For Official Use **STD/NAES/TASS/SERV(2003)3**

Organisation de Coopération et de Développement Economiques
Organisation for Economic Co-operation and Development **03-Apr-2003**

English - Or. English

STATISTICS DIRECTORATE

STD/NAES/TASS/SERV(2003)3
For Official Use

National Accounts and Economic Statistics - Services

MEASURING TRADE IN SERVICES
A DRAFT TRAINING MODULE FOR THE WORLD BANK

Preliminary Draft for Comments of the OECD-Eurostat Experts on Trade-in-services Statistics 8-10 April 2003

OECD-EUROSTAT MEETING OF EXPERTS IN TRADE-IN-SERVICES STATISTICS
Château de la Muette, Paris
8 April 2003 (afternoon) - 10 April 2003

Beginning at 2.30 a.m. on the first day

English - Or. English

JT00142060

Document complet disponible sur OLIS dans son format d'origine
Complete document available on OLIS in its original format

TABLE OF CONTENTS

I. INTRODUCTION 4
1. Services and trade in services in the economy 4
2. Measuring services production 9
3. Measuring trade in services 10
4. The GATS agreement and modes of supply 11
5. GATS modes of supply and statistical domains 12
II. Statistics of Trade in Services Between Residents and Nonresidents of an Economy 13
1. Introduction 13
2. Principles of recording such trade 14
3. The Extended Balance of Payments Services classification (EBOPS) 15
4. Statistics by trading partner 17
5. Allocation to modes of supply 17
6. Alternative aggregations of service and non-service transactions 18
III. Foreign Affiliates Trade in Services Statistics 18
1. Introduction 18
2. Firms covered by FATS statistics 19
3. Time of recording 20
4. Statistical units 20
5. Attribution (classification) of FATS variables 21
6. Economic variables for FATS 23
IV. The Movement of Natural Persons 25
(FORTHCOMING PART) 25
V. Compilation Methods 25
1. Main compilation methods for the collection of balance of payments statistics 25
2. FATS: Selecting a data collection method 26
3. Special application for services transactions 27
4. Main problems associated with data comparability/reliability 29
VI. Collection and Dissemination of Trade-in-Services Statistics by International/Regional Organisations 31
1. Introduction 31
2. BOP trade in services data collection and dissemination 32
3. FATS Statistics Data Collection and Dissemination 34
4. Can we expect to see more and improved data in the medium term? 35
VII. Current state and prospects 36
1. Work at the international level 36
2. The phased approach of MSITS to implementation. 36
3. State of implementation, recent progress and short-term plans 37
4. Concluding remarks 40
Bibliography 42

- Statistics in Focus, *Foreign Owned Enterprises*, Theme 4, 20/2001 42

- Statistics in Focus, *Sales and employment of affiliates abroad - 1998 outward FATS data for eight Member States*, Theme 2, 47/2002 42
- Statistics in Focus, *Foreign-controlled Enterprises*, Theme 3, 3/2003 42

Annex Table ?I.1: state of reporting of BPM5 components and supplementary items, as of January 2003 43
Annex ?I.1: Overview of Trade in Commercial Services 44
Annex III.1: Extended Balance of Payments Services Classification 48
Annex ?III.1: ISIC Categories for Foreign Affiliates (ICFA) 52

MEASURING TRADE IN SERVICES

A DRAFT TRAINING MODULE FOR THE WORLD BANK

Preliminary Draft for Comments of the OECD-Eurostat Experts on Trade-in-services Statistics 8-10 April 2003

I. INTRODUCTION

1. Services and trade in services in the economy

1. The term *services* covers a wide range of intangible and heterogeneous products and activities such as transport, telecommunications and computer services, recreational and audiovisual services, construction, financial services, wholesale and retail distribution services, hotel and catering, insurance, real estate, health and educational services, professional, marketing and other business support, government, community, audiovisual, recreational, and domestic services.

2. Services differ from goods in both their production and international trading. For a large number of activities, services production necessitate the proximity of supplier and consumer. i.e. they require the supplier and the customer to be physically close –for example, the provision of health services entails that the patient is at the hospital site, a cleaning service for a firm must be provided at the firm's location, and a haircut requires that both hairdresser and client be in close contact.

3. Furthermore, goods are traded internationally after they have been produced. For example, goods may be produced in one country and subsequently delivered to another country. In contrast, the trading of a service is often linked to an arrangement made between a particular producer in one economy and a consumer or group of consumers in another. In particular, for international trade in services to take place, either the consumer must go to the supplier's location or the supplier has to move to the consumer's. This can happen through individuals located abroad, either as service suppliers themselves or employed by service suppliers in the host country. However, services do share some features with goods. For example, they can be labour-intensive (construction), or capital intensive (communications), perishable (cleaning) or durable (education).

4. Trade in services, just like trade in goods, is affected by production factors. Without significant trade barriers, a country endowed with relatively large amounts of unskilled labour, will tend to export labour-intensive services (domestic services, construction services, etc.) as well as labour intensive goods. On the other hand, countries with a large, highly qualified labour force will have a comparative advantage in exporting services that require a large inputs of such labour. Examples are computer engineering services, legal services, architectural services, etc.. Reflecting their levels of economic development, high-income countries will focus on modern, technically advanced sectors such as telecommunications or

finance. Countries with particularly beautiful landscape will have a comparative advantage as tourist destinations.

5. Efficient services benefit not only consumers but contribute to countries' overall economic development. For example, efficient transport, communication and financial services have the potential to increase the productivity of the whole economy. For example, efficient financial services ensure that national resources are allocated where profits are at the highest. In telecommunications, the development of the Internet and electronic commerce facilitate trade and knowledge dissemination. Furthermore, other services, such as environmental services, help ensure a sustainable development alleviating the negative impact of economic activity on the environment.

6. Rapidly, services production has become a core economic activity for the majority of countries. The average share of services value added in GDP in developed countries has increased by 21% reaching an average of 68% in 2000, and above 70% in the United States, Switzerland or the United Kingdom. In the same year, developing countries' share was 52%, more than 10 percentage points higher than in 1980. In the Least Developed Countries, services value added ratio to GDP increased from 40.9% to 43.5% during this period, although in the last decade it has remained basically stable around this figure.[1]

Box I.1: Overview of services value added

In the United States the ratio of services value added to the GDP reached 72% in 2001, increasing by 12% in eleven years. Twenty-one percent of total U.S. value added came from real estate, finance, insurance activities, followed by wholesale and retail trade which together accounted for 16% of GDP.

In *Western Europe* the ratio of services value added has increased by more than 8% compared to 1990 levels, reaching an average of 63%. Luxembourg recorded the highest growth (20%) and share (79%). In this country, in 1999, more than 40% of the country's GDP came from financial intermediation, real estate, renting and business activities. Switzerland and the United Kingdom followed immediately with more than 70%. In the European Union as a whole, services represented over 68% of GDP.

In *Asia*, half of the region's value added came from services, rising by more than 4% in the period 1990-2000. In Cambodia, services value added grew by almost 30%. In *Latin America*, the proportion of services in the region's GDP has increased in the same proportion as in Western Europe. In 2000, services value added averaged 60% of the Lain America's GDP. The countries with the highest growth were Venezuela, Jamaica, and Colombia.

In *the economies in transition* the share of services to GDP has increased from 43% to more than 50% in the period 1995-2000. In the case of the Russian Federation, it has risen from 35% to 54% in the period 1990-2000.

In *Africa*, services value added has risen significantly between 1980 and 1995, reaching 45% of GDP. However, in more recent years, it has somewhat decreased and, in 2000, was around 43%. This trend was more pronounced in North Africa than in the rest of African countries. Djibouti (82%) Seychelles (75%) and Cape Verde (71%) were the countries with the relative highest contribution of services value added to GDP. Zambia and Botswana registered the fastest growth in services value added and reached services shares well above the regional average. In the *Middle East*, in the period 1995-2000, services value added has grown by 5%.

Sources: UNCTAD, Handbook of Statistics; Euromonitor; World Bank, World Development Indicators; OECD, National Accounts of OECD Countries.

7. The share of services in total employment is another indicator of the economic contribution of services to countries' economy. In the last twenty years, in most countries, employment has been shifting from the agriculture and industry sectors to the services-producing sector. In general, the wealthier are the economies, the highest is the share of total employment in services. For example, in 2000, in high income

[1] Source: UNCTAD, Handbook of Statistics,

countries, the share of total employment within the services sector (including construction) exceeded 70%, increasing by around 20% compared to 1980 levels.[2]

8. However, despite the recognized importance of services in countries' economies, it surprising to note that trade in services represents only 20% of total world trade. As matter of fact, with the exception of maritime services and certain financial services, services have been identified mostly as a domestic activity. Their special nature, requiring the physical proximity of both the services supplier and consumer has, for a long period, hampered their perception as tradable activities. Yet, this situation is gradually evolving due to various factors. On one hand, rapid technological advances in the past few decades in transport, computing and telecommunications have narrowed, if not eliminated, the need for immediacy of supplier and consumer. Firms are now availing themselves of more distant resources for production and enabled them to serve wider markets. Improved communications and transport have also facilitated the movement of people, both as independent service suppliers and as employees. On the other hand, this trend to globalisation, reinforced by trade liberalization and the removal of regulatory obstacles to economic activities, has fuelled the growth of international investment and trade in services.

[2] Source: World Bank, World Development Indicators 2002.

Box I.2: Overview of services employment (1990-2001)

9. Between 1990 and 2001, services employment (including construction services) has risen by 11% to 69%. The largest share of world services employment is concentrated in the areas of community, education, health, social and personal services. These categories recorded also very rapid growths. However, it is important to note that these sectors cover all public administration jobs. Other employment activities are trade services and repairs, and hotel and restaurants. Financial and insurance services, as well as business services are among the most dynamic branches growing by 27% in 11 years (see Table 1 in the Annex).

In the period 1990-2001, in Western Europe, services employment increased by 10%, reaching 72% of total employment on average. The countries with the highest growth in their overall share of employment in services were Greece and Slovenia, with rates of, respectively, 24% and 20%. Keeping up with world trends, employment in community, education, health and public administration services constitutes the largest share (28%). However, the sharpest growth was registered in the financial, insurance and business services sectors (46%), with Italy more than doubling its share in the reference period. The United Kingdom holds the largest relative share (15%). Professions in trade, repairs, and hotel and restaurant services rose notably especially in Greece which, in 2001, held also the largest share within the region (24%). This was due mainly to its increasing importance as touristic destination. Employment in construction services decreased slightly for most Western European countries, although in Portugal, it represented the sector of services employment with the highest growth and a copious share.

In North America, services employment recorded the lowest growth compared to other regions. However, with 81% of total employment in services jobs, North America has the highest share in the world. In the region, financial, insurance and business services were the most dynamic branches, followed by transport, storage and communications services. Within the region, the United States expanded faster than Canada, where employment services have increased slightly since 1990 (2%). In the United States, occupations in the public sector, education, community, social and health services account for more than one third of total employment. In an opposite trend to the region and to the world, construction services jobs have increased by 11% between 1990and 2001.

Compared to the previous decade, in 2001, Latin American countries services employment share has risen at a relative slower path than in the rest of the world, reaching 74% in 2001. The major employment sectors were transport, storage and communications and trade, repairs, and hotel and restaurants. Together, they accounted for more than the half of the region's total employment. Even though employment in the financial, insurance and business services sectors did not keep up with the world average growth, it resulted the most dynamic sector in the region (19%). Argentina and Chile's growth rates almost doubled the regional average. In the Caribbean, Jamaica' services jobs grew by 18% in the period 1990-1998 due to the island's tourism expansion.

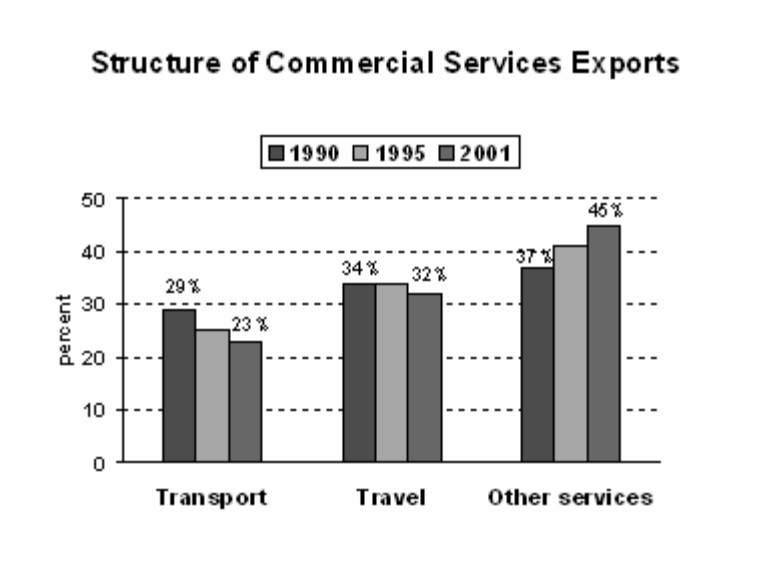
In Asia, services employment grew on average faster than in any other region (18% in 11 years). The peak growth was in the financial, insurance and business services sector (45%). Hong Kong, Australia and Singapore had the highest services shares in the region, averaging 83% of total employment in 2001. On the other hand, Indonesia (33%) and China (29%) recorded the maximum growth. In Indonesia, this was due to increased employment levels in both the transport, storage and communications services, and in the construction services sector. In the period 1990-2001, China registered a 50% increase in the share of professions in the financial, insurance and business services, as well as in trade, repairs and hotel and restaurants services. Korea doubled its jobs in the finance, insurance and business services sector compared to 1990.

Between 1990 and 2001, services employment in the economies in transition has risen by more than 14%, averaging 56% of total employment. Construction services jobs declined, while new occupations in trade, repairs, hotel and restaurants increased considerably (40%) to reach, on average, 22% of the region's total employment. Employment in community, education, health, social and the public sector services also increased notably. Estonia and Azerbaijan recorded the fastest growth in services employment with rates above 30%. In 2001, Latvia's share of services employment reached 69%, while in Estonia and Hungary it was 67%.

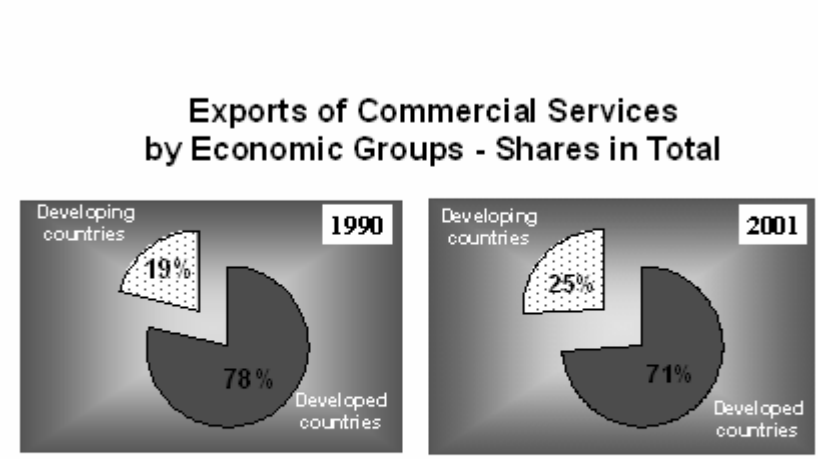
In Africa, among the countries with available information, the largest shares of employment in services were registered in Morocco (69%) and Kenya (above 60%, excluding construction services). With respect to the Middle Eastern countries, Cyprus' share of services employment increased by 12% in five years (1990-1995), while Israel rose by 8% between 1990 and 2001, mainly due to new jobs in financial, insurance and business services. In 2001, Israel services employment share was 79%.

Sources: World Bank, World Development Indicators 2002; Euromonitor; UNCTAD Handbook of Statistics.

According to the WTO, the contribution of commercial services in total world trade (goods and commercial services) has increased significantly from 16% in 1980 to over 19% in 2001. In the same year, world commercial services exports reached 1,460 billion US$. Receipts from other services accounted for 45% increasing from 38% in 1990. On the contrary, the share of world transport exports in total commercial services exports has declined progressively to 23% in 2001. This decrease was due partly to the general reduction in transport prices but especially to the huge expansion of other services. Travel services represented on average 32% of world commercial services exports.



10. Furthermore, in the last decade, the share of commercial services offered by developing countries has also grown considerably. In 1990, developing countries held 19% of world commercial services exports, while in 2001, they reached 25%. Correspondingly, developed countries' share declined from 78% to 71%. Regrettably, the contribution of the Least Developed Countries (LDCs) remained almost unchanged, around 0.4%. Annex ?I.1 includes a more detailed analysis of recent developments, also by region, in trade in services.[Note: Annex ?I.1 is it be summarized here and removed]



2. Measuring services production

a) Statistics on domestic activity

11. Given their magnitude in the economy, the disposal of relevant statistical measures of services production is of primary importance. A good perspective of the evolution of services production in individual countries is provided by statistics on domestic activity. These are mainly: (i) the National Accounts; and (ii) employment statistics, and (iii) business statistics.

12. The National Accounts provide statistical information on, *inter alia*, the contribution of different economic activities to countries' GDP. With respect to services, it provides, for example, output data of the services sector as a whole (services value added), or broken down into its services subcomponents (wholesale and retail trade; financial intermediation; construction, etc.). More interestingly, it is possible to calculate the importance of services activities as a percentage of national GDP, and relate it to other sectors such as agriculture and industry. The adoption by the majority of countries of international standards in the compilation of their national accounts (System of National Accounts-SNA 1993) facilitates cross-country comparability.[3] Country comparable statistics are collected by the United Nations, the Organisation for Economic Co-operation and Development (OECD), the International Monetary Fund (IMF), and Eurostat. As shown in the previous section., this allows to make interesting comparisons, to the extent possible, on the competitiveness and the evolution of services in different countries and regions.

13. Similarly, employment statistics provide data on the total number of people employed in the services sector, and their distribution among the different subsectors. Since a high share of services employment is associated with development, this type of data allows to assess indirectly countries' economic growth. Furthermore, in countries with relatively advanced data collection systems, from migration statistics is possible to obtain information on foreign workers employed in services in a given country. Apart from national sources, comparable employment and migration statistics are published by the International Labour Office (ILO), and the OECD.

14. The market size of specific services sectors, such as banking or telecommunications services, can be assessed through the use of statistics on their *turnover*, that is to say their sales. This information can be provided from national and regional business federations, or regional and international organizations, such as Eurostat. For example, the International Telecommunications Union (ITU) produces statistics on the revenue of major telecommunications operators by country and region.

b) Quantitative indicators on specific sectors

15. Quantitative indicators on specific sectors provide very valuable tools for assessing services production and performance. There are numerous, relevant, available quantitative indicators, much broader than the range of existing services sectors. From data on the international number of students enrolled in basic education, to the arrivals of tourists in a small country. From the number of letters mailed, or kilometres flown by airplanes, to the imports of foreign movies.

16. The complementary use of quantitative indicators permits to carry out more meaningful analyses of services sectors. For example, according to trade statistics, in recent years, telecommunications services have been declining. On the contrary, the minutes of international telephone traffic have more than doubled in the same period. The analysis of trade figures alone would portrait a misleading picture of the telecommunications sector. As matter of fact, the decline in telecommunications transactions is due to a

[3] The SNA 1993 is an integrated system of accounts related to the economic activities and sectors of the economy of a country.

drop in call prices introduced by increased international competition (see Graph in the Annex [?]). However, quantitative indicators do not permit comparisons between different services sectors.

3. Measuring trade in services

a) Balance of Payments statistics

17. Unlike goods, services, given their intangible nature, cannot be registered at the border. For information on international trade in services, the primary source is individual countries' Balance of Payments (BOP). According to the Balance of Payments, trade is defined as transactions between residents of one country with non-residents. The Balance of Payments is usually organized into two major parts. The first registers flows of goods, services, income, and current transfers (current account). The second, capital and financial account, registers, in the capital account, capital transfers and transactions, and, in the financial account, financial claims on, and liabilities to, the rest of the world.

18. In the 1977 classification system of the 4th edition of the IMF Balance of Payments Manual (BPM4) there was no explicit identification of what constituted trade in services. Rather, the current account was divided between *merchandise* and *non-merchandise* items, the latter often being referred to as *invisibles*. At present, most countries are using the 5th edition of 1993 Balance of Payments Manual (BPM5) which divides services into 11 categories: transport services; travel services; communication services; construction services; insurance services; financial services; computer an information services; royalties and licence fees; other business services; personal, cultural and recreational services; and government services not included elsewhere. As defined by the WTO, "commercial services" are formed by the sum of travel, transport and all other services, with the exception of government transactions.

19. Governments report their Balance of Payments statistics to the IMF. These data are published annually in the IMF Balance of Payments Yearbooks. Although the standardized classification helps in comparing trade in services between different countries, many shortcomings affect the comparability and reliability of services trade statistics. For example, the definitions of particular services are not always identical across countries or their coverage is often inadequate. Moreover, some nations do not report complete information on certain items, such as many types of business services, and trade by geographic origin or trading partner is hardly available.

20. Responding to users' needs, including those of international trade negotiators, the United Nations, the European Commission, the IMF, the OECD, the United Nations Conference on Trade and Development (UNCTAD), and the World Trade Organization (WTO) have produced jointly the *Manual on Statistics of International Trade in Services* (*MSITS*), which contains, *inter alia*, the Extended Balance of Payments Services Classification (EBOPS), which introduces a new, more detailed, and BPM5 compatible, services breakdown. In addition, *MSITS* also extends the notion of trade in services outside the BPM5 framework, as discussed below.

b) FATS statistics

21. The Balance of Payments conceptual framework covers only transactions between residents and non-residents, ignoring, for example, services delivered through foreign affiliates established abroad, such as branches or subsidiaries. This type of trade, defined as Foreign Affiliates Trade in Services (FATS) was roughly estimated by the WTO at around 2,000 billion US$ in 1998, i.e., substantially more than trade in

services measures on a BOP basis.[4] Foreign Affiliates are those affiliates in which the foreign investor holds a majority of the ordinary shares or the voting power.

22. With respect to the direction of trade, FATS can be classified into inward and outward FATS. *Inward FATS* measure the activity of foreign affiliates in the compiling economy. For example, the sales of an affiliate of a US-owned company in France. On the other hand, *outward FATS* measure the activity of foreign affiliates of the compiling economy that are established abroad. For example, the turnover of foreign affiliate of a French-owned company established in the United States. FATS statistics on the sales, value added, and on employment of foreign affiliates greatly help in assessing commercial presence of foreign firms, thus in measuring globalization.

23. The recently-developed conceptual framework on FATS statistics is contained in the *MSITS* which expands the definition of international trade in services to include services provided through foreign affiliates established abroad. However, FATS statistics are still in their infancy, and, at present, are available only for some developed countries.

4. The GATS agreement and modes of supply

24. One of the most important achievements of the Uruguay Round trade negotiations (1986-1993) is to have brought international trade in services under common multilateral rules. The WTO General Agreement on Trade in Services (GATS), entered into force on 1 January 1995, is the first set of multilaterally negotiated, and legally enforceable rules covering international trade in services. The GATS, however, does not cover government transactions. According to the GATS, international trade in services can take place though four modes of supply.

25. In Mode 1, *cross-border supply*, only the service crosses the border. The delivery of the service can take place, for example, through telecommunications (telephone, fax, television, Internet, etc.), or the sending of documents, disks, tapes, etc. Educational services through correspondence courses or medical services through telediagnosis are some other examples.

26. Mode 2, *consumption abroad*, occurs when a consumer travels outside his country and consumes services abroad. Visits to museums and theatres in a foreign country as well as medical treatment and language courses taken abroad are typical examples of consumption abroad.

27. In Mode 3, the service supplier establishes its *commercial presence* in another country through, for example, branches or subsidiaries. Examples are medical services provided by a foreign-owned hospital, courses in a foreign-owned school, and banking services supplied by a subsidiary of a foreign bank. Among the four modes, commercial presence is probably the most important and complex as it has forced multilateral rules to become involved in sensitive domestic policy issues such as establishment rights for foreign firms.

28. Mode 4, *presence of natural persons*, occurs when an individual has moved temporarily into the territory of the consumer to provide a service, whether self employed or as an employee. Examples are computer consultancy services, temporary employment of construction workers. However the GATS does not deal with permanent employment, citizenship, or residence in a foreign country. Although the GATS provides no definition of temporary employment, in countries' commitments, the temporary status generally covers up to five years.

---

[4] This estimate was presented at the *WTO Symposium on Assessment of Trade in Services*, held in Geneva in March 2002.

29. The pillars of GATS are a set of general obligations, applying to all WTO members and all services; specific commitments resulting from negotiations, limited to sectors and modes of supply in which a member has undertaken obligations; and several annexes on specific sectors, and on the movement of natural persons. These disciplines extend across all governmental levels as well as non-governmental levels in the exercise of delegated powers.

30. With respect to the general obligations, members must accord *most favoured nation treatment* to foreign services or service suppliers, that is to say, the best treatment accorded to any other country. This principle ensures non-discrimination between services and service suppliers originating in different countries. Moreover, transparency obligations require WTO members to publish all trade-related measures and establish national enquiry points to respond to other members' information requests.

31. Trade restricting regulations affecting trade in services in specific sectors are subject to negotiations. The resulting specific commitments are bound in the so-called members' schedules, which are annexed to the GATS. Although the GATS requires all members to submit a schedule, it does not impose the obligation to assume commitments in a particular sector. On the contrary, in scheduling their commitments, members are free to adapt the extent of their commitments to avoid or modify obligations they consider too demanding. These commitments may be subject to one or more limitations on e.g., the number of services suppliers, service operations or employees in a sector, the value of transactions, or the legal form of service supplier or the participation of foreign capital. A member is deemed to have granted full market access in a specific sector only if it does not impose any limitation.

5. GATS modes of supply and statistical domains

32. Following the entry into force of the GATS there has been an increasing demand for statistical information on trade in services. Trade negotiators require statistics, possibly by modes of supply, as a guide to negotiate specific commitments and thereafter to monitor their economic impact for each type of service. Statistics are necessary to evaluate market access opportunities, to compare liberalization commitments, and to assess the extent of liberalization reached in specific sectors and/or markets, and to provide statistical background for dispute settlement. Finally, this information is also essential for the private business to exploit the possibilities offered by trade liberalization.

33. The challenges faced by statisticians in supplying these data in a way that is consistent with the GATS framework are displayed in a framework which links the modes of supply to existing statistical domains (see Table 1.1). The difficulties arise from the fact that the notion of different modes of supply, introduced by the trade negotiators, had not been used in the statistical field. In addition, the sectoral/product breakdown used in the negotiations is much more detailed than what is currently available in BOP, FDI or production statistics.

Table 1.1: Correspondence Modes of Supply – Statistical Domains

Mode of Supply	Relevant Statistical Domains	Inadequacies
Mode 1: Cross border supply	BOP: commercial service (excluding *travel*)	- BOP not distributed between cross border supply and presence of natural persons
Mode 2: Consumption abroad	BOP: Travel	*Travel* also contains goods, and is not subdivided into the different categories of services consumed by travellers - Some transactions related to this mode of supply are also in other BOP categories
Mode 3: Commercial presence	FATS statistics FDI data	Very few countries produce FATS data. - FDI statistics cover a larger subset, not only (majority) controlled companies
Mode 4:Presence of natural persons	BOP: commercial service (excluding *travel* BOP Statistics: Compensation of employees and workers' remittances	BOP not distributed between cross border supply and presence of natural persons - only loose relationship with mode 4

34. To meet this challenge, *MSITS* builds upon, rather than by modifying, internationally agreed statistical standards. In particular two main building blocks are used:

- an extension of definitions and classification of service transactions between residents and non-residents as defined in the BPM5 framework (e.g., EBOPS) ;
- a new framework on concepts, definitions and classifications on services supplied through foreign affiliates in host countries, called Foreign Affiliates Trade in Services (FATS) statistics.

In addition, *MSITS* proposes a simplified statistical approach that may be used as a starting point in allocating BPM5 and FATS transactions to the GATS modes of supply.

35. This framework, once fully implemented by a large number of countries, will provide trade in services statisticians, economists, and trade negotiators with the eagerly awaited data that would allow them to make pertinent statistical and economical analyses and sound negotiations.

36. The remaining Sections of this Chapter describe in more details the international statistical framework on trade in services. Section II focuses on key concepts related to trade between residents and nonresidents as defined in the BPM5 and MSITS frameworks, while Section III deals with FATS statistics, i.e., the operations of foreign affiliates in their host countries. Sections II and III largely draws on MSITS. Section IV (forthcoming) describes the current state of play with regard to statistics on the presence of natural persons. Section V presents an overview of compilation methods. Section VI summarises data collection and dissemination by international and regional organisations. Finally, Section VII discusses recent progress and prospects.

II. Statistics of Trade in Services Between Residents and Nonresidents of an Economy

1. Introduction

37. International trade in services is measured in the conventional sense according to the balance of payments framework of transactions between residents and non-residents of an economy. Concepts,

definitions and classifications are defined in BPM5, and in the 1993 SNA. While keeping full consistency, *MSITS* further develops this framework by providing more detailed definitions and classifications, and a simplified statistical approach for the allocation of transactions by modes of supply.

2. Principles of recording such trade

38. Transaction and residence are key concepts for the measurement of trade between residents and non-residents of an economy. Other essential concepts relate to valuation, currency units, and time of recording.

a) Transactions and residence of transactors

39. A transaction is an economic flow that reflects the creation, transformation, exchange, transfer, or extinction of economic value, and involves change of ownership of goods and/or financial assets, the provision of services, or the provision of labour or capital.

40. Residence is central because the identification of transactions between residents and non-residents underpins the BPM5 system. The definition of residence that is used in the BPM5 is identical to that in 1993 SNA – thus ensuring consistency with other macroeconomic statistics. Residence is not based on nationality or legal criteria but on a transactor's centre of economic interest. Further, because territorial boundaries recognised for political purposes may not always be appropriate for economic purposes, the economic territory of a country is used as the relevant geographical area to which the concept of residence is applied. An institutional unit is a resident unit of a country or economy when it has a *centre of economic interest* in the economic territory of a country.

41. The economic territory of a country consists of the geographic territory administered by a government. Also included are territorial enclaves such as embassies, consulates, and military bases located in foreign countries.

42. An enterprise has a centre of economic interest, and thus residence, in an economy when it engages and intends to continue to engage in economic activities on a significant scale either indefinitely or over a long period of time from one or more locations, not necessarily fixed, within the economic territory of that economy. Offshore enterprises, including those engaged in manufacturing processes (including assembly of components manufactured elsewhere), trading and financial activity are residents of the economies in which the offshore enterprises are located. This applies regardless of location in special zones of exemption from customs or other regulations or concessions.

43. A household has a centre of economic interest where it maintains one or more dwellings within the country that members of the household use as their principal residence. All individuals who belong to the same household must be residents of the same economy. However, civil servants and military personnel employed abroad in government enclaves continue to have centres of economic interest in their home countries.

44. Both for households and enterprises, a period of one year is suggested as a guideline for determining residence (*center of economic interest*), but this is not an inflexible rule.

b) Valuation of transactions

45. Market price should be used as the basis for valuation of transactions in international trade in services. However, some international transactions, such as those recorded in the books of the related enterprises may sometimes not be recorded at market prices. Such transfer pricing could be expected to be common among related enterprises conducting business across national boundaries because disparities

between taxes and regulations imposed by different governments are a factor in management decisions on the optimum allocation of profits among units.

46. BPM5 recommends that in such circumstances it is appropriate to develop a proxy measure, if possible by analogy with known market prices established under conditions similar to that of the transaction. *MSITS* follows BPM5 by recommending that, where distortions between market and transfer prices are large, replacement of book values with market value equivalents is desirable in principle, although in practice such prices may be difficult to estimate. In view of the practical difficulties involved in substituting an imputed or notional market value for an actual transfer value, substitution should be the exception rather than the rule. However, if certain transfer prices are so divorced from those of similar transactions that the transfer prices significantly distort measurement, the prices should either be replaced by market price equivalents or be separately identified for analytical purposes.

c) Other principles of recording

47. The appropriate time to record transactions in services is the time at which they are rendered (that is, when they are delivered or received). This may differ from the time at which payment is made or received, which may be either before or after the transaction takes place. Thus transactions should be recorded, whenever possible, on an accrual rather than a cash accounting basis.

48. Transactions may take place in a range of currencies, including the domestic currency of either the provider or the consumer of the services. To produce meaningful statistics, however, it is necessary for the compiler to convert all transaction values to a common unit of account. Most often, the common unit will be the national currency; this will facilitate the use of such statistics in conjunction with other economic statistics relating to the domestic economy. However, in some cases such as a significant depreciation of the national currency or hyperinflation, it may be more analytically useful to express transactions in another, more stable currency.

49. The most appropriate exchange rate to be used in converting transaction values from the currency of transaction to the currency of compilation is the market rate prevailing at the time the transaction takes place. The midpoint between buying and selling rates should be used so that any service charge (the spread between the midpoint and those rates) is excluded. However, because the actual midpoint rate at the time at which the transaction occurs may not be available to the compiler, an accepted practice is to take the average midpoint rate for the period for which the data are being compiled.

3. The Extended Balance of Payments Services classification (EBOPS)

50. *MSITS* includes an extension of (and largely consistent with) the BPM5 classification (standard components) for international trade in services - the Extended Balance of Payments Services Classification (EBOPS). This classification introducing a new, more detailed, services breakdown, proves particularly useful for conducting trade negotiations, as well as economic and statistical analysis. The EBOPS contains at the end also several "memorandum items" which allow to record additional information regarding transactions in various services sectors such as transportation, travel, and insurance services.

51. Alike all other services classifications, the EBOPS is primarily a product-based classification, as its emphasis is based on the type of service product consumed. However, just like for the BPM5, correspondences cannot be established in the areas of *travel*, *construction services*, and *government services, n.i.e.*. whose focus is rather on the mode of consumption of goods and services, than on the type of product consumed.

52. It is recognised that it will not be possible for all compilers to immediately develop statistics at the detailed component level specified in EBOPS. Therefore, the highest priority is given to the

development of statistics on international trade in services at the level described in BPM5. Where the compilation of the main EBOPS components is developed and carried out in stages, compilers should commence with the disaggregation of services of major economic importance to their own economies. Data on memorandum items should also be produced if these are immediately available as a result of the data compilation process.

53. The EBOPS includes the following eleven main services components (same as BPM5):

- ***Transportation*** covers all transportation services performed by residents of one economy for those of another and that involve the carriage of passengers, the movement of goods (freight), rentals (charters) of carriers with crew, and related supporting and auxiliary services. EBOPS distinguishes eight modes of transportation—sea, air, space, rail, road, internal waterway, pipeline, and other supporting and auxiliary transportation services.
- ***Travel***. A traveller is an individual staying for less than one year in an economy of which he or she is not a resident. The one-year guideline does not apply to students or to patients receiving health care abroad, who remain residents of their economies of origin even if the length of stay in another economy is more than one year. With respect to the purpose of the trip, travel is subdivided into *business travel*, and *personal travel*. The latter can be further divided into—*health-related expenditure, education-related expenditure*, and all *other* personal travel expenditure. An alternative disaggregation of *travel* services included in the EBOPS' memorandum items distinguishing between *expenditure on goods, expenditure on accommodation and food and beverage serving services*, and *all other travel expenditure,* would allow the allocation of expenditure on services to Mode 2.
- ***Communications services*** can be further disaggregated into two sub-components, postal and courier services, and telecommunications services.
- ***Construction services*** cover work performed on construction projects and installation by employees of an enterprise in locations outside the territory of an enterprise. C*onstruction services* is further disaggregated into *construction abroad* and *construction in the compiling economy*.
- ***Insurance services*** covers the provision of various types of insurance to non-residents by resident insurance enterprises, and vice versa. Insurance services are further subdivided into five separate components—*life insurance and pension funding, freight insurance, other direct insurance, reinsurance*, and *auxiliary services to insurance*. Information on *gross premiums* and *gross claims* for each component may be the basis for estimating the service charge, and is provided for in the memorandum items.
- ***Financial services*** covers financial intermediation and auxiliary services, provided by banks, stock exchanges, factoring enterprises, credit card enterprises, and other enterprises. {In addition, two memorandum items are recommended, *financial intermediation services indirectly measured* (FISIM) and *financial services including FISIM*. [Include a footnote on FISIM]
- ***Computer and information services*** are subdivided into *computer services* (hardware and software related services and data processing services), *news agency services* (provision of news, photographs, and feature articles to the media), and *other information provision services* (database services and web search portals).
- ***Royalties and license fees*** are divided into ***franchises and similar rights*** and ***other royalties and license fees***. *The first* comprise international payments and receipts of franchising fees and the royalties paid for the use of registered trademarks. *Other royalties and license fees* includes transactions for the authorised use of patents, copyrights, and industrial processes

and designs and the use, through licenses of produced originals or prototypes (such as manuscripts and computer programs).

- The coverage of ***other business services*** is identical to that of BPM5 but it provides much further detail. This category includes Merchanting; Other trade-related services; Operational leasing services, and miscellaneous business, professional, technical and services, including legal services; accounting, auditing; business and management consulting and public relations services; advertising, market research, and public opinion polling; research and development; architectural, engineering, and other technical services, etc..
- ***Personal, cultural, and recreational services*** comprises *audiovisual and related services* and *other personal, cultural, and recreational services*. The first component includes services and fees related to the production of motion pictures, radio and television programs, and musical recordings. The latter includes services such as those associated with museums, libraries, archives, and other cultural, sporting, and recreational activities. According to EBOPS, two separate sub-components, *education services* and of *health services* are important for trade negotiating purposes. {Purchases and sales of rights should be included in the memorandum item *audiovisual transactions*.}
- ***Government services***, *n.i.e.*, cover all government and international organizations' transactions. It can be subdivided into services transacted by *embassies and consulates*, by *military units and agencies*, and all *other* transactors.

4. Statistics by trading partner

54. There is a need for detailed geographical allocations of the statistics on the various types of services supplied and consumed by each economy according to the country of residence of trading partners. Such statistics give a firm basis for the multilateral and bilateral trade in services negotiations, and are important for a variety of analytical purposes. Bilateral comparisons of one country's data with those of a trading partner, through the use of "mirror statistics," are an important tool for investigating and improving data quality. Furthermore, mirror statistics are very useful to provide information on statistics on trade in services for countries which do not have sufficient resources to collect such information. To the extent possible, an identical geographical basis should be used for all related sets of international services statistics (including FATS statistics).

55. Countries should compile statistics on international trade in services on an individual trading partner basis, at least at the level of the 11 major components of the BPM5 classification of services, and, where possible, at the more detailed EBOPS level. The production of these statistics is one of the core elements recommended in the *MSITS*. However, it may be very resource-intensive and difficult for compilers to develop statistics on trade in services by all trading partners, due to various types of obstacles such as limited information or disclosure issues. Thus, it is suggested that countries start compiling statistics at least for their main partners and in their most important services sectors.

5. Allocation to modes of supply

56. Services transactions between residents and non-residents may be supplied according to one or more of four GATS' modes of supply (Mode 1, cross border supply, Mode 2, consumption abroad; Mode 3, commercial presence; and Mode 4, presence of natural persons) that are discussed in Section I. In many cases a single service transaction may involve more than one mode of supply.

57. *MSITS* acknowledges that compilers will not be able to identify the real and full complexity of allocating each EBOPS type of service by the GATS mode of supply. However, *MSITS* proposes, as a first

approximation, a simplified approach that is operational in the statistical context and consistent with international statistical standards.

58. This approach is based on the *territorial location* of the transactors at the time the service is supplied, as well as on the overall good correspondence between FATS statistics and Mode 3 from the one hand, and BOP statistics and the three other modes of supply on the other hand. Furthermore, as a first approximation, a given service category in the balance of payments accounts would normally correspond to only one (when there is a dominant mode) or two modes of supply.

59. According to this methodology, the following EBOPS services are deemed to be predominantly cross border or Mode 1: transportation (except supporting and auxiliary services, which should be allocated to Mode 2), communications, insurance, and financial services, and royalties and license fees. All services (excluding goods) recorded in balance of payments as travel are deemed to be consumption abroad or Mode 2. For the remaining commercial services — namely, computer and information services; other business services; and personal, cultural, and recreational services — the picture is rather more complex and might involve significant elements of both Mode 1 and Mode 4.

60. However, the fourth mode of supply, Mode 4, goes beyond the notion of "services transactions" in BPM5 and FATS. It would be necessary to draw on supplementary data from BPM5 (outside the services account, e.g., compensation of employees) and FATS as well as from other statistical systems, such as migration and labour market statistics, to have a broader picture of Mode 4.

6. Alternative aggregations of service and non-service transactions

61. For various analytical purposes, compilrs may wish to aggregate service and non-service transactions to provide information on areas of particular interest or concern to users, such as all transactions relating to health care, educational, environmental or audiovisual activities. As an example, the Manual provides a suggested aggregation of transactions, including services transactions, that relate to audiovisual activities. This aggregation, audiovisual transactions, is shown as a memorandum item to the EBOPS classification.

62. This memorandum item should be used to show the total value of such resident/non-resident transactions. It covers transactions in services, including services included in both audiovisual services and royalties and license fees, and in addition includes the acquisition and disposal of non-produced, non-financial assets such as patents, copyrights, trademarks and franchises. Thus it is a reorganisation of a range of resident/non-resident transactions, including transactions that are outside the range of services covered in the BPM5 and EBOPS classifications. Compilation of this item is recommended for its analytical usefulness, and for its particular relevance to GATS' negotiations.

III. Foreign Affiliates Trade in Services Statistics

1. Introduction

63. While trade in services in the conventional sense of resident/nonresident exchanges recorded in the BOP has grown rapidly in recent years, more often than not the preferred channel for delivering services to foreign customers is through locally established affiliates. For many types of services, effective delivery of the service requires close and continuing contact between producers and consumers, and it is often only through a local commercial presence that the requisite proximity can be achieved. Although only fragmentary data are available on this method of supply—often termed "foreign affiliates trade in services," or "FATS"--estimates have placed the value of services sold through foreign affiliates at substantially more than trade in services on a BOP basis (see paragraph 21 of section I). Unlike statistics on resident/nonresident trade, which provide product-by-product figures on sales and purchases of

services, FATS statistics generally are broken down by industry rather than by product and take the form of indicators, such as sales and employment, that describe the nature and extent of the operations of foreign affiliates established in host countries.

64. FATS statistics serve two main purposes. First, they provide general indicators that help to promote an understanding of the phenomenon of globalization. As the term is generally understood, "globalization" usually implies not only that consumption has been internationalized through trade between residents and nonresidents, but also that production has been internationalized through foreign direct investment (FDI). While statistics on FDI can serve as an important adjunct to FATS statistics—and indeed may provide an interim indicator of commercial presence for those countries that have not yet begun to compile FATS statistics—information describing the operations of foreign affiliates is required to obtain a complete picture of the activities of affiliates in host countries.

65. A second principal purpose of FATS statistics is to support agreements such as the GATS that recognize commercial presence as a mode of supply.

66. Because FATS statistics and statistics on FDI often will be used in conjunction with one another, it is important to understand how they are related and how they differ. FDI statistics indicate the net funding provided by direct investors to their foreign affiliates (or to third parties, in the case of an existing foreign business that is acquired by a direct investor). They also indicate the return on FDI to the direct investor on its equity and debt investment in affiliates. FDI flows measure transactions occurring during a particular period, such as a quarter or a year. FDI stock, or position, estimates may also be calculated, showing the cumulative value of foreign direct investments as of a point in time. For purposes of compiling FDI statistics, international guidelines recommend that direct investment be considered to exist when an investor of a different country owns 10 percent or more of the voting equity of a business enterprise. FDI statistics cover only transactions and positions of the direct investor and exclude those of any other investors who may have a stake in the enterprise. If, for example, a direct investor owns 20 percent of a foreign business enterprise and local investors own the remaining 80 percent, then only the 20 percent owned by the direct investor would be included in the FDI position, and receipts and payments of income on FDI as recorded in the BOP of the home and host countries would reflect only the direct investor's 20-percent share in the earnings of the enterprise.

2. Firms covered by FATS statistics

a) Ownership criteria

67. FATS statistics, in contrast to statistics on FDI, generally cover only those affiliates that are controlled by a foreign direct investor. For statistical purposes, affiliates are chosen for inclusion in FATS statistics if they are majority-owned by a single direct investor. (For these purposes, an associated group of investors acting in concert is considered as a single investor.) In terms of categories of direct investment enterprises identified in international statistical guidelines, the FATS universe includes "subsidiaries" (majority-owned corporations) and "branches" (unincorporated entities whose operations are regarded as extensions of those of their parent firms), but it excludes "associates" (10-50-percent-owned corporations). Thus, FATS statistics can be said to cover a subset of the FDI universe. However, for those affiliates that are included, they reflect the entire operations of the affiliates, rather than being prorated according to the ownership shares of the foreign parent firms.

68. The use of majority ownership as the criterion for inclusion of foreign affiliates in FATS statistics has several benefits. It is an objective measure that can be uniformly implemented by all compiling countries. In addition, where the statistics are collected from parent companies, the information generally can be expected to be available to the reporting enterprises. Finally, majority-owned affiliates

are of interest in the context of the GATS—which refers to a juridical person (for example, a business enterprise) as being "owned" by a WTO member country if more than 50 percent of the equity interest in it is beneficially owned by persons in that country.

69. While the core FATS statistics relate to firms that are majority-owned by a foreign investor, it is recognized that there other cases that may be of interest, either in the context of the GATS or in studies of globalization. Such cases may include firms that are exactly 50-percent-owned by a foreign investor, firms in which there is collective majority ownership by multiple foreign investors, and firms that are deemed to be effectively controlled by a foreign investor even in the absence of majority ownership (perhaps because the remaining ownership interests are widely dispersed). Compilers are encouraged to provide separately identified supplemental statistics, along with appropriate explanatory notes, covering such cases of interest.

b) Types of producers

70. Because FATS as used here stands for foreign affiliates trade in *services*, it might be expected that FATS statistics should cover producers of services only. In fact, however, they cover producers of goods and services alike. Some firms produce both goods and services, and it is only by the coverage of all producers that the activities of firms that produce services as a secondary activity will be reflected in the statistics. In addition, coverage of all producers allows for the activities of services producers to be seen in the context of statistics covering all firms.

71. Rather than restricting the FATS universe to firms whose primary activity is in a services industry, a focus on the services aspects of affiliates is achieved in other ways. First, as discussed below, the industry classification for foreign affiliates provides more detail for services than for goods. Second, countries that can do so are encouraged to break down sales in each industry into separate components for sales of goods and sales of services. Third, although it is not a priority recommendation, *MSITS* recognizes the usefulness of a product classification for selected FATS variables, and it encourages countries that can do so to work toward providing such a breakdown, on a basis that is compatible with the Extended Balance of Payments Services Classification (EBOPS) used for resident/nonresident trade (see paragraph of section II).

3. Time of recording

72. As with those for other types of economic statistics, guidelines for FATS statistics recommend that FATS variables be measured and recorded on an accrual basis. That is, activity should be recorded under the periods in which it occurs, rather than, for example, the period in which the related payments occur. In this way, the recording of the activity is synchronized with the underlying productive processes, rather than being simply a record of financial flows.

73. Flow variables, such as output and value added, should be for the reference year (or other period, though annual data are likely to be the most common), while stock variables, such as assets and net worth, should be as of the end of the reference year. Reference years should be defined on a calendar year basis, if possible, but for some countries, only fiscal or accounting year data are likely to be available. These countries are encouraged to provide explanatory notes indicating this fact and providing any information that may be available on the extent to which fiscal and calendar years deviate in their FATS universe (for example, the number or percentage of firms whose fiscal years do not coincide with the calendar year).

4. Statistical units

74. FATS statistics may be collected at either the enterprise (company) level or at the level of individual business locations or establishments. Because these statistics are often derived from existing statistical systems in which the units are already defined, *MSITS* makes no recommendation as to statistical

units. However, the units employed can have an important bearing on how the statistics should be interpreted. For example, some financial indicators, such as total assets, are more naturally collected from, and applied to, enterprises than establishments. However, because enterprises are more likely than establishments to have activities in multiple industries, data that are classified on the basis of primary activity can sometimes be harder to interpret for enterprises than for establishments.

75. To give a concrete example, suppose an enterprise has two establishments—one that provides financial services and one that provides information services. Suppose further that the financial services establishment accounts for 60 percent of the enterprise's sales, and the information services establishment accounts for the remaining 40 percent. In establishment-level statistics, the sales would be recorded in the two industries in the proportions indicated. In enterprise-level statistics, in contrast, the entire enterprise would be classified in a single industry (financial services, if the distribution of sales were used as the basis for classification), in which case all of the sales would be recorded in that industry and none in the other industry. Although, from this example, establishment-level statistics may appear preferable to enterprise-level statistics, it should be kept in mind that some variables may be difficult to allocate among the establishments of an enterprise and that some establishments may exist only to serve other establishments of the same firm. Also, it generally will be more costly to collect data at the establishment level than at the level of enterprises, because many enterprises contain multiple establishments; indeed, for some enterprises, the number of establishments contained may be quite large. Thus, either basis for collecting statistics has its own strengths and weaknesses.

76. Because the statistical units employed can have an important bearing on how the statistics should be interpreted, *MSITS* recommends that FATS statistics disclose in explanatory notes the units employed.

5. Attribution (classification) of FATS variables

77. FATS variables may be attributed, or classified, in a variety of ways. One way is geographic – that is, in what country did the production of take place, and what country is to be regarded as the country of the owner of the producing affiliate? Another way is on the basis of the primary industrial activity of the producer. Some variables may, in addition, be classified by product. The recommendations of the *MSITS* on each of these bases of attribution are given below.

a) By country

78. The issues to be addressed in attributing variables by country differ as between statistics on foreign-owned affiliates *in* a given country (which may be referred to as “inward FATS”) and statistics on foreign affiliates owned by investors *of* a given country (“outward FATS”). For inward FATS, a choice must be made between attribution to the immediate investing country and attribution to the ultimate investing country. For outward FATS, the issue is whether to attribute variables to the immediate host country or to the ultimate host country.

79. For foreign-owned affiliates in the compiling economy, *MSITS* recommends that the country of the ultimate beneficial owner (UBO) of the affiliate be the primary basis of geographical attribution and the basis on which estimates should be prepared in greatest detail. For example, if a French company owns an affiliate in Russia indirectly, through its wholly owned subsidiary in the Netherlands, then in inward FATS statistics compiled by Russia, the country of

IV. The Movement of Natural Persons

(FORTHCOMING PART)

V. Compilation Methods

1. Main compilation methods for the collection of balance of payments statistics

90. In this section we review a number of methods for compiling international trade in services transactions within the framework of Balance of Payments and FATS statistics. It should be noted that generally countries do not rely solely in one compilation method, so the following systems should not be considered as different options for a country. Generally, countries would need to use a basket of different methods for compiling their statistics.

a) International Transactions Reporting Systems (ITRS)

91. An ITRS records transactions that take place between residents and non-residents. In most countries this system is the product of the existence of present or past exchange controls. Under this system, commercial banks record all transactions that take place through their system and report them to the balance of payments compiler, either all individual transactions or in aggregate form. If the residents are able to conduct transactions with non-residents without using the domestic banking system, supplementary data must be collected. For example to collect transactions through bank accounts held abroad by residents.

b) Enterprises Surveys (ES)

92. Surveys to enterprises collect information in aggregate form on the transactions of resident enterprises with non-residents. Survey systems require the existence of an up-to-date register of enterprises and the implementation of good survey techniques. The surveys may be used to collect information for certain specificic transactions (transport services) or may be used to collect all balance of payments transactions of the surveyed enterprises. More general surveys, with no specific balance of payments purposes, could be ammended to obtain information on FATS (inward and outward).

c) Surveys of persons and households

93. Household surveys are primarily used, in the field of Balance of Payments, for the compilation of the expenditures of residents when travelling abroad, sometimes complemented with a tourist survey to compile the credits. Existing household surveys can also be used to collect extra information for balance of payments purposes.

d) Official data

94. Official sector (government and monethary authorities) data include data available from the detailed accounting records of the monetary authorities and all levels of government. Most of the information could be obtained from the central accounting unit of the government, nevertheless it is recommended to contact other units to gather information about international transactions These may supplement other data sources or be used to validate data obtained from other sources.

e) Administrative Data

95. Data on balance of payments services transactions may also be obtained as a by-product of administrative functions of the government. For services statistics, the most common of these are

applications that may be needed for residents to export or import services and the records that may be kept relating to education and health services provided to or by non-residents.

f) Partner countries and International Organisations data

96. Information obtained from partner countries is useful to provide data where it is not possible to collect these directly within a country as well as to validate other data collections and estimation methods. Data from international organizations are particularly useful for aid-recipient countries to compile data on technical assistance services.

2. FATS: Selecting a data collection method

97. In general there are two main approaches for collecting data on the activity of multinational enterprises. The first is to conduct surveys asking directly for information about the operations of foreign subsidiaries in the host countries, subsidiaries of national enterprises abroad and parent companies in their home countries. The second, which would work only for the activity of foreign subsidiaries operating in the country in question (inward investment), identifies the sub-population of data available on foreign enterprises (enterprises under foreign control) using business registers. In addition to these approaches are other techniques that make use of a variety of data sources such as administrative records or structural business surveys as a source of data. Recommendations on data collection methods are summarised in Box V.1 and discussed below.

Box V.1 . Recommendations on data collection methods

The two main approaches - conducting special surveys of subsidiaries and using national business registers -- necessitate defining a population of foreign-controlled enterprises using existing data on foreign investment. While the approach adopted will depend on the needs of the country, a combination of the two may represent an idea: namely, to use business registers for data on the activity of inward investment enterprises and direct investment surveys for the UBO, and to conduct separate surveys for data on the activity of outward investment enterprises. An important consideration is the need to adopt the same concepts and definitions for both approaches in order to avoid asymmetry and problems of international comparability.

98. Whichever approach is adopted, the registers concerning the population of direct investment enterprises will provide the basis for identifying the majority-owned subsidiaries covered by activity data. One possible option would be to collect certain key variables as part of existing foreign direct investment surveys. However, insofar as these surveys may be conducted quarterly, rather than annually, and because statistics on the portion of FDI that is majority-owned are needed. In most cases it would probably be better to conduct separate surveys.

99. If national business registers are used as a primary source for data on the activity of multinational enterprises, the tie-ins with FDI data will make it possible to ascertain not only the majority-owned foreign subsidiaries, but the countries that own them as well. Each of the two approaches has advantages and drawbacks.

100. If data on the activity of multinationals are collected in conjunction with FDI surveys, there are three drawbacks: *a)* it would entail annualising the data, which could make calculations more ponderous; *b)* it would provide a relatively high level of sectoral aggregation; and *c)* it would have to be limited to a handful of key variables such as sales or turnover and employment. It does, however, make it possible to identify investors' geographical origins. But separate surveys would enable a more detailed level of sectoral aggregation and include a larger number of variables, in respect of both inward and outward investment as well as parent companies. Such surveys would, however, demand more resources and

increase the response burden on enterprises. To minimise these issues, creativity should be employed to make full use of already existing data before embarking on a separate data collection exercise.

101. One advantage of gathering data from business registers is that they provide a highly detailed level of aggregation and a classification by product – at least for sales and turnover. Another is that information about parent companies is easier to collect. Until recently, data on parent companies in their home (compiling) countries were the only statistics on multinational enterprises that were never compiled separately in regular investment surveys.

102. In any event, care must be taken to ensure that the data on multinational enterprises are comparable to national statistics. In conclusion, it would seem that the best solution is in fact a combination of both approaches. Business registers could be a more appropriate source for compiling data on the activity of inward investment enterprises and parent companies, whereas separate surveys would be better suited to the statistical needs in respect of outward investment enterprises. One of the main challenges for this new statistical domain stems from the fact that the collection and definition of statistics on the activities of multinationals may draw on expertise and responsibilities that are scattered among multiple institutions, such as central banks, national statistical offices and various ministries. Thus, as the statistics are developed, there will be a need for close co-operation among the different institutions involved.

3. Special application for services transactions

103. In this section three tables are presented some examples summarising how to use the different compilation methods described in the previous section to compile the three main components of the services transactions.

Table V.1: Compilation of Items in Sea Transport Services

Item Number	Description	Source and Method of Compilation
207	*Passenger Sea Transport*	*Services Provided by Resident Transport Operators (credit)* Data could be collected, through ES or an ITRS, from resident operators. Fares earned from nonresident travelers on domestic .flights should be excluded and included in the travel items 237 and 240. Alternatively, a Data model based upon the number of nonresident travelers carried by Resident operators, travelers' countries of origin and destination, and average fare rates could be used. *Services Provided by Nonresident Transport Operators (debit)* Data could be collected, through ES or an ITRS, from branches of nonresident operators or ticket selling agents. Ideally, data should be collected on an earnings, rather than a ticket sale, basis. Gross data should be recorded that is, before the deduction of commissions that are included in item 209. Alternatively, a data model on numbers of resident travelers carried by nonresident operators and classi.ed by destination and data on average fares could be used.
208	*Freight Sea Transport :* Freight on exports and imports of the compiling economy	*Export Freight Services Provided by Residents (credit)* Data could be collected, through ES or an ITRS, from resident operators. If an ITRS is used, freight paid on exports by exporters to resident operators should be measured and added to freight paid on exports by nonresidents to residents. Alternatively, a data model could be used. *Import Freight Services Provided by Nonresidents (debit)* This item could be collected in an ITRS if the ITRS provides a breakdown of import costs and if the amounts paid to resident operators by nonresident exporters are deducted. Alternatively, freight on imports could be measured by approaching, via ES, branch of.ces and agents for nonresident operators. Another way to derive this item is to estimate total freight on imports and to deduct from this estimate the income earned by resident transport operators from freight on imports. The latter item could be collected through ES.
	Freight on other goods	*Services Provided by Resident Transport Operators (credit)* Data could be collected, through ES or an ITRS, from resident operators. Services Provided by Nonresident Transport Operators (debit) Data on these services could be collected, through ES or an ITRS, either by approaching branch offices and agents for nonresident operators or by approaching resident users of the transportation services. Alternatively, some form of estimation could be required.

209	*Other Sea Transport :* other earnings by transport operators - for example, salvage and postal services	*Services Provided by Resident Transport Operators (credit)* Data could be collected, through ES or an ITRS, from resident operators. *Services Provided by Nonresident Transport Operators (debit)* Data could be collected, through ES or an ITRS, either by approaching branch offices and agents for nonresident operators or by approaching resident users of the services.
	Services provided to transport operators - for example, agent fees and commissions; loading, unloading, and demurrage charges; and port charges	*Services Provided to Resident Transport Operators (debit)* Data could be collected, through ES or an ITRS, from the operators. Alternatively, a data model could be used. *Services Provided to Nonresident Transport Operators (credit)* Data could be collected from the branch of.ces or agents of the nonresident transport operators, from the resident enterprises providing the services, or from official sources (such as port authorities). Rules should be clearly defined so that there is no omission or duplication in reporting. Alternatively, a data model based on related information could be used. Even if the owner is not the operator, in a port of call, the owner may have expenditures that should be included in this item.

Table V.2: Compilation of Travel Services

Type of Approach	***Credits***	***Debits***
Instruments used by travelers for payment of services	ES or an ITRS could be used to measure expenditures of nonresidents traveling in the compiling economy and using travelers' checks, credit and debit cards, foreign currency notes and coins, bank accounts held with domestic banks, and prepaid tours and packages. Supplementary estimates may be required for travel services financed by domestic currency acquired abroad by nonresident travelers or from income earned by nonresident travelers in the host economy. (Information could possibly be obtained from surveys of travelers. Supplementary estimates may also be required for travel services provided in kind, such as scholarships and other aid provided to nonresident students. (Information could possibly be obtained from surveys of students or educational institutions or from official records.)	ES or an ITRS could be used to measure expenditures of residents traveling abroad and using travelers' checks, credit and debit cards, foreign currency notes and coins, prepaid tours and packages, and domestic currency repatriated by nonresident banks to resident banks. Supplementary estimates may be required for travel services financed from accounts held abroad or earnings acquired abroad by resident travelers and travel services provided in kind, such as scholarships and other aid provided to students. Such estimates could be obtained from surveys of travelers. Alternatively, surveys of returned travelers could be used to measure all expenditures by instrument of expenditure.
Types of services acquired by travelers	This approach is typically used in surveys of nonresident travelers. Alternatively, ES of hotels, domestic airlines, restaurants, etc. could be used if these organizations can identify nonresident expenditure and if allowances are made for expenditures (for example, purchase of souvenirs) not passing through these organizations.	This approach would typically be restricted to surveys of returned travelers.
Partner country date	A partner country's travel debits in respect of the compiling economy could be used to measure the compiling economy's travel credits vis-´a-vis the partner country.	A partner country's travel credits in respect of the compiling economy could be used to measure the compiling economy's travel debits vis-á-vis the partner country.

Table V.3 Compilation ofI tems in Other Services		
Item Number	***Description***	***Source and Method of Compilation***
245	Communications services	An ITRS or ES could be used to compile this item.
249	Construction services	An ITRS or ES could be used to compile this item. If an ITRS is used, particular care should be taken to measure transactions involving bank accounts of construction enterprises in the host economy.
253	Insurance services	An ITRS or ES could be used to obtain the underlying premiums and claims data necessary to compile this item. However these data must be manipulated in order to derive estimates of insurance services.
260	Financial services	An ITRS or ES could be used as a primary source to compile this item. Care should be taken to ensure that financial service fees are reported separately from underlying financial transactions, particularly if an ITRS is used. If primary source data are unavailable, this item could be estimated by applying appropriate ratios to various measures of financial activity involving nonresidents. If significant, the collection of supplementary information will probably be necessary to derive estimates of foreign exchange services when the service element is implicit in transactions rates.
262	Computer and information Services	An ITRS or ES could be used to compile this item.
266	Royalties and license fees	An ITRS or ES could be used to compile this item. It is important that Royalties, fees, etc. be reported separately from transactions in Underlying licenses, patents, and copyrights. Transactions in these Underlying items should be recorded in the capital account.
268 269 272 273	Other business services Merchanting and trade-related Operational leasing Miscellaneous	An ITRS or ES could be used to compile these items. For the compilation of merchanting services. For leasing, it is important to note the different treatments of financial and operational leasing. For the operational leasing of mobile equipment, only leases of equipment without crew should be included in the operational leasing item. The leasing of equipment with crew should be shown as part of other transportation services.
287 288 289	Personal, cultural, and recreational services Audio-visual and Related Other	An ITRS or ES could be used to compile these items.
291	Government services n.i.e.	For debits, most information could be obtained from an ITRS or from Offcial sources. For credits, most information could be obtained from BOP compilers In partner countries, surveys of embassies, an ITRS, or a data model.

4. Main problems associated with data comparability/reliability

a) to expand the detail of trade in services data in the balance of payments(BOP) context, i.e. service transactions between residents and non-residents of an economy. That means an increase in detail

- by type of service and
- by partner country.

b) to expand the data collection on Foreign Affiliates Trade in Services (FATS) statistics as an important measure of mode 3 trade in services.

115. In countries where FATS data are not yet collected, FDI data can provide a useful proxy data set. The international and regional organisations are working together to coordinate data collection, to improve consistency of data, to avoid duplication of effort and to reduce reporting burdens on countries.

116. We should be careful to distinguish between the concepts and frameworks of trade in services agreed internationally, and what countries are actually able to measure in practice.

117. Measurement of trade in services is inherently more difficult than measurement of trade in goods. Services are more difficult to define and, unlike trade in goods, for trade in services there are no physical packages crossing the customs frontier with an internationally recognised commodity code; and an administrative system based on customs duty collection that is practised at assembling these data. Obtaining the required information on services trade, once defined, depends on reaching a common understanding of concepts with data providers. And failures in this regard can lead to a degree of misallocation of transactions by type of service. The information may be reported either from business accounting and record keeping systems or by individuals, and come from a variety of data sources - including international transaction reporting systems of banks, administrative sources, surveys, and estimation techniques.

118. National statistical agencies also need to take into account the demand of users for more detail about services trade, the cost of collection, the burden of extra information provision on business, and the need for certain minimum quality thresholds. As with other statistical data collections there is a requirement in most countries to protect the confidentiality of individual firms' data. These constraints and considerations limit the amount of detail on international trade in services that it is practical to provide.

119. Countries that have already developed and implemented business registers, classifications of services activities and products, surveys of firms in the service sector, international transaction reporting systems, and household surveys will be advantageously placed to provide trade in services data.

2. BOP trade in services data collection and dissemination

120. BOP trade in services data collection is relatively well established and widespread according to the principles and framework of BPM5. Currently Eurostat, OECD and IMF collect and disseminate BOP data by type of service for their respective member countries. They use IMF's internationally agreed BOP coding systems for standard data items that facilitate common reporting of data.

121. A coordinated collection of these three organisations using the IMF and joint OECD-Eurostat Classification is being adapted to an EBOPS basis, in order to increase the detail on the types of services traded. However submission of data to the IMF on an EBOPS basis will be voluntary for countries. IMF ask only for the IMF classification of services as set out in BPM5, but invite countries, which so wish, to provide detail according to the more detailed OECD-Eurostat classification up to 2003 and EBOPS as from 2003.

122. Broad indicators of mode 4 trade in services or presence of natural persons are suggested in *MSITS* based on work-related BOP payments. These work-related payments include two BOP items, from income in the BOP current account, *compensation of employees,* and from current transfers, *workers remittances.*

123. The most comprehensive dissemination of BOP trade in services statistics **by type of service** is provided by the IMF in the "Balance of Payments Statistics" database on CD-ROM. More summary information is available in the IMF's "Balance of Payments Statistics Yearbook" parts 1, 2 and 3. For OECD-Eurostat countries "New Cronos" database and "OECD Statistics on International Trade in Services" are the vehicles of data dissemination.

124. BOP trade in services **by partner country** are collected by Eurostat which disseminate them in the "New Cronos" database and by OECD which disseminate them in "*OECD Statistics on International Trade in Services, Partner Country Data and Summary Analysis*". As yet there is no worldwide collection of such data, although the UN Statistics Division is conducting some feasibility studies. OECD published partner country data for 22 countries in 2002 and it is possible to partially estimate non-reporting countries' exports and imports of services by partner based on the respective reported imports and exports of partner countries, the so called 'mirror data'. Using such techniques an estimate of world flows of BOP trade in services was constructed by OECD set out in table VI.2.

Table VI.1 Summary of BOP trade in services data availability

Organisation	IMF	Eurostat	OECD-Eurostat	OECD	WTO
Publication Country Coverage	BOPS database CD-ROM and Yearbook All IMF members	New Cronos Database CD-ROM All EU Members, Euro Area, EU Candidate Countries	OECD Statistics on International Trade in Services Database, book and CD-ROM All OECD Members	OECD Statistics on International Trade in Services, Partner Country Data and Summary Analysis Electronic pdf and Excel Tables 22 OECD members	International Trade Statistics Book, Electronic pdf, Excel tables WTO Members
By type of service	Yes Detail from BPM5 up to OECD-Eurostat Classification (up to EBOPS from 2003)	Yes Up to OECD-Eurostat classification	Yes Up to OECD-Eurostat classification	Progressively from 2003	Summary data
By partner country	No	Yes Main partner countries and partner regions of EU	No	Yes Up to about 60 partner countries	Summary data
By type of service and partner country	No	Yes	No	Progressively from 2003	No

Table VI.2

** Estimates are mainly (entirely in the case of Africa) based on reported mirror data, and therefore subject to greater uncertainty.

3. FATS Statistics Data Collection and Dissemination

125. Compared with trade in services in the balance of payments, foreign affiliates trade in services statistics are relatively undeveloped. But data collection and dissemination of FATS statistics are growing at Eurostat, OECD and UNCTAD fuelled by the growth in national activity in this area.

VII. Current state and prospects

1. Work at the international level

138. International and regional organisations have been very active in the area of statistics on trade in services in recent years. The Interagency Task Force on Statistics of International Trade in Services (Task Force) started the development of *MSITS* in 1996 and completed it in 2002.[6]

139. The Task Force is now focusing on three work areas: (i) promotion of *MSITS* and of its implementation; (ii) compilation guidance; and (iii) further methodological work.

i) Promotion of MSITS and of its implementation. The *MSITS* and relevant related information are available in the Task Force Members' Organisations websites. Related web pages from the UN Statistical Division are particularly relevant in this respect.[7] Another example is the present overview of statistics of international trade in services, which has been drafted by Members of the Task Force. The Task Force also identified the need for technical assistance to develop a statistical capacity on trade in services. At present, the elements of *MSITS* ' phased implementation (see below) are not covered at all in technical assistance programmes, with the exception of the first core element (BPM5) covered by the IMF.

ii) Compilation guidance. The writing of a compilation guide is under way, but this task might take some time, as *MSITS* covers new areas such as FATS statistics and the movement of natural persons.

iii) Further methodological work. The movement of natural persons is one obvious area where more work is need. However, other areas such as e-commerce and trade in software also need further development.

2. The phased approach of MSITS to implementation.

140. *MSITS* proposes a phased approach to the implementation of its recommendations so that countries, including those that are beginning to develop statistics on international trade in services, can gradually structure available information in line with this new international standard framework. This phase approach is reflected in a set of ten recommended elements, of which the first five are designated as core elements. Their sequence takes into account the relative ease that many compilers may find in their implementation. However, the order is quite flexible, so that countries can meet the priority needs of their own institutions.

141. Implementation of the core elements would provide a basis for a common internationally comparable basic data set. These core elements are:

- implementation of BPM5 recommendations on service transactions between residents and non-residents;
- compilation of balance of payments data according to major items in the EBOPS classification;
- collection of FDI statistics by ISIC activities;

---

[6] The Task Force brings together representatives from the Organisation for Economic Co-operation and Development (OECD), the Statistical Office of the European Communities (Eurostat), the International Monetary Fund (IMF), the United Nations Statistical Division (UNSD), the United Nations Conference on Trade and Development (UNCTAD), and the World Trade Organization (WTO). The Task Force also benefits from expertise in national Organisations, particularly the US Bureau of Economic Analysis and Statistics Canada.

[7] http://unstats.un.org/unsd/tradeserv

- compilation of basic FATS statistics;
- compilation of statistics on trade in services by partner country for each of the main types of services in BPM5. (Also for FATS and FDI).

142. Implementation of other elements – generally seen as a long-term goal, would represent a considerable increase in the detail of information available on trade in services. These elements relate to:

- full implementation of the EBOPS classification, including memorandum items;
- further details in FATS statistics;
- collection of statistics on the presence of natural persons;
- subdivision of trade in services between residents and non-residents between trade with related parties and trade with unrelated parties;
- allocation of transactions between residents and non-residents over the GATS modes of supply.

3. State of implementation, recent progress and short-term plans

143. Statistics on international trade is services have dramatically improved over the recent years. Thanks to the detail provided in BPM5, there is now a multi-country data set on statistics on major services categories. It should be noted that before 1995, with the exception of travel and transport, services in balance-of-payments statistics were all lumped together in one category named "other goods, services, and income" (check) (footnote on the first year book after 1993 BPM5, and note that mostly reformatting).

144. The detail provided has regularly improved since. Annex Table ?I.1 shows the reporting situation as of January 2003 of BPM5 components and supplementary items. With regard to exports of major components, the situation is as follow:

- 145. between 97 and 139 countries report data for transport, travel, communications services, insurance services, and other business services; and
- 146. between 46 and 62 countries report data for construction services, financial services, computer and information services, and royalties and licence fees.

147. Table VII.1 below illustrates this development in more detail. It shows the reporting situation on exports of new BPM5 major services components. The result are expressed in percentage relative to the number of countries reporting total services exports. We see that, for most such components, the number of reporting countries has more than doubled between October 1997 and January 2003. For example, in January 2003, 60% of countries reporting total services exports also reported exports of financial services, compared to only 26% in October 1997.[8]

[8] The reporting status in October 1997 is derived from the WTO (1997). The reporting status in January 2003 is derived from the January 2003 IMF monthly CD-ROM on Balance-of-payments statistics. One could also refer to the reporting situation in an intermediate year, i.e., October 2000, presented in WTO (2000).

Table VII.1: Reporting situation on exports of new BPM5 major services components

Exports	Reporting countries October 1997 %	Reporting countries January 2003 %
Communications services	39	76
Construction services	21	48
Insurance services	61	83
Financial services	26	60
Computer and information services	11	47
Royalties and licence fees	32	53
Other business services	92	92
Personal, cultural and recreational services	14	44

148. Although the more detailed EBOPS classification has been internationally agreed,. It is yet difficult to know about the capacity of countries to report statistics according to this new classification. However, it is believed that the ability of countries to report data according to so-called BPM5 supplementary items gives a good indication, as a first step, of their potential to report according to the more extensive EBOPS classification.[9] For example, the BPM5 standard component "Miscellaneous business, professional and technical services" is subdivided into 12 components in the EBOPS classification, 6 of which are covered by the BPM5 supplementary items.

Table VII.2: reporting situation in selected BPM5 supplementary items

Exports	Reporting countries October 1997 %	Reporting countries January 2003 %
Miscellaneous business, professional and technical services	44	72
Legal, accounting, management, consulting and public relations services	8	31
Advertising, market research and public opinion polling services	10	25
Research and development services	7	16
Architectural, engineering and other technical services	8	22
Agricultural, mining and on-site processing services	4	15
Other services	28	49

149. Surprisingly, when looking at Table VII.2, we see that the number of countries reporting BPM5 supplementary items, although lesser than those reporting BPM5 standard services components, has increased at a similar pace during the period under consideration.

150. Another striking development is the forthcoming EU regulation on Balance-of-payments statistics, which embodies the EBOPS classification. EBOPS will thus become binding for EU Member states. Also, the fact that and the IMF plans to collect data according to this classification in 2003 generates hopes that EBOPS reporting coverage could substantially increase in years to come.

[9] BPM5 supplementary items are reported on a voluntary basis by countries. These items are present in the IMF BOP questionnaire mainly due to the fact that they are part of the joint EEC/Eurostat Trade in Services Classification, on which EBOPS built upon.

151. The state of implementation with regard collection of FDI statistics by ISIC activity and by origin and destination is well described in periodic reports on the joint OECD/IMF Survey of Implementation of Methodological Standards for Direct Investment. The latest report (March 2000) shows that 57 countries collect data on inward flows with geographic breakdowns (47 countries for outward flows), and 51 countries collect inward flows with an activity breakdown (36 countries for outward flows). Corresponding figures for FDI income flows are lower.

152. The same report indicates that more than 85 percent of the OECD countries were able to provide geographic disaggregations of FDI financial flows and that disaggregations by economic activity was almost as commonly available. However it is also noted that a significantly lower proportion of non-OECD countries were able to provide geographic and activity disaggregations. Less than half of non-OECD countries reporting FDI data also reported data with geographic disaggregations.

153. With regard to FATS statistics, up to recently, the United states was the sole country compiling FATS statistics. Thus, we had no idea on the likely magnitude the third GATS' mode of supply, commercial presence. On a wider context, using new FATS data from OECD (see below) together with BOP statistics, it has been estimated that trade through commercial presence surpasses the three other modes of supply together.[10] Despite its limitations, such an estimation shows the importance of FATS trade, which had been neglected for so long in the economic/statistics literature. The importance of FATS statistics is now well recognised, and data collection has started in many OECD countries. Table VII.3, derived from OECD (2001), shows that a relatively good set of FATS statistic, with regard to the core elements, is now available. We may also note from Table VII.3 the relative extensive coverage of inward FATS statistics, compared to the outward situation, due the difficulty for a national agency to collect statistics on operations performed outside the country territory or jurisdiction.

154. It should be noted that may FATS detailed figures, especially at the detailed activity/geographical breakdown level, are simply not disseminated due to the requirement in most countries to protect the confidentiality of individual firms' data. In practice, many countries do not disseminate a particular figure when it concerns a only small number of firms (e.g., 3), or when a small number of firms (e.g., 2) account for a significant part (e.d. 75%) of the said figure.

[10] Estimation shown at a presentation in the Symposium on Assessment of Trade in Services at the WTO on 14-15 March 2002

Table VII.3: availability of Inward(i) and Outward(o) FATS statistics in OECD countries

	Number of Employees	Turnover	Value added
Czech Republic	i	i	i
Finland	i	i	i
France	i	i	i
Germany	i,o	i,o	n.a
Hungary	i	i	i
Ireland	i	n.a	i
Italy	i,o	i,o	n.a
Japan	i	i	i
Luxembourg	i,o	i,o	n.a
Netherlands	i	i	i
Norway	i	i	i
Poland	i	i	n.a
Sweeden	i,o	i	i
Turkey	i	i	i
United Kingdom	i	i	i
United States	i,o	i,o	i,o

a) Source: derived from OECD(2001)

155. The OECD collects trade in services in the BOP context by origin and destination. An OECD document summarises the reporting status on such data.[11] Reporting countries are (with number of partners in parenthesis): Australia(30), Austria(61), Belgium-Luxembourg(61), Canada(59), Finland (61), France (40), Germany(28), Hungary(61), Ireland(3), Japan(30), Korea(3), Norway(21), Portugal(61),Slovak Republic(33), Spain(61), United Kingdom (63), and United States(33).

4. Concluding remarks

156. However, despite these optimistic remarks, it should be recognised that statistics on international trade in services still need to be dramatically improved. Full BPM5 detail is not reported by many countries, and the reported data often lacks reliability at this level. In addition, documentation on data coverage and deviations from standards is rarely available. Due to the infancy stage of FATS statistics, the lacks of data reliability and inter country comparability in this area is almost a general rule. Also, no country outside the OECD has engaged in the collection of FATS statistics yet. In the Also, in the FATS context, confidentiality issues severely limit the amount of detail countries are able to provide.

157. At present, non-OECD countries are not encouraged to collect BOB statistics by origin and destination or FATS statistics, since no international organisations collect and disseminate those data for those countries. This adds to the inherent difficulties and cost to engage in such an exercise.

158. Even if *MSITS*' recommendations related to BOP and FATS statistics were fully implemented, it would still only be a first step in providing information by modes of supply, for two major reasons: first, the simplified rules provided in *MSITS* only lead to a rough approximation of trade in services by modes of supply. Second, a true assessment of services provided through the movement of natural persons, would

[11] STD/NA/SERV(2001)3. International Trade in Services by Partner Country: a first presentation and analysis. 27 November 2001.

require information that lies outside the BPM5 and FATS domains, and a coherent statistical framework for this mode which still needs to be completed.

159. Improving statistics on trade in services is a long term process and the success of this challenge depends on a number of factors:

- efforts by national agencies to employ the appropriate methodologies;
- governments' willingness to allocate the necessary resources;
- co-operation and co-ordination between national institutions, such as Central Banks and National Statistical Offices;
- co-operation between international and regional institutions, and their support to national initiatives;
- effective technical assistance, i.e., transfer of knowledge and resources from countries having advanced statistical systems to the other countries, especially developing and least developed ones; and
- ability of international and regional institutions to provide effective compilation guidance.

Bibliography

[Terminate and edit this part]

Eurostat (Statistical Office of the European Communities)

- BOP Vademecum
- BOP Publications
- Working Papers and Studies, *Asymmetries of Current Account in the Intra-EU Balance of Payments.*
- Statistics in Focus, *Foreign Owned Enterprises*, Theme 4, 20/2001
- Statistics in Focus, *Sales and employment of affiliates abroad - 1998 outward FATS data for eight Member States*, Theme 2, 47/2002
- Statistics in Focus, *Foreign-controlled Enterprises*, Theme 3, 3/2003
- New Cronos

IMF (International Monetary Fund)

- *Balance of Payments Manual, Fifth Edition.*
- *Balance of Payments Compilation Guide.*
- *Balance of Payments Statistics*, annual,(also published in monthly CD-ROMs)

OECD

- *International Direct Investment Statistics Yearbook*
- *Measuring Globalisation. The role of multinational in OECD countries. Volume II - Services*. 2001 Edition
- *Statistics of International Trade in Services*, annual
- *Statistics of International Trade in Services by Partner Country*, annual
- *Manual on Economic Globalisation Indicators* (draft).

OECD/IMF. *Report on the Survey of Implementation of Methodological Standards for Direct Investment*. March 2000.

UNCTAD *World Investment Report, Measuring Globalisation - The Role of Multinationals in OECD Economies* Vol II. Services [Year ??]

WTO (World Trade Organization)

- *International Trade Statistics*, annual
- S/C/W/27. *A review of statistics on trade flows in services: Note by the Secretariat*, 10 November 1997
- S/C/W/27/Add1. *A review of statistics on trade flows in services: Note by the Secretariat, Addendum,* 30 October 2000

U.N.; European Commission; IMF; OECD;UNCTAD; WTO; *Manual on Statistics on Statistics on International Trade in Services.*(MSITS), *2002.*

Annex Table ?I.1: state of reporting of BPM5 components and supplementary items, as of January 2003

Service description	Exports			Imports		
	1999	**2000**	**2001**	**1999**	**2000**	**2001**
	Number of countries	**Number of countries**	**Number of countries**	**Number of countries**	**Number of countries**	**Number of countries**
Total services	143	137	125	143	137	125
Transport	139	134	122	142	137	125
Sea transport	68	68	65	76	78	73
Passenger transport on sea	25	27	31	29	29	31
Freight transport on sea	50	52	52	66	68	67
Supporting, auxiliary and other services	47	47	46	43	45	45
Air transport	77	79	72	76	78	72
Passenger transport by air	63	65	64	70	72	67
Freight transport by air	48	52	56	48	51	52
Supporting, auxiliary and other services	53	53	52	52	53	52
Other transportation	61	66	60	53	57	54
Passenger	35	37	36	30	37	35
Freight	46	48	45	39	42	42
Other transportation services	42	48	48	37	41	40
Travel	139	134	122	140	135	123
Business travel	45	50	46	57	61	60
Personal travel	67	70	69	75	78	76
Health-related expenditure	21	21	18	32	31	31
Education-related expenditure	31	31	30	45	42	38
Other personal travel	53	54	52	60	59	58
Communications services	97	97	95	95	95	96
Construction services	50	59	59	60	65	63
Insurance services	106	101	92	125	121	111
Financial services	62	69	70	68	72	77
Computer and information services	51	53	55	53	56	62
Royalties and licence fees	57	60	62	87	82	79
Other business services	134	130	117	142	134	122
Merchanting and other trade-related services	50	52	50	48	49	47
Operational leasing	40	44	44	48	51	55
Miscellaneous business, professional and technical services	89	87	83	92	90	87
Legal, accounting, management, consulting and public relations services	24	27	27	32	30	30
Advertising, market research and public opinion polling services	24	27	27	25	29	29
Research and development services	17	20	20	17	19	19
Architectural, engineering and other technical services	18	22	25	19	24	25
Agricultural, mining and on-site processing services	10	13	15	11	16	18
Other services	52	46	48	56	49	50
Personal, cultural and recreational services	46	50	51	53	57	60
Audio-visual and related services	29	33	31	34	38	40
Other personal, cultural and recreational services	32	34	35	37	40	43

Annex ?I.1: Overview of Trade in Commercial Services

Commercial services

The contribution of commercial services in total world trade (goods and commercial services) has increased significantly, from 16% in 1980 to over 19% in 2001. In the same year, world commercial services exports reached 1,460 billion US$.[12] In 1990, developing economies' share in world trade amounted to 19%. In 1995, their share had already jumped to 24% to reach 25% in 2001. Among developing countries, the performance of the developing Asia is remarkable. In a decade, it expanded its overall share by more than 50%, thus accounting, in 2001, for more than the half of total commercial services exports from developing countries. Conversely, developed countries' share declined from 78% to 71%. The share of Least Developed Countries (LDCs), however, remained almost unchanged, around 0.4%.

The structure of world commercial services exports has changed somewhat in recent years. In 2001, receipts from other services (i.e., all services except transport, travel, and government services) accounted for 45% of total commercial services exports, increasing from 38% in 1990. On the contrary, the share of world transport exports in total commercial services exports has declined progressively to 23% in 2001. This decrease was due partly to the general reduction in transport prices but especially to the huge expansion of other commercial services.

From a regional perspective, the largest portion of commercial services exports was exported by Western Europe holding 48% in 2001, taking account of intra-EU trade. However, its share has been gradually declining for the last 20 years. Asia and North America ranked second and third respectively, both with 21% each. In recent years, the largest exporters of commercial services have been the United States and the United Kingdom accounting together, in 2001, for 25% of total world commercial services exports. With respect to imports, the major countries were the United States, Japan and Germany.

Transport services

In 2001, world transport exports have reached 340 billion US$. Developing countries have increased their share in world exports by more than 20 percentage points reaching 24%, while developed economies fell by 8%. In the same year, the value of LDCs exports increased by more than 30% compared to 1990. However, their share in transport exports has remained stable, around 0.4%.

The share of world transport exports in total commercial services exports has declined progressively from 29% in 1990 to 23% in 2001. This was due to the reduction in transport prices and to the relative increase in the share of other commercial services on total commercial services. This trend was particularly marked in both North and Latin America, where the fall was more than 30%.

In Latin America, whose share in world transport exports fell by 15% in 11 years, Chile, Brazil and Mexico accounted for 44% of the region's total transport exports. Within Western Europe the largest transport services exporters were Germany, Netherlands and France. However, in the last decade, Denmark trebled in its share.

Between 1990 and 2001, transport exports from the economies in transition grew at a speed which doubled the world average. Their share in world total transport exports increased by 26%. The main exporters were the Russian Federation and Ukraine. Although their share is still very small, it is significant that in six years Armenia quadrupled its regional share and Azerbaijan doubled it.

---

[12] TO, *International Trade Statistics 2002*.

In the period 1990-2001, Asian transport exports grew slightly more than the world average. The largest exporters were Japan, Hong Kong and Korea. However, while the first two countries suffered a progressive decline in their shares, Korea's contribution registered a rapid growth (from 7% to 17%).

In general, Africa' transport services exports have risen to a slightly slower path than the world average. In 2001, Egypt and South Africa were the largest exporters accounting for nearly the half of Africa's transport services exports. Algeria is an emerging country in the sector, increasing its regional share from 3% in 1990, to 8% in 2001. The 16% rise in Middle Eastern countries' share was due to the tenfold increase in Iran's transport exports.

Travel

In the period 1990-2001, the total world exports of travel services has increased by 5.2% on average, reaching nearly 465 billion US$ in2001. This represented on average 33% of total commercial services exports.

Travel, mainly for tourism reasons, has played an important rôle in contributing to the economic growth of several countries, especially developing ones. In 2001, developing countries' share of world travel exports reached 30%, while in 1990 it amounted to 23%. On the contrary, in the same period, developed economies have assisted to a reduction in their share from 75% to 65%. With a share of 44% in 2001, travel exports, in connection with tourism developments, are the most important component of LDCs' commercial services exports. In the same year, LDCs' share in world travel exports was less than 1% but in a constant upward trend since the beginning of the 1990s.

The most dynamic regions were Asia and Central and Eastern Europe, due to a large extent to political changes. Asia travel exports have more than doubled, and its share has increased by 30% in 11 years reaching 18.5% of total world travel exports. This was due mainly to China, whose share in world exports was six time higher than in 1990. In the period 1990-2001, after their independence, transition economies have registered a real boom in travel exports, and their world share almost tripled in 11 years. Emerging destinations were the Baltic countries, while Poland, Hungary and the Russian Federation totalled 60% of the region's exports in 2001.

After increasing by almost 70% between 1980 and 1985, North America's average share of travel exports has remained stable around 22%. On the contrary, Western European countries, whose share has been falling since the 1980s, accounted for almost 65% of world travel exports. The largest exporters in the region were France, Spain and Italy. Emerging countries were Greece, and, more recently, Croatia and Slovenia.

In the last decade, Latin America's share of travel exports has increased by more than 15% reaching almost 7% in 2001. While Mexico confirms as the biggest exporter in the region, recently, Cuba and the Dominican republic have registered a significant exports growth and have become very popular touristic destinations.

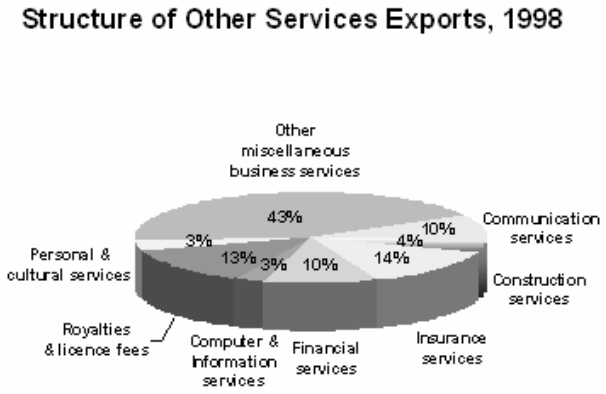
In Africa, travel exports have risen by 16 percent in the period 1990-2001. Apart from confirmed exporters such as Egypt and Tunisia, small islands like the Comoros and Cape Verde are emerging as travel destinations in the region. Despite a considerable increase in the period 1990-2000, Middle East travel exports dropped dramatically after 11 September 2001. A further reduction might be expected in the region due to the continued political instability.

Other commercial services

In comparison to transport and travel services, other services has recorded a huge expansion in the last decade. In the period 1990-2001, it has increased by 7.7% on average, reaching 655 billion US$ in 2001. As a result, its relative importance has also grown significantly, jumping from 38% in 1990 to 45% in 2001.

Unfortunately, not many countries have the necessary resources to collect statistics on individual components of other services. Therefore, the category "other business services", which comprises activities such as merchanting, and other trade-related services; operational leasing services; and miscellaneous business, professional and technical services (i.e., legal services, architectural services, etc.) results bloated for many countries. According to WTO estimates, in 1998, other business services represented 43% of total world exports of other services.

The following biggest shares of other services was held by insurance services (14%), royalties (13%), financial and communication services (both 10%). The smallest shares are in computer services and personal, cultural and recreational services, both averaging 3% of total other services exports.



Although the vast majority of other services are exported by developed countries, detaining in 2001 more than 77% of world exports, developing countries are progressively and significantly increasing their share. In 2001, developing countries supplied 21% of other commercial services, compared to 15% in 1990. However, among them, exports of other services from the LDCs regressed both in value and share. Despite their sharp increase in the first half of 1990s, in 2001, they have declined by 18% compared to 1997, when they reached their highest level.

In 2001, half of total world exports of other services originated from Western Europe. According to WTO estimates, in the same year, other business services represented more than the half of Western European other services exports, with the United Kingdom and Germany as the main exporters. Financial services were the leading sector. The United Kingdom and Luxembourg's exports of financial services represented more than the half of total financial services exports from the region. More significantly, they accounted for 10% of total other services exports from the whole Western Europe. Computer and information services ranked third. In Ireland, computer services have grown at a very fast speed and, in 2001 represented over 30% of its total commercial services exports. Computer services have risen also in Germany, which ranked the second largest exporter in the region.

Exports of royalties and licence fees by the United Kingdom accounted for the half of Western European exports. It is interesting to note that Ireland's imports of royalties and licences, mainly for computer software, has doubled between 1997 and 1998. In 2001, they accounted for 25% of Ireland's total commercial services imports. As matter of fact, Ireland has emerged as a major offshore centre (importing, adding value and exporting) for computer services. In the European Union, In 2001, the United Kingdom's exports of communication services declined considerably, while Belgium-Luxembourg has emerged as the largest European exporter in this sector. Ireland's exports in communications services have more than doubled in the last two years. Other emerging countries are Italy and the Netherlands.

Germany confirms as the biggest exporter of construction services, representing, in 2001, 4% of its total commercial services exports. Audiovisual services were exported mainly by France and the United Kingdom. It is interesting to note that Turkey has been the leader exporter in Western Europe of total personal, cultural and audiovisual services for nine years.

North America's other services' exports have increased by 9% in the last decade with the United States as the largest exporter in the world of other services (19%) in 2000. Apart from the category other business, the major source of receipts from other services for the United States is represented by royalties and licence fees. In 2000, the exports of royalties and licences represented 15% of the United States' total commercial services. More impressing they accounted for 3% of the total world commercial services. Financial services ranked third accounting for 11% of the total US other services exports. An estimated one third of personal, cultural and recreational services were exported by the United States.

In the period 1990-2001, Asian exports of other services registered the highest growth (10%) compared to the other regions. Financial services, provided mainly by Hong Kong, Singapore and Japan, and royalties and licence fees were the leading sectors. In 2000, Japanese royalties represented 8% of the Asian total other services receipts. Computer and information services are also becoming an important export sector. Although Japan accounts for almost a third of the region's total exports, its share is declining. As matter of fact, China and India have grown at a speed trebling the world average. In India, computer software services have risen at an average of 50% between 1998 and 2000, reflecting India's competitiveness in the information technology sector. Communication services is another emerging area in this country. In China, apart from the other business services category (70%), construction services exports proved still a relatively important source of revenue. Singapore is the largest exporter of insurance services in Asia, after having more than doubled its exports between 1999 and 2001. However, also China is emerging also in this sector. In 2000, construction exports from Japanese firms accounted 4% of the region's other services exports.

Given the lack of data availability for many countries, especially developing countries, it is hard to carry out reliable estimates on the composition of other services exports for all the regions or to forecast their evolution. As matter of fact, in the case of Africa and the Middle East, only a handful of countries report the complete breakdown of their trade in services.

At present, other services exports do not represent an important source of receipts in Africa. Their production and export often require technological infrastructure and technical expertise that is unfortunately not available in the vast majority of African countries. Their average contribution in total commercial services exports is a bare 0.5%, even including Egypt, which is the major exporter of the region. In 2001, Egypt, South Africa and Nigeria accounted for more than the half of the region's total other services exports.

Annex III.1: Extended Balance of Payments Services Classification

This table sets out the components of the EBOPS Classification and relates these to the components of the BPM5 and the Joint Classification of the OECD and Eurostat. For each component:

an X in the first column indicates that the component is a BPM5 standard component

an X in the second column indicates that the component is a BPM5 supplementary item

an X in the third column indicates that the component is a BPM5 memorandum item

an X in the fourth column indicates that the component is a component of the Joint Classification

the three digit number in the fifth column identifies the internationally accepted code for reporting balance of payments components.

Annex ?III.1 (cont.): Extended Balance of Payments Services Classification

Extended Balance of Payments Services Classification	BPM5 standard components	BPM5 supplementary items	BPM5 memorandum items	Joint Classification components	Internationally accepted codes
Component					
1 Transportation	X			X	205
1.1 Sea transport	X			X	206
1.1.1 Passenger	X			X	207
1.1.2 Freight	X			X	208
1.1.3 Other	X			X	209
1.2 Air transport	X			X	210
1.2.1 Passenger	X			X	211
1.2.2 Freight	X			X	212
1.2.3 Other	X			X	213
1.3 Other transport	X			X	214
1.3.1 Passenger	X			X	215
1.3.2 Freight	X			X	216
1.3.3 Other	X			X	217
Extended classification of other transport					
1.4 Space transport				X	218
1.5 Rail transport				X	219
1.5.1 Passenger				X	220
1.5.2 Freight				X	221
1.5.3 Other				X	222
1.6 Road transport				X	223
1.6.1 Passenger				X	224
1.6.2 Freight				X	225
1.6.3 Other				X	226
1.7 Inland waterway transport				X	227
1.7.1 Passenger				X	228
1.7.2 Freight				X	229
1.7.3 Other				X	230
1.8 Pipeline transport and electricity transmission				X	231
1.9 Other supporting and auxiliary transport services				X	232
2 Travel	X			X	236
2.1 Business travel	X			X	237
2.1.1 Expenditure by seasonal and border workers				X	238
2.1.2 Other				X	239
2.2 Personal travel	X			X	240
2.2.1 Health-related expenditure		X		X	241
2.2.2 Education-related expenditure		X		X	242
2.2.3 Other		X		X	243
3 Communications services	X			X	245
3.1 Postal and courier services				X	246
3.2 Telecommunications services				X	247
4 Construction services	X				249
4.1 Construction abroad				X	250
4.2 Construction in the compiling economy				X	251

	BPM5 standard components	BPM5 supplementary items	BPM5 memorandum items	Joint Classification components	Internationally accepted codes
5 Insurance services	X			X	253
5.1 Life insurance and pension funding				X	254
5.2 Freight insurance				X	255
5.3 Other direct insurance				X	256
5.4 Reinsurance				X	257
5.5 Auxiliary services				X	258
6 Financial services	X			X	260
7 Computer and information services	X			X	262
7.1 Computer services				X	263
7.2 Information services				X	264
7.2.1 News agency services					889
7.2.2 Other information provision services					890
8 Royalties and license fees	X			X	266
8.1 Franchises and similar rights					891
8.2 Other royalties and license fees					892
9 Other business services	X			X	268
9.1 Merchanting and other trade-related services	X			X	269
9.1.1 Merchanting				X	270
9.1.2 Other trade-related services				X	271
9.2 Operational leasing services	X			X	272
9.3 Miscellaneous business, professional, and technical services	X			X	273
9.3.1 Legal, accounting, management consulting, and public relations		X		X	274
9.3.1.1 Legal services				X	275
9.3.1.2 Accounting, auditing, bookkeeping, and tax consulting services				X	276
9.3.1.3 Business and management consulting and public relations services				X	277
9.3.2 Advertising, market research, and public opinion polling		X		X	278
9.3.3 Research and development		X		X	279
9.3.4 Architectural, engineering, and other technical services		X		X	280
9.3.5 Agricultural, mining, and on-site processing services		X		X	281
9.3.5.1 Waste treatment and depollution				X	282
9.3.5.2 Agricultural, mining, and other on-site processing services				X	283
9.3.6 Other business services		X		X	284
9.3.7 Services between related enterprises, n.i.e.				X	285
10 Personal, cultural, and recreational services	X			X	287
10.1 Audiovisual and related services	X			X	288
10.2 Other personal, cultural, and recreational services	X			X	289
10.2.1 Education services					895
10.2.2 Health services					896
10.2.3 Other					897
11 Government services, n.i.e.	X			X	291
11.1 Embassies and consulates				X	292
11.2 Military units and agencies				X	293
11.3 Other government services				X	294

Memorandum items	BPM5 standard components	BPM5 supplementary items	BPM5 memorandum items	Joint Classification components	Internationally accepted codes
1 Freight transportation on merchandise, valued on a transaction basis				X	853
1.1 Sea freight				X	856
1.2 Air freight				X	857
1.3 Other freight				X	858
1.4 Space freight					862
1.5 Rail freight					863
1.6 Road freight				X	864
1.7 Inland waterway freight					865
1.8 Pipeline freight					868
2 Travel					
2.1 Expenditure on goods					869
2.2 Expenditure on accommodation and food and beverage serving services				X	870
2.3 All other travel expenditure					871
3 Gross insurance premiums			X	X	874
3.1 Gross premiums—life insurance					875
3.2 Gross premiums—freight insurance					876
3.3 Gross premiums—other direct insurance					877
4 Gross insurance claims			X	X	879
4.1 Gross claims—life insurance					880
4.2 Gross claims—freight insurance					881
4.3 Gross claims—other direct insurance					882
5 Financial intermediation services indirectly measured (FISIM)					887
6 Financial services including FISIM					888
7 Merchanting gross flows				X	893
8[13] Audiovisual transactions					894

[13] This item consists of a range of services and other transactions relating to audiovisual activities. Included are services that may be included in either *audiovisual services* or *royalties and license fees*, and also the acquisition and disposal of non-produced, non-financial assets relating to audiovisual activities, such as patents, copyrights, trademarks, and franchises.

Annex ?III.1: ISIC Categories for Foreign Affiliates (ICFA)

		ISIC code
1.	**Agriculture, hunting, forestry, and fishing**	**01, 02, 05**
1.1.	Agriculture, hunting, and related service activities	01
1.2.	Forestry, logging, and related service activities	02
1.3.	Fishing, operation of fish hatcheries and fish farms; services activities incidental to fishing	05
2.	**Mining and quarrying**	**10, 11, 12, 13, 14**
	of which: Services activities incidental to oil and gas extraction excluding surveying	112
3.	**Manufacturing**	**15 to 37**
4.	**Electricity, gas, and water supply**	**40, 41**
5.	**Construction**	**45**
6.	**Trade and repair**	**50, 51, 52**
6.1.	Sale, maintenance, and repair of motor vehicles and motorcycles; retail sale of automotive fuel	50
6.2.	Wholesale trade and commission trade, except of motor vehicles and motorcycles	51
6.3.	Retail trade, except of motor vehicles and motorcycles; repair of personal and household goods	52
7.	**Hotels and restaurants**	**55**
8.	**Transport, storage, and communications**	**60, 61, 62, 63, 64**
8.1.	Transport and storage	60, 61, 62, 63
	8.1.1. Land transport; transport via pipelines	60
	8.1.1.1. Transport via railways	601
	8.1.1.2. Other land transport	602
	8.1.1.3. Transport via pipelines	603
	8.1.2.Water transport	61
	8.1.2.1. Sea and coastal water transport	611
	8.1.2.2. Inland water transport	612
	8.1.3. Air transport	62
	8.1.3.1. Scheduled air transport	621
	8.1.3.2. Non-scheduled air transport	622
	8.1.4. Supporting and auxiliary transport activities; activities of travel agencies	63
	8.1.4.1. Supporting and auxiliary transport activities	6301, 6302, 6303, 6309
	8.1.4.2. Activities of travel agencies and tour operators; tourist assistance activities, not elsewhere classified (n.e.c).	6304
8.2.	Post and telecommunications	64
	8.2.1. Post and courier activities	641
	8.2.2. Telecommunications	642

Annex ?III.1 (continuation): ISIC Categories for Foreign Affiliates (ICFA)

9.	**Financial intermediation**	**65, 66, 67**
	9.1. Financial intermediation, except insurance and pension funding	65
	9.2. Insurance and pension funding, except compulsory social security	66
	9.2.1. Life insurance	6601
	9.2.2. Pension funding	6602
	9.2.3. Non-life insurance	6603
	9.3. Activities auxiliary to financial intermediation	67
	9.3.1. Activities auxiliary to financial intermediation, except insurance and pension funding	671
	9.3.2. Activities auxiliary to insurance and pension funding	672
10.	**Real estate activities**	**70**
11.	**Renting of machinery and equipment without operator and of personal and household goods**	**71**
12.	**Computer and related activities**	**72**
13.	**Research and development**	**73**
14.	**Other business activities**	**74**
	14.1. Legal, accounting, market research, and consultancy	741
	14.1.1. Legal activities	7411
	14.1.2. Accounting, bookkeeping, and auditing activities; tax consultancy	7412
	14.1.3. Market research and public opinion polling	7413
	14.1.4. Business and management consultancy activities	7414
	14.2. Architectural, engineering, and other technical activities	742
	14.3. Advertising	743
	14.4. Business activities, n.e.c.	749
15.	**Education**	**80**
16.	**Health and social work**	**85**
17.	**Sewage and refuse disposal, sanitation, and similar activities**	**90**
18.	**Activities of membership organisations, n.e.c.**	**91**
19.	**Recreational, cultural, and sporting activities**	**92**
	19.1. Motion picture, radio, television, and other entertainment activities	921
	19.1.1. Motion picture and video production and distribution; motion picture projection	9211, 9212
	19.1.2. Radio and television activities	9213
	19.1.3. Other arts and entertainment activities	9214, 9219
	19.2. News agency activities	922
	19.3. Library, archives, museums, and other cultural activities	923
	19.4. Sporting and other recreational activities	924
20.	**Other service activities**	**93**

Note. The following ISIC categories have been excluded from ICFA because they are not relevant for foreign direct investment or for FATS: (i) public administration and defence; compulsory social security (ISIC division 75), (ii) private households with employed persons (division 95), and (iii) extraterritorial organisations and bodies (division 99). Otherwise, all ISIC categories are included.