

EIGHTH MEETING OF THE INTERAGENCY TASK FORCE ON STATISTICS OF INTERNATIONAL TRADE IN SERVICES

Frankfurt 11-13 November 1998

Report (revised draft)

1. The meeting was opened by Ms. Almut Steger, Chairperson of the OECD Group of Experts in Trade in Services Statistics. The meeting was hosted by the Deutsche Bundesbank. Ms. Steger welcomed the participants and announced the working arrangements for the meeting and the social programme proposed by the Bank. The list of participants is given in Annex 1.
2. The chairmanship was then handed over to Mr. Derek Blades of the OECD.

Adoption of the agenda

3. Mr. Blades proceeded to the adoption of the draft agenda. A report on the session on Globalisation of the Statistical Working Party of the Industry Committee held at the OECD on 4-5 November 1998 was added as point 6a to the agenda. An item on the Electronic Discussion Forum (EDF) set up by the WTO and a presentation by Mr. Arkell of a statement of UNCTAD addressed to the Task Force were added under "Other business". The adopted agenda is given in Annex 2.

Approval of the report of the seventh meeting of the Task Force , 9-10 June 1998, Geneva

4. Several comments and requests for changes were made by the participants. Changes have been made to paragraphs 7, 9, 11c, 14, 16, 24, 28 and 34. Deletions are crossed out and additions are bolded and italicised. The text of the amended report is given in Annex 3 and recipients of the present report are asked to confirm their agreement to it.

Review of actions taken since the Geneva meeting

5. Participants reported on the actions taken since the Task Force meeting in Geneva. The list of actions to be taken is given in paragraph 43 of the report of the seventh meeting. UNSD informed the Task Force that the publishing costs of the Manual as a UN publication have been approved and registered in the budget. IMF explained that the introductory text to the correspondence tables between EBOPS classification and the CPC was underway. The OECD had sent written comments on Mr. Arkell's paper dealing with this issue to Task Force members.

Final Title for the Manual

6. Preferences for a final title for the Manual were discussed. WTO's choice of "Manual on Statistics of International Trade in Services" was agreed to.

Oral Reports

Meeting of the Expert Group on Economic and Social Classifications, 2-5 November 1998, New York

7. UNSD reported to the Task Force that the Expert Group welcomed the reports of the classifications subgroup of the Voorburg Group and of the Task Force on Statistics of International Trade in Services and noted with satisfaction the more detailed elaboration of categories of the Balance of Payments Classification of Services through the use of the Central Product Classification, Version 1.0. A number of participants viewed such work as important to the future integration of statistics on domestic services with international trade in services. UNSD also requested that the Experts Group be used to review the classifications which are not yet internationally approved, namely the Extended Balance of Payments Services classification (EBOPS) and ISIC Categories for Foreign Affiliates (ICFA, formerly referred to as ACFA, Activity Classification for Foreign Affiliates).

Meeting of the IMF Committee on Balance of Payments Statistics, 21-23 October 1998, Washington

8. IMF reported to the Task Force on three papers which were presented to the Committee. The first was a paper from WTO "Implementation of Methodological Standards in the Compilation of Trade in Services in the Balance of Payments Framework". This paper introduced the idea of obtaining information on methodological practices in the compilation of trade-in-services statistics by means of a survey. Results would be held in a metadatabase similar to that of the Survey of Implementation of Methodological Standards for Direct Investment carried out jointly by the IMF and the OECD.
9. Committee members agreed that metadata are important and that periodic updates are necessary for the data to retain their usefulness. One member of the Committee noted that global discrepancies in the statistics arise not only through differing compilation practices, but also because it is easier in some areas to collect data on exports than on imports. Representatives from non-European countries were more in favour of such a survey than those from European countries. The latter have already participated in a similar process and have provided detailed information on individual country practices to Eurostat's Task Force 2.
10. Ms. Carson pointed out that resource constraints would prevent the Fund from getting involved in 1999. Funding of the Manual on Statistics of International Trade in Services gets priority and the Manual needed to be much closer to completion before the Fund would consider participating in such a survey. She nevertheless acknowledged the existence of a gap in available methodological information. The issue would need to be taken up later.
11. The Committee noted that the project would produce useful results and should not be abandoned. It should be taken up with the Interagency Task Force on Statistics of International Trade in Services. The Committee also acknowledged the need to co-ordinate the project with the work required for the completion of the Manual.
12. WTO thought that a survey should come after the Manual, possibly in two or three years time. Ms. Steger mentioned that EU countries were presently taken up with the Monetary Union and could only agree to run a survey later. Eurostat said that the forthcoming Report on the Current Account incorporating the results of the Gentleman's Agreement process would provide an update of metadata for EU countries. The Report would be communicated to the IMF.

13. The second paper “Manual on Statistics of International Trade in Services: Status Report” described progress with the Manual and identified those areas which go beyond the BPM5 framework (mode 3 and part of mode 4). The introductory chapter (paras. 15 to 99 of the second draft) and the action plan drawn up at the Geneva meeting of the Task Force (June 1998) were distributed as attachments to the paper.
14. The third paper “Concordance between the BPM5 Classification of Services, the Joint OECD/Eurostat Classification of Services and the Central Product Classification: Status Report” provided the Committee with the draft Concordance and identified some issues of concern. Committee Members were invited to pass this concordance on to their experts for review.
15. The following points were emphasised by the Committee:
 - a) The need for the Manual to provide guidelines for the compilation of statistics helpful to trade negotiators;
 - b) The need for a clear, concise and informative Manual;
 - c) The need to adjust the time table: the quality standards required for the Manual would probably take more time to reach than initially scheduled;
 - d) The need to refer to existing systems (BPM5 and SNA 1993) and to clearly identify any departure from them;
 - e) The need to reserve sufficient time for consultation and comments on the Manual;
 - f) the need to provide a clear explanation of the modes of supply and the concept of investment income;
 - g) The need of a clear definition of FATS statistics and of the concept of foreign control;
 - h) the probability that there would be differences between countries in the sources used to collect FATS statistics;
 - i) The desirability that the Task Force discuss a system for collecting statistics on foreign affiliates trade in goods as well as in services to meet the requirements of trade negotiators in the next round of negotiations;
 - j) The preference for quality over quantity of data.
16. Eurostat agreed on the importance of having one single classification for FATS statistics. Ms. Steger explained that EU countries needed to refer to a common framework in order to save on limited resources and reduce the response burden put on compilers. On the other hand, countries should be free to decide the source they use to collect the required data. WTO said that the Manual should provide some broad recommendations for the collection of FATS statistics since no compilation guide existed as yet.

OECD meeting on globalisation of the Statistical Working Party of the Industry Committee, 4-5 November 1998, Paris

17. OECD informed the Task Force that chapter 4, “Foreign Affiliates Trade in Services” of the second draft of the Manual had been circulated to participants to the meeting on Globalisation in mid-October. Comments were voiced by a few countries. Australia pointed out that chapter 4 did not cover GATS needs since it did not include the four modes of supply. The United States noted that FATS statistics did not fall within the BOP resident/non-resident concept. France and Canada remarked that a lot of foreign affiliates produce both goods and services. It was not clear how their trade in services was to be accounted for.

18. The OECD Working Party on Globalisation is in the process of developing a manual on globalisation indicators. It will include FAT statistics. Participants stressed the need to ensure consistency between their chapter on FAT statistics and chapter 4 in the Manual.
19. WTO agreed that it was necessary to ensure consistency between both manuals and to use the same language. Eurostat explained that globalisation has been given a low priority due to a heavy work programme. Nevertheless, the representative agreed to the necessity of using only one classification for FDI, globalisation and trade-in-services statistics. UNSD suggested that a person from the Working Party attend the future meetings of the Task Force and vice versa. The representative also requested that papers of the meeting relating to the chapter on FAT indicators be circulated to members of the Task Force.
20. The Chairman agreed to communicate these remarks to the Working Party. He also suggested that the Task Force press on with the new draft of chapter 4 of the Manual, circulate it in due course to the Working Party on Globalisation for comments and discussion with the aim of reaching harmonisation. UNSD and WTO suggested that the persons responsible for the drafting of the chapter on FATS in both manuals get into contact before the respective drafts are finalised to ensure harmonisation. It would also be desirable that the author of the chapter on FATS in the manual on globalisation indicators attend the next Task Force meeting.

Discussion of the second draft of the Manual on Statistics of Trade in Services (MSTIS)

21. The Chairman stated that the Task Force must come to a clear agreement as to the content of each chapter of the Manual before the end of the meeting and must decide how the second draft needs to be reorganised. To this effect he proposed a round table for each member to give her or his views on both these points.
22. Speaking for the OECD, he explained that the main concern of the Organisation was to produce a manual for compilers to evaluate the statistics needed for the GATS, using EBOPS and FATS classifications. The Manual must ensure that all relevant material for statistical compilers is included and all irrelevant information, which distracts from the main objective, is removed.
23. Eurostat's view was that the Manual should concentrate on EBOPS and FATS. Two main chapters must focus on what data should be collected and on what statistical compilers need to know. EBOPS needs to be carefully explained and practical information should be provided on items which are to be included and items to be excluded. Other comments contained in the second draft are to be reviewed, some are useful to keep, others are to be removed. Repetitions are to be avoided. The BPM5 or ESA are clear and concise manuals which could be taken as models for the MSTIS.
24. Mr. Wichard agreed that BPM5 is a good example of a well conceived manual, comprehensive but not overwhelming. He found Chapter 1 of the second draft too long, too detailed and needed condensing, Chapter 3 too brief on the resident/non-resident concept; Chapter 6 contained useful information but not written with statisticians' concerns in mind. Some parts of the main body of the Manual should be moved to an annex. The glossary contained terms which are not directly related to trade in services.
25. WTO said that the second draft was far from the quality Manual required. There are too many repetitions, chapters need to be reorganised. The representative suggested that chapter 5 be

dropped, the CPC introduced in Chapter 1, EBOPS classification in the balance of payments chapter, ICFA classification in the FATS chapter.

26. UNSD agreed that chapter 5 be removed and its contents included appropriately in the other individual chapters. The glossary needs reorganisation and repetitions must be avoided. The SNA glossary could be taken as an example. Concepts and definitions which are not yet international standards need to be clearly identified. This will help prepare issues which need to be discussed by the world-wide expert group and need official approval.
27. IMF's view is summarised in the views, already presented, of the IMF Committee on Balance of Payments Statistics. IMF stressed the need to focus more closely on what precisely compilers are being asked to do and how to do it. The representative suggested starting with the existing international systems (i.e. BOP and SNA), clarifying FATS, mode of supply 4 and the relationship between new and existing statistics. ~~IMF is in favour of a separate compilers' guide and has mixed feelings about making the MSTHS a stand-alone document since users can refer to the BPM5 for additional information as required. There is a need to decide how much guidance on compilation practice should be included in the manual. Regarding balance of payments transactions, compilers will be able to refer to BPM5 and the Balance of Payments Compilation Guide for further assistance. It would like to see the EBOPS-CPC concordance in the Manual as an annex.~~
28. Ms. Steger's view was that countries are interested in having a compilers' manual. It would be desirable to insist on borderline cases and less on the standard components which are already defined in the BPM5 and can be referred to. Compilation guidelines are particularly important for FATS because this is a new area. Countries should be left to decide the way in which they collect data. Classifications should not be discussed in a separate chapter.
29. Ms. Nijhowne insisted on the need to explain the reasons for collecting the data required in the Manual and not only say what data need to be collected. Balance of payments statisticians have in the past been isolated from other services statisticians and should become more aware of the work of compilers of domestic services statistics. The opening of new perspectives through the inclusion of statistics by the four modes of supply can induce creativeness in data collection methods which should be shared.
30. Mr. Arkell reminded the Task Force that the first brief he was given on the work required for the Manual was to edit, not change, Mr. Bame's draft and then draft chapter 1 and chapter 6. Later, he was asked to go beyond a compilers' guide in order to also serve the concerns of academics and researchers. The Task Force, at its meeting in Geneva, did not get far enough in the discussion of the first draft of the Manual to provide clear instructions for further work. It was, in particular, left to his own judgement to decide to what extent the Manual should be self-contained and what importance should be given to FATS in the Manual.
31. The Chairman agreed that Mr. Arkell had been given conflicting instructions and said that his competence was not put into question. He suggested that the Task Force proceed to discuss the content of the Manual. An in-depth review of the structure of the Manual and a lengthy and detailed discussion of the appropriate content followed and resulted in the drafting of an outline of four chapters: Chapter 1, Introduction, Chapter 2, Framework, Chapter 3, Transactions between residents and non-residents, Chapter 4, Foreign Affiliates Trade in Services. A list of annexes to be included was also drawn up. These are provided as a single document in Annex 4.

32. Former chapter 5 of the second draft was dropped. Instead, classifications are to be dealt with in the relevant four chapters outlined by the Task Force. It was decided that the remaining part of chapter 6, mainly practical examples of problems faced and solutions adopted by reporting countries would be left in for the moment until the four revised chapters were drafted. The Task Force would then be in a position to decide what information left in chapter 6 would be useful to keep in the Manual. It would also decide whether other countries, for instance the United States and Canada, should be asked to share their experience by providing compilation hints for the treatment of borderline cases.
33. The first draft outline of the introduction and of chapters 2, 3 and 4 were circulated for further discussion and comments on the last morning of the meeting. A lengthy discussion developed around the list of priorities given in the second draft (paras. 23-32) of the Manual. The Chairman remarked that the priorities had so far been ranked by feasibility as well as by desirability. ~~He proposed that the Manual refer to a “phased approach to implementation” and not to “priorities”. The proposal was accepted by the Task Force and~~ it was decided that a point 7 “Steps for implementation” would be added to the outline of chapter 2. The steps would include an additional item “collect complete FDI statistics (flows, income, positions)” as proposed by Eurostat. The existence of this list of steps for implementation would be announced in the Introduction. The changes agreed to are included in the Outline given in Annex 4.
34. General comments on the second draft related to the Table of Contents: it was considered that it could be shortened if the Manual is to include an Index. The subheading “recommendations” should be removed, but the recommendations themselves could be left in the body of the text. Wherever possible, short paragraphs should be grouped. The vocabulary used should be as simple and accessible as possible for users whose native language is not English. Task Force members are to indicate an alternative wording for passages or expressions they consider too complicated.
35. Chart 3, page 55 “Classifications used by Statistical Frameworks and Systems” is to be dropped. On the other hand, the charts on pages 57 and 58 “Coverage of FATS and BOP related Modes of Supply” are to be kept. They are central to the issues dealt with in the Manual. They will figure on one page and an explanatory text will be included to introduce them, possibly providing practical examples. There was a discussion as to whether Chart 1 on page 30 “The WTO” should be kept. UNSD and IMF were of the opinion that it should be deleted; OECD, Eurostat and Mr. Wichard found that it had the merit of explaining that the GATT still existed. WTO suggested replacing it by a paragraph of text. Box 1 on page 33 should be kept and quote WTO as the author. It should be complemented by the chart provided by Hugh Henderson from Statistics Canada.
36. The Chairman informed the Task Force that, following agreement with the parties concerned, the third draft of the Manual would be shared between Mr. Arkell and Mr. Wichard. Mr. Arkell will draft Chapter 2 “The Framework” and report directly to the WTO/IMF which will act as lead Organisation. ~~The IMF will work in close co-operation with Eurostat.~~ Mr. Arkell will start his consultancy on 22 January 1999. Once Chapter 2 is completed, Mr. Arkell will engage in the drafting of Chapter 3 “Transactions between residents and non-residents”. IMF will act as lead Organisation to which Mr. Arkell will report. Lead organisations will work in close cooperation with other members of the Task Force. Mr. Arkell suggested that he could also draft Chapter 1, Introduction. Mr. Wichard will draft Chapter 4 “FATS” and ensure co-ordination with the author of the chapter on FATS for the OECD Manual on Globalisation Indicators. Chapters 2, 3 and 4 are scheduled to be drafted within the first three months of 1999.

37. In view of the agreement on the content and procedure for the third draft of the Manual, a new action plan was drawn up. It is given in Annex 5 to the Report.

Discussion of the need for an ISIC based classification for FATS

38. UNSD questioned the need for an intermediate level of classification for foreign affiliates based on ISIC Rev. 3. The main concern was to avoid the proliferation of classifications when not absolutely necessary. Since ISIC Rev. 3 is related to CPC version 1.0 and the correspondence between the services part of the BOP classification and the CPC of services has been set up, why not simply use ISIC for the classification of FATS and link the BOP classification to ISIC? IMF pointed out that the proposed ISIC Categories for Foreign Affiliates (ICFA) by Eurostat had not yet been fully reviewed.
39. OECD answered that an activity classification for FATS linked to EBOPS was necessary to ensure comparability across countries and the collection of standard data, while limiting the demands on reporting countries. WTO stressed that it was useful for the collection of data by modes of supply. Ms. Steger explained that ICFA provided a common framework to collect comparable data and its link to the BOP classification afforded useful guidance to achieve this. Mr. Wichard said that an intermediate level of classification would be useful to services statistics purposes. He suggested adding CPC codes to the ICFA/EBOPS correspondence. Ms. Nijowhne supported the suggestion of an intermediate level of classification on the condition that the reasons for its existence were explicitly stated. IMF asked that it be mentioned that the use of ICFA was recommended for reporting to WTO, Eurostat and OECD. Trying to approximate products by activities was not a good procedure for, nor applicable to, all IMF countries. WTO suggested that the Manual first recommend the use of ISIC and then of ICFA when possible.

Electronic Discussion Forum (EDF)

40. The Chairman thanked WTO for creating an EDF. It had proved useful to circulate the second draft of the Manual to Task Force members and to receive and react to comments. WTO was aware of some problems encountered by some Organisations in accessing the Forum. The representative asked those concerned, in particular OECD and IMF, to test the system further and provide precise explanations of what does not work well in order to enable WTO technicians to introduce improvements. The WTO will explore the feasibility of introducing a series of technical improvements to the system in the light of the experience gained in its usage and the costs involved. It will report its findings to the Task Force as soon as possible.
41. The Task Force decided to use the EDF for the third draft of the manual. It will initially comprise the outlines of each chapter, as decided by the Task Force. Subsequently, as soon as a chapter is drafted, it will be included in the EDF. The report of the Frankfurt Task Force will be included as a comment.

Mode of supply 4: Presence of Natural Persons

42. Mr. Arkell read out a statement addressed to the Task Force by UNCTAD concerning statistics on “Movement of natural persons as service suppliers” The conclusion of the study conducted by Mr. Arkell for UNCTAD on this issue was that “the available statistics for mode 4 are insufficient at present for an annex to the Manual to be developed that would be of immediate practical use. Additional basic efforts and research to improve and develop existing statistical systems should be completed first. In the meantime mode 4 should be treated within the main body of the Manual, even if only partially”. This point of view had already been agreed on by the Task Force, since part of mode of supply 4 will be covered in the appropriate chapters (see Outline, Annex 4).

43. UNCTAD will seek advice from WTO and approach the Organisations represented in the Task Force for their views on how best to develop a comprehensive framework for the collection of statistics on the movement of natural persons.
44. Mr. Arkell then presented a content analysis done by himself of article I 2(d) of the GATS and of the “Annex on the Movement of Natural Persons supplying services under the Agreement”. The analysis was considered useful by the UNSD, the IMF and OECD. If the interpretation is accepted by WTO, the task of defining mode 4 in the Manual would be simplified.
45. WTO asked Mr. Arkell to provide a list of examples of typical movements of natural persons which should, according to his interpretation, be included in or excluded from mode of supply 4, or which remain controversial, in order to sound the views of the WTO on the appropriate treatment for them. UNSD asked that the interpretation be not only circulated within WTO, but also to the International Labour Office (ILO) and the International Organisation of Migration (IOM) to seek their views. Ms. Nijowhne asked that the legal terminology used by the WTO be translated into statisticians’ language.

Date and venue of next meeting

46. Given the time-table for the drafting of the third version of the Manual and the delays required to send and incorporate Task Force member’s comments into the third draft, it was decided that the next meeting of the Task Force would be held on 7 July 1999, following the meeting of Experts on Trade-in-Services Statistics at the OECD in Paris.

ANNEX 1

MEETING OF THE TASK FORCE ON STATISTICS OF INTERNATIONAL TRADE-IN-SERVICES

11-13 NOVEMBER 1998, FRANKFURT

LIST OF PARTICIPANTS

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ANNEX 2

MEETING OF THE TASK FORCE ON STATISTICS OF INTERNATIONAL TRADE IN SERVICES

11-13 November 1998, FRANKFURT

beginning at 9:30 a.m. on Wednesday
MesseTurm (room 5115)
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AGENDA

1. Adoption of the agenda
2. Approval, paragraph by paragraph, of the report of the seventh meeting of the Task Force held in Geneva on 9-10 June 1998
3. Review of actions which have been taken since the Geneva meeting - Reports by Task Force members responsible for the actions listed in paragraph 34 of the report
4. Decide a title for the Manual
5. Oral report on the meeting of the Expert Group on Economic and Social Classifications, New York, 2 - 4 November 1998, by Mary Chamie
6. Report on the IMF Committee on Balance of Payments Statistics meeting (21-23 October 1998, Washington) by Margaret Fitzgibbon
- 6a. Report on the meeting on Globalisation of the Statistical Working Party of the Industry Committee (4-5 November 1998, Paris) by Derek Blades
7. Discussion of the second draft of the Manual
8. Review of the Action Plan
9. Date and venue of the next Task Force meeting
10. Other business:
Comments on the WTO Electronic Discussion Forum
Statement of UNCTAD on "Statistics on the movement of natural persons"

ANNEX 3

REPORT OF THE SEVENTH MEETING OF THE INTERAGENCY TASK FORCE ON STATISTICS OF INTERNATIONAL TRADE IN SERVICES

(REVISED)

Geneva 9-10 June 1998

1. The meeting was opened by Mr. Vladimir Tisslenkoff, Chief of the International Relations and Services Section, of the World Trade Organisation (WTO). The international organisations represented were the UN, the IMF, UNCTAD, Eurostat, the WTO and the OECD. Ms. Almut Steger, from the Deutsche Bundesbank, participated in her capacity as chairperson of the OECD Group of Experts on Trade in Services Statistics, Mr. Obie Whichard as expert consultant from the US Bureau of Economic Analysis, Mr. Erwin Veil as consultant for the OECD, Mr. Julian Arkell as consultant to the Task Force and author of the draft Manual on trade in services. The list of participants is given in Annex 1.

2. Mr. David Hartridge, Director, Trade in Services Division of the WTO, gave an introductory speech emphasizing that the lack of reliable and comprehensive statistics on trade in services had been severely felt during the Uruguay Round negotiations. The next round of negotiations is scheduled to start in 1999. He said that the Manual on Trade in Services would be a welcome and useful guide for negotiators during the round.

3. He informed participants that the WTO is in the process of preparing studies on specific sectors in order to provide a statistical backing for negotiators. Mr. Hartridge noted that the distinction between "cross-border" and "consumption abroad" is difficult to draw in practice and is also less relevant for negotiation purposes. In consequence, both modes of supply may be merged into one single category. He stressed that the supply of services through the presence of natural persons was an important and politically sensitive issue to negotiators.

4. After Mr. Hartridge's introductory speech, the Chairmanship of the meeting was handed over to Mr. Derek Blades, from the OECD, convener of the meeting.

Adoption of the Agenda

5. The agenda, given in Annex 2, was approved after the following changes:

- The *Action Plan* (point 6) would be discussed after general comments concerning the *Review of the Manual* (point 8). The detailed review, paragraph by paragraph, would follow the discussion of the Action Plan.
- The setting up of a *world-level Expert Group* would be discussed together with the Action Plan.
- Under *Other business* (point 9), WTO would present its project to create an Electronic Discussion Forum (EDF) on Internet.

Approval of the reports of the Sixth Meeting of the Task Force (26-27 June 1997, New York) and of the Informal Meeting of the Task Force (25 November 1997, Paris)

6. The report of the sixth meeting, held on 26-27 June 1997, at the United Nations, New York, (STD/SERV(97)2REV1) which had been amended to reflect comments by members of the Task Force, was approved.

7. The report of the Informal Meeting of the Task Force, held on 25 November 1997 at the OECD, Paris, needs to clarify paragraph 10. The question raised by the UN related to whether the Manual was to be *co-published*, as said in the report, or *co-authored*. The UNSD representative said that if the manual was "~~co-authored~~" *co-published* the author agencies would have to share ~~printing~~ *publishing* costs. The Chairman referred to the 1993 SNA and said that the OECD would prefer to see the acronyms/logos of all funding organisations on the cover page of the Manual. Eurostat and the WTO supported this position. The UN is to enquire into this issue and inform the Task Force at its next meeting.

Review of the conclusions of the UN Working Group on International Statistical Programmes and Co-ordination (10-13 February 1998, New York)

8. The Task Force noted the conclusions of the UN Working Group on International Statistical Programmes and Co-ordination (New York 10-13 February 1998) relating to the Task force on Statistics of International Trade in Services. It noted the necessity to clarify the treatment of Foreign Affiliates Trade in Services (FATS) by activity in the Manual. The clarification will be made at the next UN Working Group. Other questions concerning the classifications to be used in the Manual are dealt with in the next section.

Classification issues

- i) The WTO proposal for the OECD-Eurostat International Services Transactions Classification.

9. The Task Force agreed to extend the OECD-Eurostat classification to include items which are useful to the WTO for negotiation purposes and indicate the amendments as memorandum items. It was suggested that the extended version be in future referred to as the *Extended Balance of Payments Services (EBOPS) Classification*. ~~The UN suggested an alternative acronym *EBOP*, thus dropping the reference to services classification.~~

10. The Task Force agreed that the EBOPS classification would be presented in the Manual as an extension of the BPM5 classification of service transactions. The extensions could be clearly indicated by using a different type face or tags.

11. Eurostat proposed three memorandum items to the EBOPS classification.

Two are additions:

- a) A breakdown of the memorandum item insurance premiums and claims by type of insurance service (life, freight etc.)
- b) A memorandum item summarizing audio-visual transactions will contain:
 - Services
 - Sales of intangible assets
 - Copyrights
 - Distribution rights.

It should be noted that this memorandum item includes sales of intangible assets which is an item of the capital account in the BPM5. It is included here so as to provide an overall picture of audio-visual services which are sometimes difficult to break down.

One is a change:

- c) Eurostat proposed replacing the “ex-works” valuation of merchandise trade by a valuation based on invoice values. The memorandum item will be named “Merchandise transport between residents and non-residents valued on an invoice basis”. ~~This will be subject to a formal approval by OECD Member countries through a written procedure. This change needs to be indicated in a footnote to the classification. but need not go through a formal approval procedure by the IMF since it does not affect the BPM5 classification.~~

12. All changes occurring as a consequence of these additions must be approved and co-ordinated by the international organisations concerned (Eurostat, IMF, OECD, UNSD). It was suggested that Jean Claude Roman be responsible for Eurostat and OECD and Margaret Fitzgibbon for the IMF. The UNSD will be informed and consulted where necessary.

13. It was suggested that BPM5 non-service items, such as *Goods for processing and repairs on goods, acquisition/disposal of non-produced intangible assets, Compensation of employees*, which could be of interest in analysing international trade in services, be shown separately at the end of the classification.

- ii) FATS statistics activity classification and the Eurostat correspondence table between activities and products

14. Eurostat proposed that FATS variables should be classified according to ISIC Rev.3, in an Activity Classification for Foreign Affiliates (ACFA). It Eurostat had identified a set of ISIC positions that *it believes to provide* provided a good link with BOP codes. Complete consistency between ISIC and the BOP classification is not possible. The product and industry approach to classifications cannot be made completely compatible due to conceptual differences between them. ***It was suggested that the*** The correspondence table between ACFA and EBOPS classification will appear in an Annex, and NACE categories will be replaced by ISIC at the 3 digit level. ~~Eurostat will check that the ISIC codes are correct.~~ ***Eurostat will change NACE codes to ISIC.*** UNSD will work with the IMF to ensure that alignment between ISIC and BOP codes is correct. The correspondence between the two classifications will be further discussed at the next meeting of the Task Force. The OECD Trade in Services Experts Group and the Industry Committee’s Globalisation Workshop (under the auspices of Working Party No.9) should also be consulted.

- iii) IMF proposal for a correspondence table between the EBOPS classification and the CPC

15. The IMF reported on the status of the correspondence table relating the EBOPS classification to the Provisional CPC and CPC version 1.0. presented in the Ottawa Report. It is designed to help define

the content of each balance of payments component and provide a structure for the collection of greater detail, as needed. The Chairman expressed the thanks of the Task Force to Statistics Canada for their contribution in setting up the correspondence table with the Provisional CPC. The IMF proposed drafting an introductory text and explanatory notes to the correspondence table.

16. There was an exchange of views as to whether the provisional CPC should remain in the table. On the one hand, it was argued that it would help compilers who already implement the provisional CPC to switch to version 1.0, and if surveys are conducted to obtain trade in services data, *the balance of payments* codes are useful. On the other hand, codes are not useful if the data collection system is based on settlements. Were both the CPC version 1.0 and the provisional CPC provided they could appear as equally recommended for implementation and create some confusion for compilers.

17. It was decided by the Task Force that the correspondence table given in the Manual would relate the EBOPS classification to the CPC version 1.0. The complete table including the correspondence with the Provisional CPC would be made available to users on the Internet and, to those not connected to Internet, in the form of a paper document prepared by both the UNSD and the IMF.

18. The IMF will indicate to Eurostat and the OECD which memorandum items need to be defined in terms of the EBOPS classification-CPC correspondence, in particular, those relating to tourism.

Report by UNCTAD on the study of the movement of natural persons

19. The document *Working abroad : the Presence of Natural Persons* was distributed at the meeting and introduced by UNCTAD. The consultant, Julian Arkell, author of the paper, explained that time had been too short to produce a comprehensive review of all documents received. He, nonetheless, suspected a bi-modal distribution of workers abroad in function of their skills. Groups of “very skilled” and “unskilled” workers do not have the same numerical importance which raises sampling problems for future surveys. In addition, the information needs for both groups are not the same. Skills certainly need to be identified for the first group, whereas variables other than skills (which need to be defined) may appear more significant for the second group.

20. This fourth mode of supply of services within the GATS framework is considered important and politically sensitive. Yet, given the complexity of the issue and the time schedule for the Manual, it was suggested that the study remain as an annex to the Manual. It needs to be commented on by the ILO, the UN, Eurostat and the OECD. UNCTAD has asked Julian Arkell to produce the study for comments by end October 1998. It could also be discussed at the OECD meeting of Experts on Trade in Services Statistics.

Review of the draft Manual on trade in services

A) General Comments

21. The Chairman called on participants to make general comments on the Manual before discussing the Action Plan and before engaging in a detailed review of the Manual, paragraph by paragraph.

22. There was a consensus that the draft prepared by Julian Arkell was a substantial contribution towards the production of a Manual on Trade in Services. The work accomplished in bringing together a multiplicity of existing statistical systems, sources and classifications was regarded by all as an impressive step forward setting up a solid basis for concrete proposals for improvement.

23. It was recommended that, for clarity's sake, the acronyms FAT (Foreign Affiliates Trade) and FATS (Foreign Affiliates Trade in Services) would be used, since they are generally accepted, and would be followed by "statistics", systematically spelled out.

24. More emphasis should be put on the main aim of the Manual which builds on existing *international* frameworks (BPM5, SNA 1993, the OECD-Eurostat Classification) and *developing* FAT statistics). Paragraphs not focused on the main aim of the Manual should be dropped.

25. The Manual does not satisfy all GATS requirements and, at the same time, goes beyond them on some issues. This should be clearly stated. The place given to GATS should be reduced. References to practices in individual countries and to national data do not have their place in an international Manual and should be removed. The Manual is intended as a statement of principles and definitions and not as a compilation guide.

26. The WTO noted that the Manual is primarily based on BOP, SNA and FATS statistics. Aspects of modes of supply outside these statistical frameworks, such as the UNCTAD contribution on the presence of natural persons, should appear in an annex.

27. At the request of the Task Force, Obie Whichard drafted and submitted a proposal for an introductory text to the Manual at the meeting. It was welcomed by all participants and adopted with a few slight changes. An amended version of the proposal, taking into account comments made at the meeting is given in Annex 3. A short description of the contents of each chapter as well as an identification of steps to be taken in the near future and of long-term goals will be added. Julian Arkell will draft this part of the introduction and submit it for comments to the members of the Task Force.

28. The major steps required for the implementation of the Manual should be explained in the introduction in terms similar to those of para.7.vi of the report of the June 1997 Task Force meeting. This description is destined to a wide audience which must not be confused by the technicality of the language. Eurostat stressed the importance of developing Foreign Direct Investment (FDI) statistics viewed as complementary to FAT statistics. FDI variables could be used in the short term in replacement of FATS variables by countries where the latter are not yet collected. A clear distinction between steps to be taken in the near future and long term goals will be made. The detailed following steps, to be included in an appropriate section of the Manual, yet to be decided, were agreed upon and classified by declining order of priority:

- 1) Implement BPM5 classification and BPM5 recording methods
- 2) implement Extended Balance of Payments Services (EBOPS) classification, excluding memorandum items and
- 3) Collect basic FATS statistics
- 4) Collect complete FDI statistics (flows, income, positions), *including a breakdown by activity*
- 5) Implement memorandum items in EBOPS classification
- 6) Collect extended FATS statistics
- 7) Implement mode of supply 4 on movement of natural persons
- 8) Distinguish between transactions with related and unrelated parties
- 9) Breakdown BOP resident/non-resident transactions by modes of supply.

29. The title, as it stands “The Manual on International Trade and Investment in Services”, appeared misleading as to the contents of the Manual. Investment in services should be removed. The following suggestions for a title were made:

- Manual on [statistics of] International Trade in Services [Statistics]
- Guidelines for Measuring International Trade in Services
- Manual on Trade in Services [Statistics]: International Trade and Foreign Affiliates Activities [in Services]
- Manual of International Trade in Services Statistics
- Manual of Statistics of International Trade in Services
- Manual of Statistics on International Trade and Investment-related Services

A final title will be decided upon at a later stage. It was nonetheless suggested that the least controversial title should be used. In this context, WTO expressed its preference for “Manual on Statistics of International Trade in Services”.

B) Detailed review

30. A detailed review of the draft Manual, paragraph by paragraph, was undertaken after the discussion of the Action Plan. The Task Force was able to review chapters 1, *Foundations for the Manual*, and 2, *the Conceptual Framework of the Manual* before the end of the meeting. The consultant, Julian Arkell, took note of the changes, additions, deletions suggested by the Task Force and will submit a modified draft, by end September 1998. Julian Arkell was given authority to incorporate, as he thought fit, comments which had not been discussed at the meeting. This draft would be submitted to the Task Force for further comments and guidance on major issues before a revised draft is submitted for wider consultation. Those members of the Task Force which had not yet submitted their comments were invited to do so by end June and circulate them to Julian Arkell and to other members of the Task Force .

The Action Plan

31. The draft Action Plan proposed by the WTO and sent out to members of the Task Force together with the provisional agenda of the meeting had to be revised due to unpredicted delays in the advancement of work on the Manual. These were attributable mainly to the request for a longer time period than foreseen for consultation and review procedures by the Task Force and also to the consultant’s time-table. It appeared necessary that a draft be submitted to the Task Force members before a revised version is submitted to a United Nations Expert Group Meeting convened to review the Manual.

32. A revised Action Plan taking into consideration several comments is attached in Annex 4. The Action Plan is open to further revision if necessary.

Other business

33. WTO explained to the Task Force its project to create on Internet an Electronic Discussion Forum (EDF). It will be opened on an Internet site for a limited length of time with restricted access via the use of a password. It is intended to serve as a forum for the exchange of comments and ideas on the Manual and will be made available in August 1998. The Task Force welcomed this initiative which would facilitate a multilateral exchange of views on the Manual.

Actions to be taken

34. This paragraph summarizes the actions agreed upon by the Task Force during the meeting and mentioned in the report.

Co-publishing or co-authoring of the Manual: the UNSD is to enquire into the issue of the financial implications of both options and inform the Task Force at its next meeting (para.7).

Co-ordinating changes in codes: Jean Claude Roman will be responsible for Eurostat and OECD, Margaret Fitzgibbon for the IMF (para.12).

Correspondence table between ACFA, (i.e. a proposed regrouping of ISIC) and EBOPS classification: Eurostat will check that the ISIC codes in ACFA are correct. IMF will check that the correspondence with EBOPSE *classification* codes is correct (para.14).

UNSD and IMF will make full EBOPSC/CPC version1.0 correspondence and its link to the Provisional CPC available to users on Internet and via a paper document (para. 17).

Correspondence table between EBOPS classification and CPC: The IMF will indicate to Eurostat and the OECD which memorandum items need to be defined (para.18). The IMF will also draft an introductory text and explanatory notes to the correspondence table.

Annex on the Fourth mode of supply of services: the ILO, the UN, Eurostat and the OECD should provide comments by end September 1998 (para.20).

Julian Arkell will complete the introduction agreed on during the Task Force meeting by adding a paragraph on priorities in a form similar to that in para.7.vi of the June 1997 Task Force report, summarising the eight priorities as defined above in para. 27. He will also draft short paragraphs describing the contents of each chapter of the Manual (one or two paragraphs for each Chapter). The complete introduction will be sent to members of the Task Force for comments.

Comments on the draft Manual: Members of the Task Force which have not yet submitted their comments are invited to do so by end June and circulate them to Julian Arkell and to the other participants (para.30).

WTO will set up a Discussion Forum on the Internet.

Eurostat will send its proposal for new items in the EBOPS classification to members of the Task Force.

UNCTAD will proceed with the the Annex on the Movement of Natural Persons on the basis of the paper presented to the Task Force on this subject.

ANNEX 4

OUTLINE FOR THE THIRD DRAFT OF THE MANUAL

CHAPTER 1 : INTRODUCTION

1. General introduction :
 - Refer to paras. 15-22 of the second draft.
 - Add a para 15a on new needs (GATS, Globalisation, new Negotiation Round); should be brief.
2. Contents:
 - of chapters
 - list of annexes

CHAPTER 2 : FRAMEWORK

1. New needs:
 - GATS four modes of supply
 - Globalisation (FDI and FA effects on host and foreign economy)
2. Approach adopted: build on existing systems.
3. Methodological antecedents:
 - International standards : BPM5, SNA 1993, Statistics of International Migration Version 1 (SIM), ISIC Rev. 3, CPC version 1.0.
 - Other work : FDI, Globalisation Committee, OECD, Eurostat country experience.
4. Resident/non-resident transactions:
 - Existing BPM5 system (basic rules: resident/non-resident transactions, valuation, timing, ownership)
 - Adaptation of BPM5
 - EBOPS
 - Identify modes of supply (1, 2 and 4 partially)
5. Operations with foreign affiliates, reference to SNA 93

- Links with SNA: control/ownership (SNA, BD3, BPM5)
- Variables
- ICFA: mention it exists, will be given further on
- Include chart of page 57 of second draft on “coverage of FATS and BOP related modes of supply”.
- Note that it identifies mode of supply 3 and 4 partially.

6. Links between resident/non-resident and foreign affiliates transactions.

7. Steps for implementation.

CHAPTER 3 : TRANSACTIONS BETWEEN RESIDENTS/NON-RESIDENTS

1. Describe evolution from BPM5 to OECD-Eurostat classification of trade in services to Extended balance of payments services classification (EBOPS).
2. Detailed description of EBOPS:
 - Definitions
 - Inclusions/exclusions
 - Remarks: BPM5 recording rules, compilation hints
3. Transactions between related parties
4. BOP statistics by partner country
5. Modes of supply and EBOPS:
 - Cover modes of supply 1, 2 and 4 partially
 - Case of travel, construction

CHAPTER 4 : FATS

1. Address the issue: why is there an interest for FAT statistics in the Manual?

- in the globalisation context, FAT statistics take into account new methods of delivering services

- in GATS, an interest for:

 - .. mode of supply through commercial presence,

 - .. mode of supply through movements of natural persons.

2. Universe to be covered:

- discuss whether to include all producers or producers of services only; recommendation: include all producers defined as foreign affiliates

- control criterion:

- define control in theory

- in practice: 50% or more ownership in one country

- borderline issues to be discussed:

 - .. ownership is intermediate, not final

 - .. 50% foreign ownership split between more than one country

 - .. special purpose entities (SPE), e.g. holdings

3. Attribution of FATS variables

- explain what is theoretically desirable and what is possible in terms of products and units of production:

 - .. discuss country attribution in relation to product/industry(activity) option

 - .. discuss country attribution in relation to criterion: ultimate beneficiary owner (UBO) or first foreign parent (FFP) or both

- activity attribution: refer to ISIC Categories for Foreign Affiliates (ICFA) and links with EBOPS classification

- product attribution: EBOPS classification

4. Activity classification

- explain why reference is made to activity and not product classification

- present links with EBOPS classification

5. Variables:

- turnover in domestic economy, value added

- employment (numbers employed)

- exports

- imports

- number of firms
- explain the choice of these variables:
 - .. for GATS, need to evaluate activities by type of service
 - .. for comparison of performance of foreign affiliates versus domestically-owned firms
- turnover of goods versus services: if possible provide a breakdown by product
- trade with parent companies.

6. Possible data sources:

- extension of existing FDI surveys
- extension of existing enterprise/establishment surveys
- new enterprise surveys for outward FATS
- stress the need for multiple approaches and links with existing data.

7. Mode of supply 4 restricted to foreign employees of foreign-owned companies (WTO is to confirm coverage).

LIST OF ANNEXES

1. Glossary
2. Extended Balance of Payments Services Classification (EBOPS)
3. EBOPS - CPC correspondence table
4. ICFA - ISIC correspondence table
5. ICFA - EBOPS correspondence table
6. Mode of supply 4: movements of natural persons
7. General Agreement on Trade in Services (GATS)
8. GNS/W120

ANNEX 5

TASK FORCE ON STATISTICS OF INTERNATIONAL TRADE IN SERVICES

Frankfurt 11-13 November 1998

DRAFT ACTION PLAN

1998

11-13 November Meeting of the Task Force (TF) in Frankfurt

1999

mid-February New discussion forum created for TF
beg. March United Nations Statistical Committee, New York
end March Chapters 1, 2, 3 and 4 completed and chapter 5 (remains of former chapter 6)
mid-May Comments from TF posted on discussion forum
end-May Comments from TF incorporated into draft Manual
June IMF, UNSD to set up worldwide distribution list (including Voorburg Group)
WTO to see that new EDF is accessible worldwide and prepare instructions for use
Third draft to be posted on EDF requesting comments worldwide
CARICOM meeting (?)
5-6 July OECD meeting of Experts on trade-in-services Statistics, Paris
7 July Task Force meeting, Paris
end-September Deadline for worldwide comments
September ESCAP meeting (?)
20 October IMF Balance of Payments Committee, Washington
November OECD meeting on Globalisation, Paris

2000

February UN Expert Group meeting, New York