- serv. salespersons/ commercial pres. of serv. producing company negotiation	X		X
- commercial pres. of goods producing company negotiation			
Other (incl. attending meetings, conferences, etc)			

**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
<b>RSIM Rev.1 categories</b>	Employment (migrant workers, employment-based settlement)			
	<i>Intra corporate transfer:</i>			
	- <i>in services producing company</i>	x		X
	- <i>other</i>			
	<i>Directly recruited by a foreign established:</i>			
	- <i>services producing company</i>	x		X
	- <i>other</i>			
	International civil servants			
	<i>Other</i>			
	Trainees			
Family reunification/formation				
Family based settlement; Ancestry based settlement				
Retiree settlement				
<b>Entrepreneurs and investors settlement</b> a	x	X		
Humanitarian reasons (refugees, etc.)				
Border workers; Frequent border crossers; Nomads				
Transit not entering economic/legal territory				
Diplomatic/consular personnel; Military personnel				

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

Non-Migrant categories

Migrant categories



## .... Other Indicators of Interest for Analysis

- **Mode 3 and Foreign Direct Investment statistics**  
(stocks and flows, important complement to FATS)
- **Other FATS variables**  
(number of service suppliers, employees, value of assets)
- **Sectoral statistical frameworks: tourism , health**
- **Supplementary information from BPM6 linked to the movement of mode 4 persons**
- **Production, quantitative, employment indicators**



# But 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

SNA, BPM, MSITS

Number of persons:

Non-migrants  
International migrants, of which short-term  
Visitors

RSIM Rev.1, IRTS 2008



# REMEMBER

## Modes of supply measurement

- **Framework in revised Manual (Chapter 5)**
- **Value of trade:**
  - BOP trade in services (except construction): essentially modes 1, 2 and 4 (only contractual service suppliers)
  - FATS: mode 3
  - BOP construction: modes 3 and 4
- **Main difficulty: identifying modes of supply in BOP services transactions**
- **Other indicators for analysis, e.g.:**
  - Number of persons for mode 4 for all categories (migration/tourism statistics);
  - FDI statistics for mode 3 (BOP statistics)