

SADC Workshop on Trade in Services Statistics

The GATS and relevant statistical frameworks

**Johannesburg, South Africa
10-12 February 2016**



The GATS

First multilateral agreement on international trade in services

■ **Predictable and enforceable rules affecting trade in services at all government levels**

■ **Covers all services**

(except: air traffic rights and services supplied in the exercise of governmental authority)

■ **Identifies 4 modes for supplying services**

- Cross-border supply
- Consumption abroad
- Commercial presence
- Presence of natural persons

■ **Applies to product (service) and producer/distributor (services supplier)**

The GATS

GATS Pillars

- Set of **unconditional general obligations**
- **Specific commitments (Schedules)**

Annexes on specific issues

Commitments under GATS

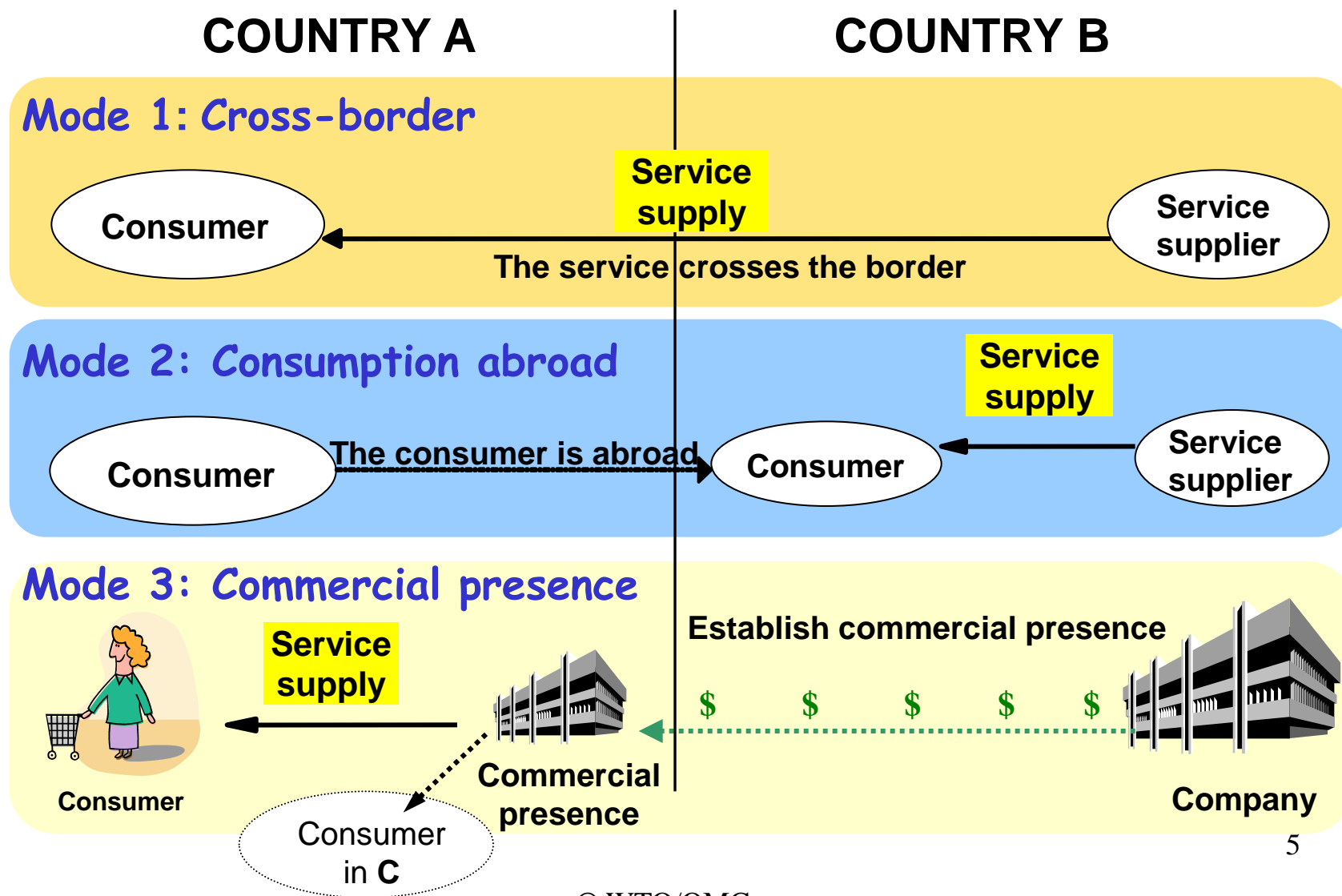
By **services sectors**

By **mode of supply**

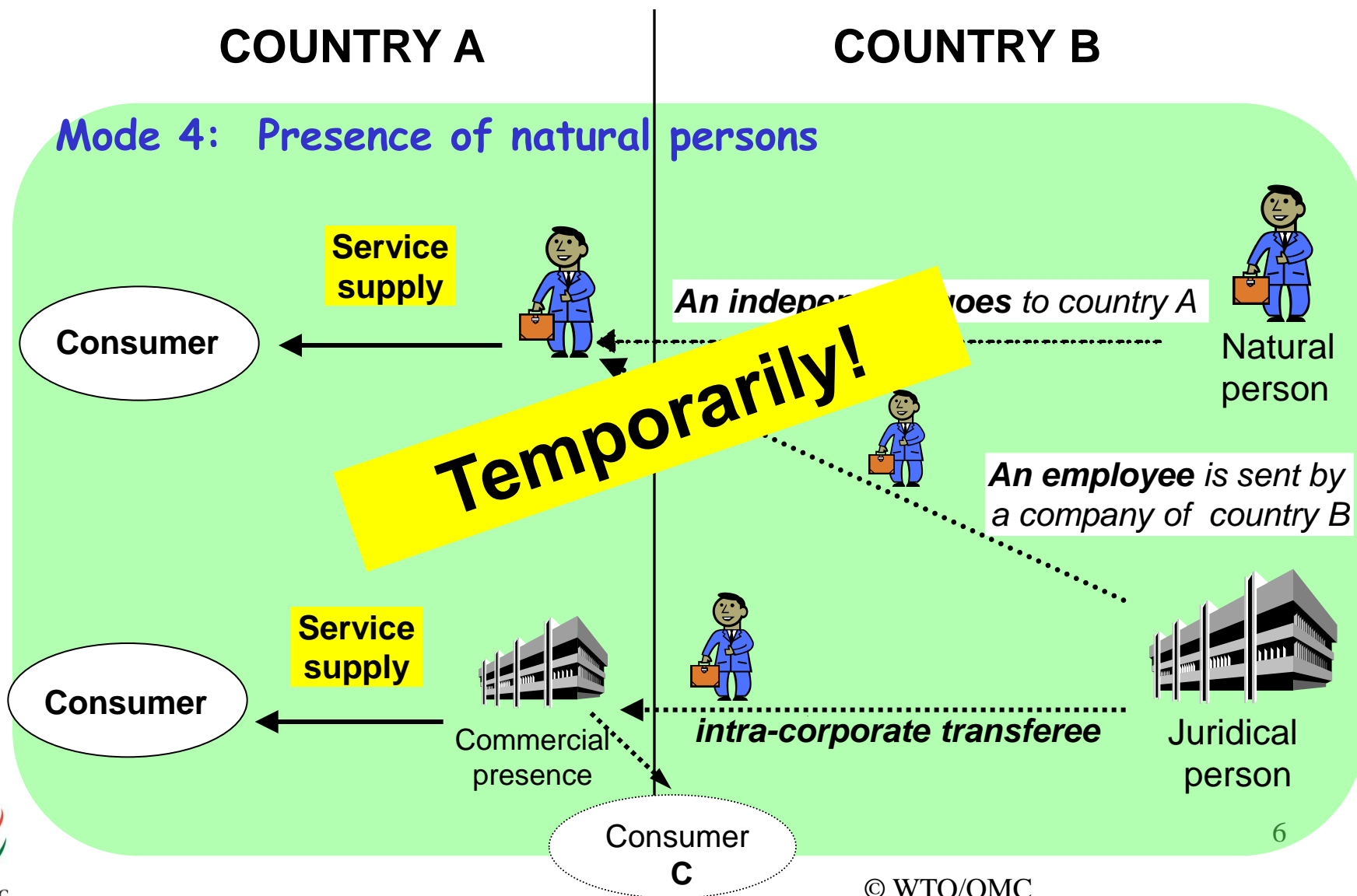
The Services Sectoral Classification List GNS/W/120

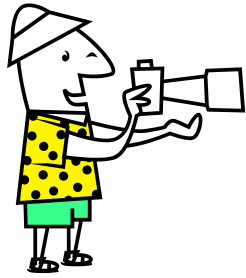
- 1. Business services**
- 2. Communication services**
- 3. Construction and related engineering services**
- 4. Distribution services**
- 5. Educational services**
- 6. Environmental services**
- 7. Financial services**
- 8. Health-related and social services**
- 9. Tourism and travel-related services**
- 10. Recreational, cultural and sporting activities**
- 11. Transport services**
- 12. Other services not included elsewhere**

The GATS Modes of Supply (1/2)



The GATS Modes of Supply (2/2)





The 4 modes of supply: **Tourism** (example)

- **Mode 1:** Online reservation of a package tour
- **Mode 2:** Tourists visit museums in a foreign country
- **Mode 3:** Foreign-owned hotel
- **Mode 4:** Self-employed tourist guide goes to work temporarily in a foreign country

Why are statistics on international trade in services needed in the WTO?



Decision-making



Market access



Negotiate



Compare



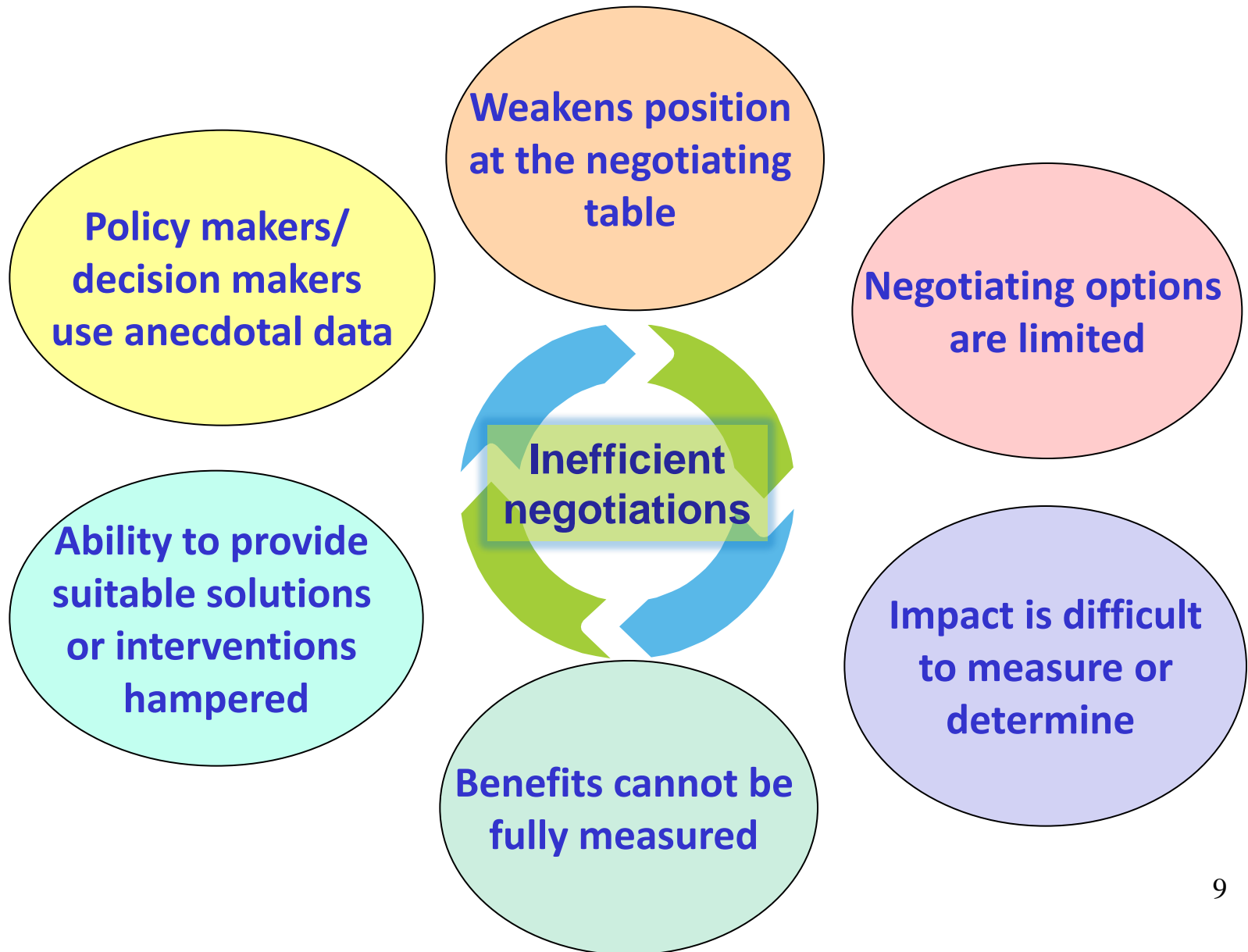
Quantify



Dispute settlement

+ Regional Trade Agreements Transparency mechanism (data by partner!)

Constraints of Incomplete/Limited Data in Negotiations



Measuring trade in services is difficult

Goods

“cross-border”

response:

- International Merchandise Trade Statistics (IMTS), Rev.3 - Compilers Manual

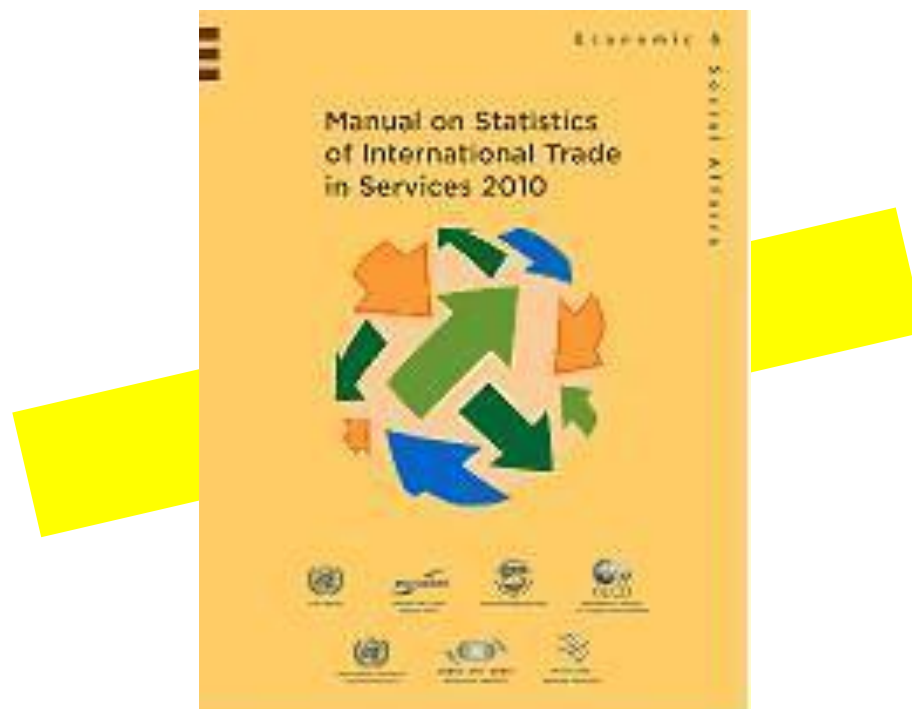
Services

- mode 1: “cross-border”
- mode 2: consumption abroad
- mode 3: commercial presence
- mode 4: presence of natural persons

response:

- Manual on Statistics of International Trade in Services (MSITS)
- ~~Compilation guide~~

Interagency Task Force on Statistics of International Trade in Services



Published in **2010**

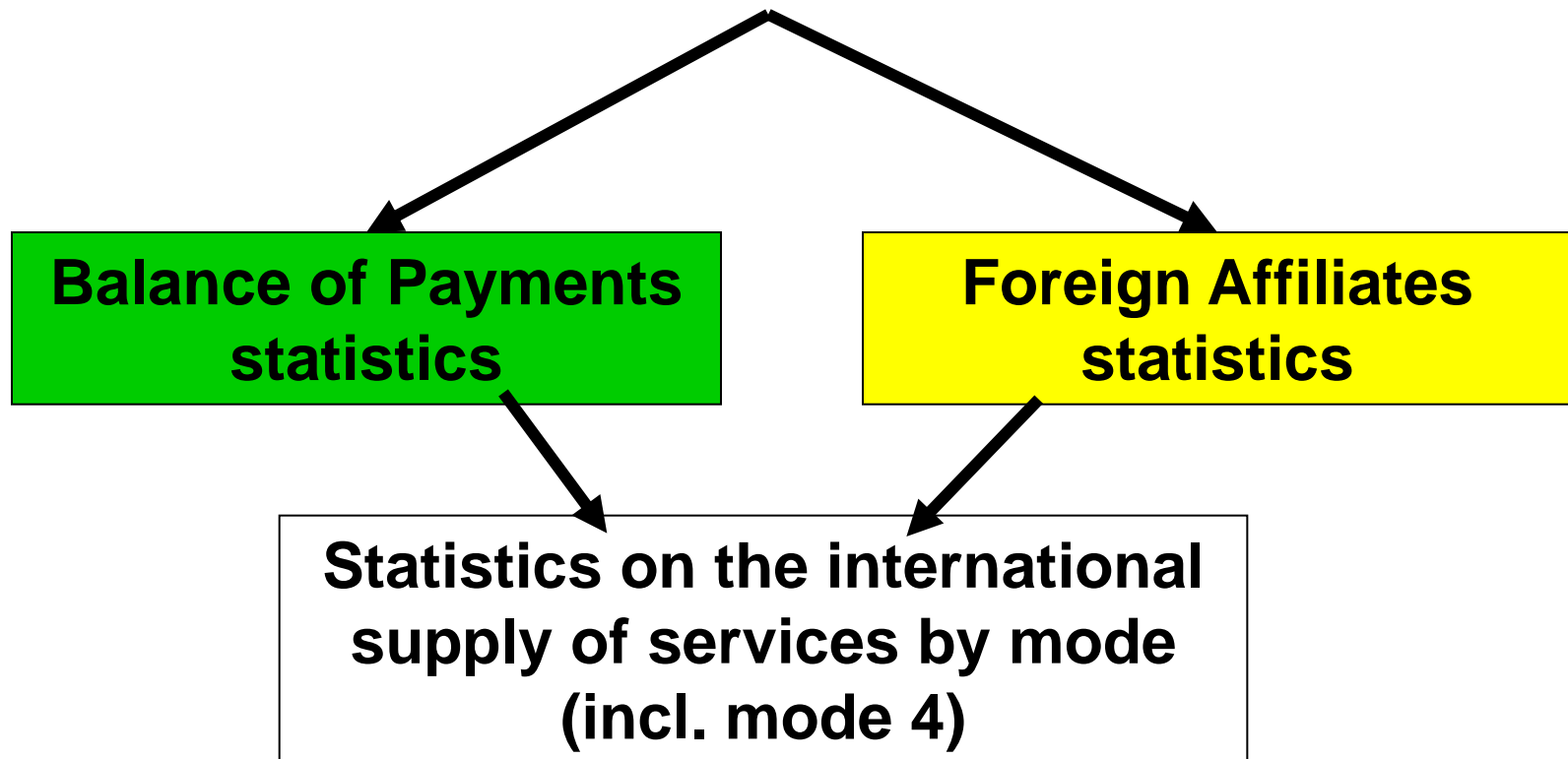
+ Compilers Guide Published in December 2014 !!

Why a revised Manual?

- Incorporate BPM6 and SNA revisions
ISIC, CPC....
- 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



MSITS 2010: Recommended core elements

1. Implement **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

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.
- **How can it be used in the framework of GATS?**
 - Manual provides a **table of correspondence** between EBOPS and GATS list of services W/120.
- **In new Manual on Statistics of International Trade in Services**



EBOPS 2010 Detailed Components

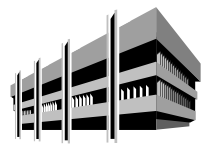
(examples)

3. Transport

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

4. Travel

- Business travel
 - Acquisition of goods and services by seasonal and border workers
 - Other
- Personal travel
 - Health-related
 - Education-related
 - Other



Foreign Affiliate Statistics (FATS)

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

Firms Covered in FATS

- **Control criteria**

Majority-controlled foreign affiliates (*a single foreign investor owns more than 50% of voting power*):

Includes subsidiaries

Excludes associates

- **Types of producers**

Affiliates producing goods, services

- **Supplementary firms where relevant (e.g. multiple controllers)**

FATS

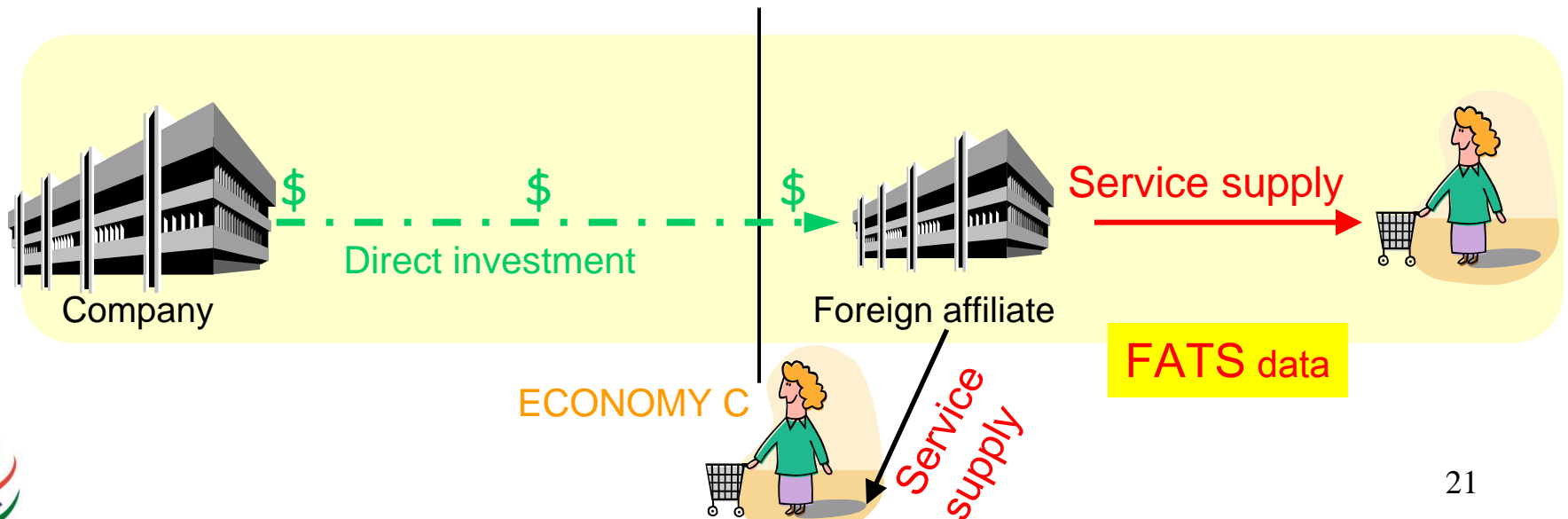
Where is the service supply?

ECONOMY A

compiles **outward FATS**

ECONOMY B

compiles **inward FATS**



Economic Variables for FATS

Most are drawn from SNA 2008

Basic FATS variables
(minimum recommended by
MSITS)

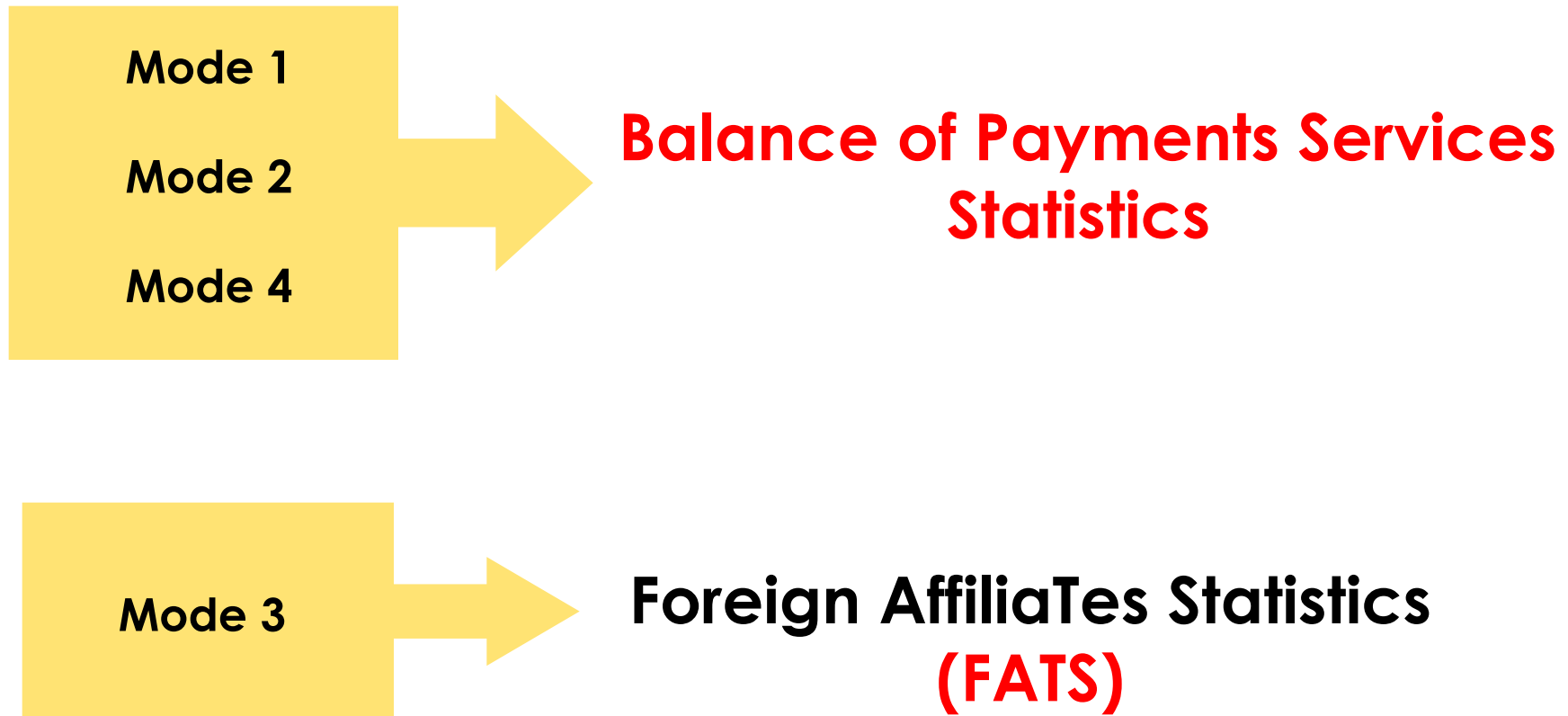
- Assets
- Compensation of employees
- Net worth
- Net operating surplus
- Gross fixed capital formation
- Taxes on income
- Research and development expenditures
- Purchases of goods and services

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

Additional FATS
variables

GATS Modes of Supply and Statistical Domains:

The simplified approach



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
Manufactacturing 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	3	4	2 and 4	3 and 4
Telecom., computer, and information services	X						
• Telecommunications services	X						
• Computer services	X						
• Information services	X						
Other business services				X			
• Research and development services				X			
• Professional and management consulting services				X			
• Technical, trade-related and other business services							
– Architectural, engineering, scientific, other technical services				X			
– Waste treatment -depollution, agri. and other services	X						
o Waste treatment and de-pollution	X						
o Services incidental to agriculture	X			X			
o Serv. incidental to manufacturing	X			X			
– Operational leasing	X	X					
– Trade-related services	X	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							
o Government units in diplomatic and similar enclaves				X			
o 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

Elements of a **Successful Strategy** for Improving Trade in Services Statistics



Efforts by national agencies in charge of statistics

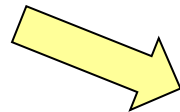
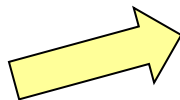
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Governments' readiness to give resources to statistics



Cooperation



Between national institutions (CBs, NSO, Ministry of Trade, other Ministries,...)

Between international and regional institutions (i.e., SADC, WTO) in support of national initiatives



Effective technical assistance