

**7TH OECD INTERNATIONAL TRADE STATISTICS EXPERT MEETING ITS  
and OECD-EUROSTAT MEETING OF EXPERTS IN TRADE-IN-SERVICES  
STATISTICS (TIS)**

**Tour Europe - Paris La Défense, Salle des Nations, 11 - 14 September 2006**

**MSITS questionnaire: issues and questions for Chapter 4**

**Item 19 a**

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Technology and Enterprise Development*

**Respondents**

- The number of respondents of this particular chapter is 94 (as of 1 September 2006), including national officials from 76 economies in four continents (10 Africa, 33 Europe, 20 Asia and Oceania and 13 Americas) and three International Organizations (IO; Caricom, Eurostat and UNSIAP).
- Out of these national officials, 47 are from Central Banks (C), 38 from National Statistical Offices (N) and 6 from Ministries (M).

**Question 4.1: Chapter 4 is and will remain focused on the measurement of the supply of services through commercial presence and in particular services supplied by foreign affiliates. But the name and acronym for Foreign Affiliates Trade in Services (FATS) statistics, currently used in Chapter 4, have been criticised as ambiguous and inelegant. The framework of statistics concerning foreign affiliates is variously known by different actors as “foreign affiliates statistics”, “activities of foreign affiliates”, “foreign affiliates trade”, and ” operations of foreign affiliates”.**

**Should the name “Foreign Affiliates Trade in Services (FATS) statistics” be maintained in MSITS? Yes or No? \_\_\_\_\_**

**If No suggestions for an alternative name and/or acronym are invited. \_\_\_\_\_**

- Out of 94 respondents, 51% agrees to the conventional name, while 7% is indifferent. There are four suggesting to keep the conventional acronym but to change the name (table 4.1.a).

**Table 4.1.a**

	C	N	M	IO	total
Yes	25	19	3	1	48
No	18	14	1	2	35
Y/N	2	2	0	0	4
..	2	3	2	0	7
total	47	38	6	3	94

- The most popular name (eight votes) is "Foreign Affiliates Statistics" currently used by the Eurostat and acronym "FAST" or "FAS", followed by "Activities of foreign affiliates" (no acronym is suggested) with six votes (table 4.1.b).
- Although other names suggested by those who wish to change the conventional name vary, they tend to avoid using the expression "trade in services" (see Y/N, table 4.1.b).

**Table 4.1.b**

		C	N	M	IO	total
<b>No</b>	acronym					
Foreign Affiliates Statistics	FAST / FAS	2	5	0	1	8
Activities of foreign affiliates		5	1	0	0	6
Foreign Affiliates Trade in Services Statistics	FATSS	0	2	0	0	2
Foreign Affiliates trade		2	0	0	0	2
Operations of foreign affiliates		1	1	0	0	2
Direct Investment Trade in Services		1	0	0	1	2
Services supplied by foreign affiliates	SSFA / SFA	1	0	0	0	1
Trade in Services of Foreign Affiliates statistics	TISFA	0	1	0	0	1
Statistics of Foreign Affiliates		1	0	0	0	1
Foreign Subsidiaries Statistics		1	0	0	0	1
Trade activities of foreign affiliates		1	0	0	0	1
Foreign Companies Trade in Services statistics		1	0	0	0	1
Statistics of Services of Foreign Affiliates		1	0	0	0	1
foreign affiliates services statistics		0	0	1	0	1
Statistics of Foreign Affiliates Activities		0	1	0	0	1
..	FATSERV	1	0	0	0	1
..	..	0	3	0	0	3
		18	14	1	2	35
<b>Y/N</b>						
Foreign Affiliates Statistics	FATS	1	1	0	0	2
structure and activity of foreign affiliates	FATS	1	0	0	0	1
Statistics on Foreign Affiliates	FATS	0	1	0	0	1
		2	2	0	0	4

**Question 4.2:** *The list of variables for FATS statistics, summarised in paragraphs 1.21 and 1.24 should be reviewed. Are there any variables that should be added to or removed from the list of FATS variables?*

*Variables to be added?* \_\_\_\_\_

*Variables to be removed?* \_\_\_\_\_

- Variables to be added suggested by respondents that are included in *FATS: basic variables* (1.21) are neglected in this report.
- Many European countries refer to the need of consistency between MSITS and the draft proposal for EU FATS regulations, which applies also to responses to other questions.
- It is also suggested to differentiate variables between inward FATS and outward FATS.
- Among the variables in 1.24., assets and R&D related variables are most requested to add, while new variables (relatively detailed) are also suggested to add, for instance, purchases of goods and services, equity participation and disaggregated employment according to the modes classified by the GATS (table 4.2.a).
- Variables to be removed are not suggested that much and vary. Assets (being suggested to add by many respondents as well) and net worth are the most cited ones (table 4.2.a).

**Table 4.2.a**

Variables to be added	C	N	M	IO	total
<i>Among 1.24. "further details"</i>					
Personnel costs, intra-group imports and exports of goods and services, gross investment in tangible goods	2	1	0	0	3
Assets, compensation of employees, net wealth, R&D expenditures	1	0	0	0	1
Research & Development, number of R&D personnel	0	0	0	1	1
Asset and capital movement	0	1	0	0	1
<i>New suggestions</i>					
Total Purchases of Goods and Services, Purchases of Goods and Services purchased for the resale in the same condition as received	0	1	0	1	2
Commercial accounts and trade credits	1	0	0	0	1
Employment of 'foreign workers'	1	0	0	0	1
Corporate social responsibility	1	0	0	0	1
Value of profits earned by these companies from international trade in services, type of workers used by these companies	1	0	0	0	1
Expenditures for social projects in the assuming economy	1	0	0	0	1
Employment to be broken down into permanent residents and Mode 4 persons	1	0	0	0	1
Name of the country of the parent company	1	0	0	0	1
Destination of foreign affiliate sales: i.e. domestic, exported to parent country or exported to a third country	0	1	0	0	1
Equity investment, Reinvested earnings, Intercompany loans	0	1	0	0	1
Value and proportion of (foreign) equity participation in the enterprise	0	0	1	0	1
Disaggregation of Exports of Goods from exports of services and similarly for Imports; Investment/Gross Capital formation	0	0	0	1	1

  

Variables to be removed	C	N	M	IO	total
Assets and net worth	1	1	0	0	2
Value added, research and development and compensation of employees	1	1	0	0	2
Exports and imports of goods and services, assets, net worth, operating surplus, taxes on income and research and development expenditures	0	2	0	0	2
"Other variables" of numeral 6 of chapter 4 (net Patrimony, benefit of operation, taxes, etc)	1	0	0	0	1
Net worth, gross fixed capital formation	0	1	0	0	1

**Question 4.3:** *In the context of trade in services, how should the FATS variables be prioritized? Please suggest the order of priority and indicate if the priority position is (a) more closely linked to easier data collection or (b) rather based on a strong need for such statistics?* \_\_\_\_\_

- Suggested priorities vary and "needed" variables (b) are more stressed than "easy" ones (a), however, some suggest prioritizing easier data only for outward FATS that are more difficult to collect and compile.
- Among (a), the most prioritized variables mainly refer to 1.21, including sales, employment, number of enterprises, exports and imports. Some variables in 1.24 such as assets, net worth and R&D are also cited.
- With regard to (b), sales, exports and imports, number of enterprises, detailed information on employment (local residents or expats), R&D, net worth, value added are prioritized. Increasing need/demand of R&D related data is also mentioned.
- Comments to this question highlight again the need of consistency with the draft EU regulations.

**Question 4.4:** *Does the text in paragraphs 4.39 to 4.54 concerning activities and products clearly describe the theoretical needs as well as the practical constraints of data collection.*

*Yes or No?* \_\_\_\_\_ *Comments* \_\_\_\_\_

- More than 70% is satisfied with the text in question and almost 10% is indifferent (table 4.4.a).

Table 4.4.a

	C	N	M	IO	total
Yes	37	27	1	2	67
No	6	7	4	1	18
..	4	4	1	0	9
total	47	38	6	3	94

- Comments to this question discuss mainly needs to elaborate both theoretical and practical issues more in detail and clearly. These include following;
  - Distinction between two approaches is not clear;
  - Practical constraints of data collection in particular on *by product* section (4.44-), due to the lack of certain data in companies' consolidated financial reports;
  - More information is needed to clarify goods and services flows;
  - Reporting burden is also to be taken into account.

**Question 4.5:** *It is suggested that the discussion of inward FATS and outward FATS should be more clearly separated. Do you agree? Yes or No?* \_\_\_\_\_

**Comments:** \_\_\_\_\_

- Almost 80% replies *Yes*, pointing out the difference in nature of inward and outward FATS, while 12% considers the discussion in the current MSITS is clear enough (table 4.5.a).

Table 4.5.a

	C	N	M	IO	total
Yes	40	30	2	3	75
No	3	5	3	0	11
Y/N	1	1	0	0	2
..	3	2	1	0	6
total	47	38	6	3	94

- Comments include, among others, warning of certain constraints particularly with regard to outward FATS partly due to institutional problems or the scarcity of information.

**Question 4.6:** *Do you have any other comments or suggestions regarding Chapter 4?* \_\_\_\_\_

- This chapter should be more understandable, probably providing examples in the form of annex, in particular on services. (N)
- The name of the manual is suggested to be changed to "Manual on Statistics of International Trade in Services and Foreign Affiliates".(C)

- The illustration in Box 8 that is quite confusing needs to be improved.(N)
- It would be good to separate sections for statistics on international trade in services and for FDI data. (N)
- A section needs to be dedicated to discuss recommendations on good cooperation between different statistics producers (within a country) and some practical implementation challenges. (IO)

### **Tentative conclusions**

1. The Manual intends to be on services. Therefore "services" should appear in the title. But "trade" implies only exports/imports. Thus, "trade" can be removed.
2. New proposed name = Foreign Affiliates in Services Statistics (FATS, or FASS).
3. "Foreign affiliates statistics", "activities/operations of foreign affiliates" should refer to all industries (more than the services sector). These terminologies should be distinguished from the above services statistics.
4. No variables (to be collected) are removed, nor new variables are added. Different opinions on this issue reflect different needs of countries as to the importance of economic variables attached by respective governments. The question is whether it is even meaningful to distinguish variables between prioritized ones and those not.
5. Treatment of production under non-equity investment contracts is not resolved. For example, are exports under offshoring services (e.g. call centres) classified as Mode 1 or Mode 3?
6. No need to revise paragraphs relating to data by activity and product (paras 4-39-4.54).
7. Clear separation is required between inward FATS and outward FATS.