UNSD Regional Workshop on Travel and International Tourism Consumption


Roseau, Dominica 14-17 May 2013
Why are statistics on international trade in services needed in the WTO?

Decision-making

Market access

Negotiate

Compare

Quantify

Dispute settlement

Useful for economic analysis also for the private sector
Measuring trade in services: Where is the problem?

Goods
“cross-border”

Services
• Mode 1: “cross-border“
• Mode 2: “consumption abroad”
• Mode 3: “commercial presence”
• Mode 4: “presence of natural persons”
The GATS Modes of Supply (1/2)

**Mode 1: Cross-border**
- **Consumer** (Country A) → **Service supply** → **Service supplier** (Country B)
- The service crosses the border
- Example: Online reservation of a package tour

**Mode 2: Consumption abroad**
- **Consumer** is abroad
- **Consumer** (Country A) → **Service supply** → **Service supplier** (Country B)
- The consumer is abroad
- Example: Tourist visit a museum abroad

**Mode 3: Commercial presence**
- **Consumer** (Country A) → **Service supply** → **Commercial presence** → **Company** (Country B)
- Establish commercial presence
- Example: Foreign-owned hotel
The GATS Modes of Supply (2/2)

Mode 4: Presence of natural persons

**COUNTRY A**

- Consumer
- Service supply

**COUNTRY B**

- Natural person
  - An employee is sent by a company of country B
- Intra-corporate transferee
  - Employee of a tour operator sent to work abroad in a branch office
- Juridical person
  - An independent person goes to country A
- Self-employed tourist guide
- Temporarily!
  - Employed tourist guide

**Service supply**

**Commercial presence**
Interagency Task Force on Statistics of International Trade in Services

Published in 2010

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Why a revised Manual?

• Incorporate the BPM6 and SNA 2008 revisions
  ISIC Rev.4, CPC Rev. 2 ....

• Need guidance on measuring GATS Modes of Supply, in particular Mode 4

• New recommendations on activities of foreign affiliates
The Manual on Statistics of International Trade in Services (MSITS 2010)

Guidelines and recommendations on the measurement of trade in services

Balance of Payments statistics

Foreign Affiliates statistics

Statistics on the international supply of services by mode (incl. mode 4)
Structure of MSITS 2010

Chapter I – General introduction and foundations

Chapter II – Conceptual framework for the development of statistics on international trade in services

Chapter III – Services transactions between residents and non-residents

Chapter IV – Foreign affiliates statistics and international trade in services

Chapter V – Statistics on the international supply of services by modes

Annexes
MSITS 2010 Annexes

2010 EBOPS classification

ISIC Rev.4 Categories for Foreign Affiliates (ICFA Rev.1)

Extract from the GATS Services Sectoral Classification List GNS/W/120;

Clarifying the relationship between MSITS 2010 and tourism international recommendations

Online annexes

EBOPS, CPC, Ver.2

EBOPS 2010 - Services Sectoral Classification List GNS/W/120
EBOPS 2010 - ISIC, Rev.4 Categories for Foreign Affiliates in services (ICFA, Rev.1)
Services Transactions between Residents and Non-residents
BPM6 – Why a revision of services?

Strict application of the change of ownership criterion in SNA 2008

Reclassification of goods and services items
Some items moved in Services Account from Goods Account and viceversa

Need for more information on international trade in services compared to 1993
BPM6 Main Services Components

1. Manufacturing services on physical inputs owned by others
2. Maintenance and repair services n.i.e.
3. Transportation
4. Travel
5. Construction
6. Insurance and pension services
7. Financial services
8. Charges for the use of intellectual property n.i.e.
9. Telecommunications, computer and information services
10. Other business services
11. Personal, cultural and recreational services
12. Government goods and services n.i.e.
EBOPS 2010

Extended Balance of Payments Services Classification

- **What is it?**
  - product-based classification,
  - consistent with and more detailed than 12 BPM6 services components,
  - including additional memorandum items and complementary groupings.

- **How can it be used in the framework of GATS?**
  - Manual provides a table of correspondence between EBOPS 2010 and GATS list of services W/120.
Foreign affiliates statistics and international trade in services
Foreign Affiliates Statistics (FATS)

- **What are FATS useful for?**
  - Provide a measure of 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
Firms Covered by FATS

• Control criteria

Majority-controlled foreign affiliates

(a single foreign investor owns more than 50% of voting power at each stage of the ownership chain):

Includes subsidiaries

Excludes associates

• Types of producers

All affiliates (i.e. producing goods, services)

• Supplementary firms where relevant (e.g. multiple controllers)
Statistics on the international supply of services by modes
An example: Tourism

GATS W/120 list
- Hotels and restaurants
- Travel agencies and tour operator services
- Tourist guide services
- Other services

BOP “Travel”

- Sales of tourism operators (Mode 1)
- Affiliates of hotel chains (Mode 3)

Mode 2

but

- Foreign tourist guides (Mode 4)
- Foreign managers/ intra-corporate transferees (Mode 4)
What do we need to measure?

1) Value of services trade flows

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

- Mode 1
- Mode 2
- Mode 3
- Mode 4

Balance of Payments Services Statistics

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

Foreign Affiliation Statistics (FATS)
Simplified allocation of BPM6/EBOPS services items to Modes of Supply

Services predominantly delivered through

**Mode 1**
- Transportation services
- Telecommunications services
- Information services
- Insurance and pension services
- Financial services
- Charges for the use of intellectual property n.i.e.
- Operational leasing (in “Other business services”)
- Trade-related services (in “Other business services”)

**Mode 2**
- Travel (only services acquired)
- Supporting and auxiliary services to carriers in foreign ports (in Transport)
- Maintenance and repair services n.i.e.
- Manufacturing services on physical inputs owned by others

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Simplified allocation of BPM6/EBOPS services items to Modes of Supply

Services predominantly delivered through

- Services incidental to agriculture and forestry
- Services incidental to mining, and oil and gas extraction

But for services delivered through Mode 1 supply:

- Professional and management consulting services (in Other business services)
- Architectural, engineering, scientific and other technical services (in Other business services)
- Personal, cultural and recreational services

Challenges:

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Additional indicators to analyze trade in services

on Mode 3 (FDI and FATS)
- FDI stocks and flows in services
- number of foreign affiliates, of employees, value of assets (FATS).

on Mode 4:

Number (stocks and flows) of:

- Contractual services suppliers
- Intracorporate transferees and foreign persons directly recruited
- Services sellers/persons responsible of setting up commercial presence

(Migration/tourism statistics)
MSITS 2010: Recommended core elements

1. Implement IMF BPM6 recommendations

2. Compiling BOP data according to EBOPS 2010
   - priority to most important sectors in the economy
   - identify the main trading partner at the total level

3. Collect complete FDI statistics

4. Record basic FATS variables
   - identify the main trading partner
MSITS 2010: Other recommended elements

5. Complete implementation of EBOPS 2010 including supplementary items

6. Compile additional FATS variables

7. Separately identify trade between related and unrelated parties

8. Allocate services transactions and FATS sales to GATS modes of supply

9. Collect statistics on the number of natural persons under the GATS framework