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TRADE IN SERVICES THROUGH FOREIGN AFFILIATES*
(ESTABLISHMENT TRADE)

Contribution to the Fourth Meeting
of the Voorburg Group on Service Statistics

by

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Section

*The views expressed in this paper are those of the author and do not necessarily reflect those of the OECD or its Member Governments.

1. There is general agreement that a complete picture of trade in services encompasses data on sales of services through foreign affiliates (subsidiaries and branches) of resident parents, in addition to information on resident/non-resident transactions. In fact, delivery of services abroad must often be through foreign affiliates rather than directly from parents, because the sale of many services requires close contact between producer and consumer.

2. Sales of services channelled through foreign affiliates are traditionally outside the scope of balance-of-payments statistics, because resident parents' affiliates that are located abroad are treated as non-residents, and their sales abroad represent transactions between non-residents.

3. So far, only one country - the United States - has collected data on establishment trade. Data on sales of services by majority-owned foreign affiliates of U.S. parent companies were first requested in the 1982 benchmark survey of U.S. direct investment abroad and has been continued in a new annual survey (1). Latest data available (2) relate to sales of services in 1987. Data on sales of services by U.S. affiliates of foreign parent companies were collected, for the first time, in the 1987 benchmark survey of foreign direct investment in the United States (3).

4. In view of this situation it is suggested that the Voorburg Group discusses the following issues:

- a) Do countries other than the United States intend to collect data on establishment trade of services?
- b) If yes, which methods do they consider to use?

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- (1) O.G. Whichard, U.S. Sales of Services to Foreigners, Part II Sales of Services by U.S. Multinational Companies, U.S. Department of Commerce, Survey of Current Business, January 1987, pp. 26-41.
 - (2) O.G. Whichard, U.S. Multinational Companies: Operations in 1987, Survey of Current Business, June 1989, pp. 35-39.
 - (3) N.G. Howenstine, U.S. Affiliates of Foreign Companies: 1987 Benchmark Survey Results, Survey of Current Business, July 1989, pp. 122-124.